

July 24, 2019

The Honorable Jerome H. Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, D.C. 20551

Dear Mr. Powell:

Merchants are supportive of the Federal Reserve System's (Fed) efforts to develop faster payments through a real-time gross settlement service (RTGS). The current landscape for payments acceptance lacks competitive options, and by offering a new faster payments service, the Fed will give stakeholders additional choices in payments-related decisions.

The payments landscape in the United States is characterized by a lack of competitive options and, as a result, has fallen behind as the rest of the world has innovated with faster payments. According to the 2018 FIS' report "Flavors of Fast," the European Payments Council's launch of the SEPA Instant Credit Transfer scheme is expected to gradually bring faster payments to more than 30 countries over the next 12 months. The U.S. is ripe for change and competitive players. Innovative technology has the potential to disrupt payments in the United States, and the Fed's development of RTGS is critical to creating change.

We recognize that the Fed must meet specific criteria in order to introduce new services or major service enhancements. Merchants believe that by providing RTGS services, the Fed will offer clear benefits to the public. It is also clear to merchants that other providers, controlled by a handful of large financial institutions, are not providing real-time settlement services that offer effectiveness and equity. An additional real-time payments rail, developed by the Fed, will increase the level of service to all stakeholders and expedite faster payments in the U.S.

Today's economy operates 24 hours a day, seven days a week, 365 days a year. In this environment, our customers demand faster settlement of transactions and receipt of goods and services. If the Fed were to operate a real-time payments rail, which merchants strongly support, merchants would be better able to meet customer expectations due to increased competition and choices in the marketplace. One of the core reasons for the Fed to engage in this arena is specifically for the benefit of the American consumer. As retailers, it is not uncommon to hear from our customers about the length of time it takes for debit transactions to be completed. This is especially true for Americans who are underbanked, living on fixed incomes and families under certain budget constraints. Establishing real-time payments in the U.S. would benefit all American consumers by providing more clarity and control over their finances.

Additionally, payments stakeholders will see a more reliable system if the Fed operates RTGS. Electronic transactions are growing in U.S. commerce, and it is imperative that electronic

payments work for every transaction. Unfortunately, we do not currently have a fail-proof system. Access to varied settlement options provides greater opportunities for payments to be completed smoothly. The Fed's involvement as an RTGS operator is vital because it has the ability to reach every depository account in the country.

Incumbent stakeholders dominate the market, making it extremely difficult for new entrants to break through. If new entrants do offer an innovative product or service, the incumbent global networks and big banks often replicate the product or service. We will wait indefinitely for innovation, competition, transparency and choice in payments if new entrants face such challenging barriers.

Merchants appreciate the Fed's decades-long role as a trusted stakeholder in the ACH system. We view the Fed's consideration to be involved in faster payments as an upgrade to its existing role. Its involvement, as an institution that has connections to thousands of financial institutions, will create more efficiency by allowing for faster movement of funds and information.

In order for payments in the U.S. to evolve in a competitive, transparent, and secure manner, it is important for the Fed to be an RTGS operator. Payments system stakeholders and consumers will benefit from the increased innovation, choice and speed in faster settlement services. Merchants strongly encourage the Fed to develop RTGS.

Sincerely,

Food Marketing Institute
Merchant Advisory Group
National Association of Convenience Stores
National Grocers Association
National Restaurant Association
National Retail Federation
Retail Industry Leaders Association

cc: The Honorable Richard H. Clarida
Vice Chair
Board of Governors of the Federal Reserve System

The Honorable Randal K. Quarles
Vice Chair for Supervision
Board of Governors of the Federal Reserve System

The Honorable Michelle W. Bowman
Board of Governors of the Federal Reserve System

The Honorable Lael Brainard
Board of Governors of the Federal Reserve System