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Federal Reserve seeks comment on actions to support development of faster payments

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Earlier this month, [the Federal Reserve invited comment](#) on actions it can take “to promote ubiquitous, safe, and efficient faster payments in the United States by facilitating real-time interbank settlement of faster payments.” Comments are due by December 14, 2018.

More specifically, the Fed is seeking comment on two potential actions. One action is the Fed’s development of a service for real-time interbank settlement of faster payments 24 hours a day, seven days a week, 365 days a year. The second action is the creation of a liquidity management tool that would enable transfers between Federal Reserve accounts on a 24x7x365 basis to support services for real-time interbank settlement of faster payments, regardless of whether those services are provided by the private sector or the Federal Reserve Banks.

According to a Federal Reserve Board Governor, there is a growing gap between the transaction capabilities in the digital economy for payments that are fast, convenient, and accessible to all and the underlying settlement capabilities. There is a growing demand for payments to be as instantaneous as the apps on smartphones, but these payments currently rely on a patchwork of systems that can result in inefficiencies and delays, as well as uneven access. Faster payments would allow consumers and businesses to send and immediately receive payments at any time of the day and on any day of the year, and provide funds recipients the ability to use the funds anywhere they choose. In many circumstances, the underlying infrastructure cannot ensure that a fast payment is fully complete before the recipient seeks to use the funds.

Interbank settlements can be performed on a deferred basis or in real-time. Most settlement arrangements for faster payments currently settle funds between banks on a deferred basis, a buildup of obligations results, presenting risks to the financial system in times of stress. A 24/7 payment-by-payment interbank settlement in real-time, referred to as “real-time gross settlement,” offers clear benefits in minimizing risk and maximizing efficiency. It would provide banks with access to a settlement system that settles each payment as soon as it is sent. It would also provide important benefits to households and small business owners who face cash flow constraints.

While membership in a payment system can offer benefits to participating financial institutions such as meeting customer desires for faster, more convenient, or cross-border payment methods, it can also entail risks. The OCC issued a 2017 interpretive letter that required a bank seeking to enter into membership in a payment system to submit a written notice to its examiner-in-charge providing relevant information regarding the proposed membership and engage in on going monitoring to ensure its involvement can be conducted in a safe and sound manner.

In addition to the Fed’s request for comment, there were two other recent noteworthy payments-related developments. Last month, the Fed [published final amendments to Regulation CC](#) (Availability of Funds and Collections of Checks) to update the liability provisions of Reg. CC to address the nearly-complete conversion of the nation’s check collection system from a paper to an electronic environment. The amendments are effective on January 1, 2019.

Also last month, the National Automated Clearing House Association (NACHA) [announced](#) that its members has

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approved the following three new rules to expand the capabilities of Same Day ACH for all financial institutions and their customers:

- Effective September 18, 2020, same-day ACH transactions can be submitted to the ACH Network for an additional two hours every business day.
- Effective March 20, 2020, the same-day ACH per-transaction dollar limit is increased to \$100,000.
- Effective September 20, 2019, the speed of funds availability for certain same-day and next-day ACH credits is increased by making funds from same-day ACH credits processed in the existing first window available by 1:30 p.m. local time and funds from certain other ACH credits available by 9 a.m. local time by the receiving bank.

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