



COUNCIL FOR



The American Consumer Institute
Center for Citizen Research



July 3, 2019

The Honorable Jerome H. Powell
Chairman

Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC 20551

Dear Chairman Powell

We write to express strong opposition to the Federal Reserve's consideration to operate a Real-Time Gross Settlement system and urge the Federal Reserve to reevaluate any entrance into the payments and settlement industry. We share a deep concern that the Fed's proposal will directly compete with the private sector's established Real-Time Payments system and additional emerging technologies and raise concerns of the ability to protect customers data.

In 2013, the Federal Reserve released a [paper](#) titled "Payment System Improvements" which encouraged industry collaboration to enhance the efficiency of the US payment system over the next decade. In 2015, the Federal Reserve announced the [formation](#) of the Faster Payments Task Force, with the objective of creating a system that benefits customers of all banks, credit unions, and payment processors, regardless of size and assets. Two years later, the Task Force released the [first](#) of two reports which explicitly stated, "Ultimately, implementation of proposals will be driven by the private sector." The private sector's real-time payment system became operational in [November 2017](#), however, less than a year later, the Federal Reserve sought [comments](#) for "Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments."

On its face, it appears the Federal Reserve is flip-flopping on its previously stated position to directly compete with the private sector. Worse, the Fed seems content with providing a public option for payments while also serving as the regulator of the financial institutions that invested, built and operate the Real-Time Payments system. The Fed has also been mute on assuring financial institutions and their customers that any government run system would be able to protect personal identifiable information from bad actors. As recently as September 2017, another financial regulator was hacked with the market bearing the consequences of inadequate security. The Securities and Exchange Commission's Electronic Data Gathering, Analysis and Retrieval system was infiltrated allowing the hackers to view, trade and profit from corporate filings not-yet made public.

In the Task Force's Second Report, the vision is clear: "a payment system in the United States that is faster, ubiquitous, broadly inclusive, safe, highly

secure, and efficient by 2020.” The Real-Time Payments system shares this vision. However, if the Federal Reserve enters the market with its own Real-Time Gross Settlement system, it is hard to imagine how this will be achieved by the end of the decade, considering the Fed has yet to indicate how long and at what cost it will take to realize this vision. We, the undersigned organizations, oppose the any entrance by the Federal Reserve into the real-time payment market.

Sincerely,

Grover Norquist
President, Americans for Tax Reform

Tom Schatz
President, Council for Citizens Against Government Waste

Pete Sepp
President, National Taxpayers Union

R.J. Lehmann
Director, Finance, Insurance and Trade Policy, R Street Institute

Adam Brandon
President, FreedomWorks

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Andrew F. Quinlan,
President, Center for Freedom and Prosperity

Phil Kerpen
President, American Commitment