

[Banking and Finance Law Daily Wrap Up, CHECKS AND ELECTRONIC TRANSFERS—Democratic legislators introduce bill to prod Fed on real-time payments; ICBA supports, \(Jul. 25, 2019\)](#)

Banking and Finance Law Daily Wrap Up

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The Payments Modernization Act of 2019 would declare the Federal Reserve's authority to build a real-time payment system and require the agency to build and implement the system.

On July 24, 2019, a group of Democratic legislators, including Senators Chris Van Hollen (D-Md) and Elizabeth Warren (D-Mass) and Representatives Ayanna Pressley (D-Mass) and Jesus "Chuy" Garcia (D-Ill) [introduced](#) the Payments Modernization Act of 2019. The bill would amend the Expedited Funds Availability Act to require that funds deposited be available for withdrawal in real-time. The bill was proposed in an effort to force the Fed to build and implement a real-time payment system and clarifies that the Fed already has the authority to build one.

The group of Democrats proposing the measure [believes](#) that the Fed has delayed implementing a real-time payment system for too long, noting that the Fed launched its Faster Payments Task Force in 2015, with the goal of developing a plan to bring faster payments to the U.S. by 2020. As a result, many Americans are suffering negative financial consequences because it takes too long for their checks to clear.

"For far too long, consumers and small businesses have unfairly shouldered the costs of our slow payments system—despite the fact that we have the technology to update it and a clear and urgent need to do so. I've pushed the Federal Reserve to develop a system that has the necessary guardrails, but progress there has been too slow," said Sen. Van Hollen. "Every day that passes without a better payments system in place puts the United States farther behind other major economies, and millions of working Americans—especially those living paycheck to paycheck—are paying the price. That's why I'm teaming up with my colleagues to introduce this bicameral legislation, which will ensure that the Fed acts without delay to develop a fast, efficient, equitable, and fair payments system."

Highlights. The bill begins by addressing the problems associated with inefficiencies in the current payment processing scheme. Because of the current delays in access to deposited funds, many Americans pay fees because their paychecks take three or more days to clear. Delays in access to funds also pushes families to seek other high-cost financial service providers, such as payday lenders, in order to have faster access to funds.

Further, the bill [notes](#) that central banks around the world have already implemented real-time payment systems, including those in the United Kingdom, Australia, Mexico, Poland, Japan, and South Africa. The measure also clarifies that under the Monetary Control Act of 1980, as well as the Expedited Funds Availability Act of 1987, the Fed has the authority to oversee the payment system in the U.S., including full authority to regulate all aspects of the payment system, including the receipt, payment, collection, clearing of checks, and related functions of the payment system pertaining to checks. As such, the bill would require the Fed to follow through with implementing its own real-time payments system.

Support by ICBA. On July 24, 2019, the Independent Community Bankers of America also put pressure on the Fed, by sending a [letter](#) to Fed Chairman Jerome Powell. In the letter, ICBA President Rebeca Romero Rainey strongly urges the Fed to provide a service role in the delivery of real-time payments. Ms. Rainey had also published an article on July 23, 2019, regarding this issue. The ICBA President [asserted](#) that if the Fed does not step in to implement a system, this could result in a monopoly in which only the largest banks have access to a for-profit system.

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