

Day One: October 3, 2018



FedPayments Improvement
COMMUNITY
FORUM

Collaborate. Engage. Transform.



Progress on Faster Payments Settlement Assessment

Federal Register Notice

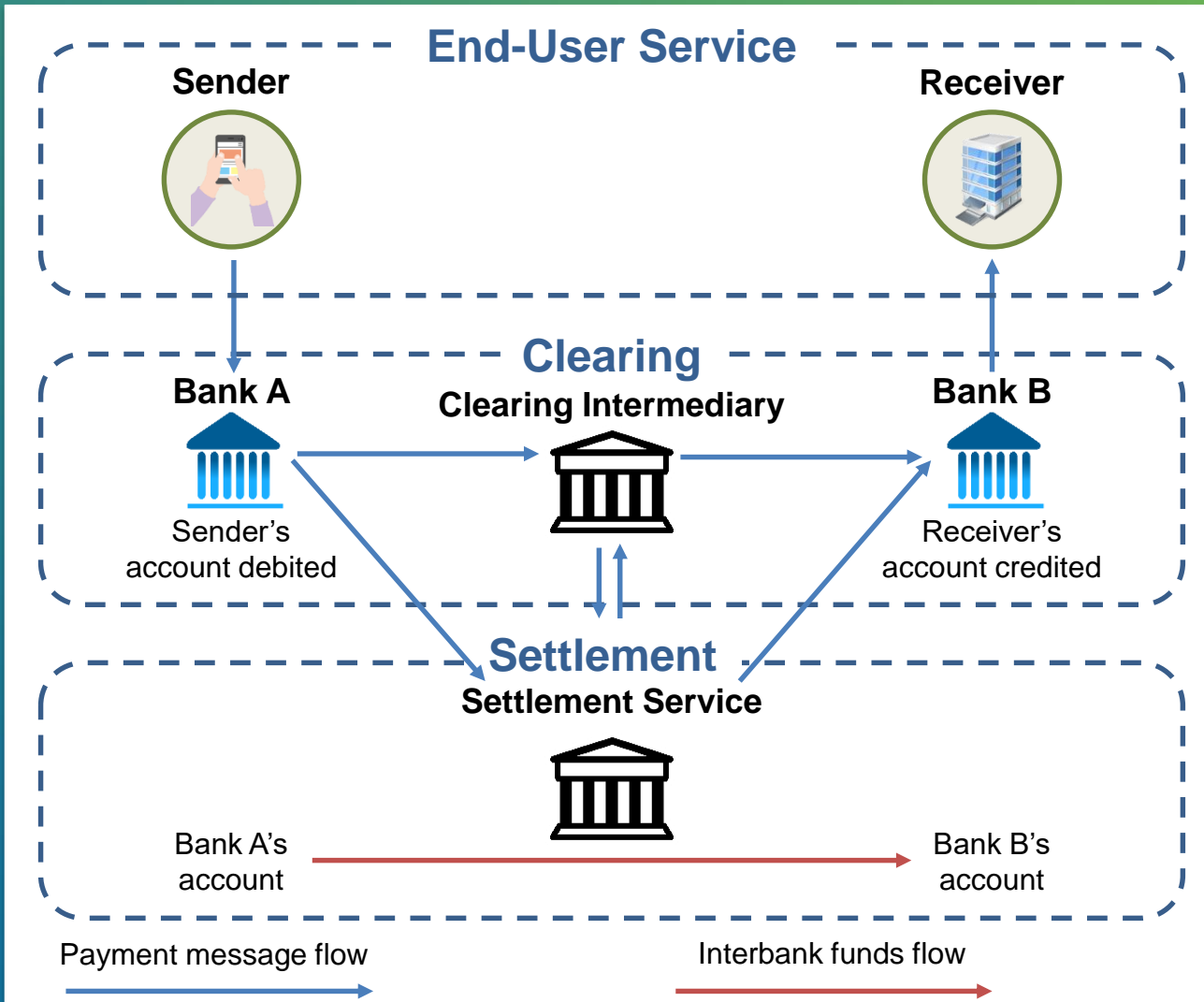
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Purpose of the Federal Register Notice

- Present potential actions the Fed could take to further industry goals of ubiquitous access to safe and efficient faster payments
- Seek public comments on which, if any, of these actions the Fed should pursue further



What is a Settlement Service?



Real-Time Gross Settlement

The Fed believes real-time gross settlement (RTGS) would provide the safest and most efficient infrastructure for settlement of faster payments



- Speed of settlement aligned to speed of underlying payment
- Interbank settlement risk inherently avoided
- Clearing functions potentially simplified
- Globally, new implementations of faster payment settlement services are based on RTGS model
- Deferred net settlement model has been commonly used, but requires management of interbank credit risk

Key Question: Is RTGS the appropriate strategic foundation for interbank settlement of faster payments in the United States?



Potential Fed Actions to Support Faster Payments

Objective: Promotion of ubiquitous, safe, and efficient faster payments in the United States through facilitation of real-time interbank settlement

Two potential Fed actions:

1. Develop a **24x7x365 RTGS Settlement Service** for faster payments
2. Develop a **Liquidity Management Tool** to support RTGS services

Potential 24x7x365 RTGS Settlement Service

Potential 24x7x365 RTGS Settlement Service

Real-time, interbank payment-by-payment messaging and settlement in Federal Reserve accounts

24x7x365: Operating around the clock, every day (weekends and holidays)

Full payment information (clearing and settlement) carried in payment message

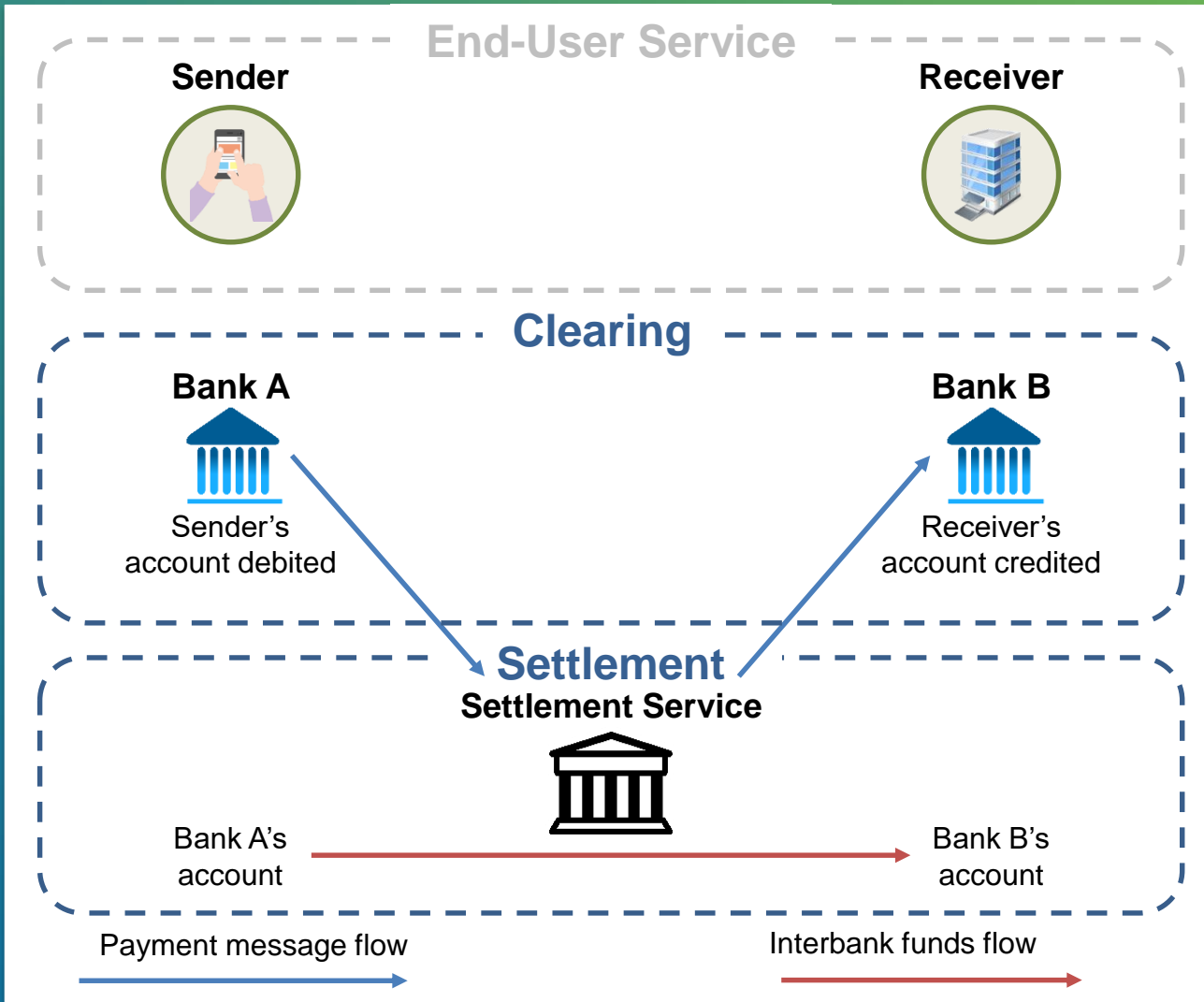
Available to depository institutions eligible to hold a Federal Reserve account

- Agents could submit payments on behalf of a depository institution
- Access through Reserve Bank channels (FedLine)

End-of-day balances recorded for each day of the week



Potential 24x7x365 RTGS Settlement Service



Key Questions to Ponder

- Will there be sufficient demand for faster payments in the next 10 years to support the development of a Fed service?
- What adjustments would the industry and its customers need to make to operate in a 24x7x365 environment?
- What is the ideal time to market? When would be “too late”?
- How important is interoperability between RTGS services for faster payments to achieve ubiquity?
- Would the Fed’s action hasten or inhibit industry adoption of faster payment services?



Potential Liquidity Management Tool

Potential Liquidity Management Tool

- A way to move money outside standard business hours between a master account and another Federal Reserve account used to support 24x7x365 real-time settlement services for faster payments
- Potential functionality
 - Bank-initiated transfers
 - Agent-initiated transfers
 - Automatic transfers/standing instructions

Key Questions to Ponder

- Will there be sufficient demand to support the development of a liquidity management tool?
- How much would the tool help foster ubiquitous access to safe and efficient faster payments?





Overall Questions to Ponder

- Should the Fed develop in tandem a 24x7x365 RTGS Settlement Service and Liquidity Management Tool? Should the Fed pursue only one, or neither?
- What other actions might help achieve ubiquitous, nationwide access to safe and efficient faster payments?
- Beyond payment services, are there other actions the Fed could take under its existing authority to achieve the goal?

WRAP-UP

- **Consider “questions to ponder” for tomorrow’s breakout groups**
- **Written responses – we need to hear from you by the comment deadline, December 14!**
- **Timeline for next steps**