Statement by

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"Facilitating Faster Payments in the U.S."

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Chairman Crapo, Ranking Member Brown and distinguished members of the Committee, my name is Rob Hunter, and I serve as the Deputy General Counsel of The Clearing House Payments Company, based in our North Carolina facilities. I have worked at The Clearing House for more than ten years providing senior legal support to all of our payments services. Today, we will be focused on the RTP network, which I was fortunate to be involved in developing. I am also the past Chairman of the Subcommittee on Electronic Payments of the Business Law Section of the American Bar Association and have been involved in a host of development activities related to payments throughout my career.

The RTP network is a new and exciting part of our national payment infrastructure. It was launched in 2017 by The Clearing House and is fully operational today. One of the most distinguishing features of the RTP network is that it operates in real time and all the time—there are no “bankers’ hours” for the RTP network—it functions 24x7. But that is just one remarkable feature. The RTP network also delivers on the vision of faster, more efficient and more secure payments that will benefit every American consumer and business.

This innovation is consistent with The Clearing House’s historical role in delivering to our country core payments infrastructure that is efficient, safe and reliable. Founded in 1853, for over a century and a half The Clearing House has served as the leading private-sector operator of payments infrastructure in the United States. On an average business day, The Clearing House clears and settles nearly $2 trillion over its wire, automated clearing house and check-clearing networks.

The Committee has asked those of us testifying today to focus on five main issues: (a) the current state and evolution of the U.S. payment system and how the current system works, (b) the Federal Reserve Faster Payments Task Force’s process, conclusions and recommendations, (c) the Federal Reserve’s notice and request for comments on its actions to support interbank settlement of faster payments through the development of the FedNow system and expanded operating hours for the Fedwire Funds Service and National Settlement Service, (d) an in-depth overview of the RTP network and any similarities to or differences from the proposed FedNow service and (e) whether FedNow and a private-sector real-time payment system, such as the RTP network, could achieve interoperability, while ensuring efficient, safe and ubiquitous faster payments.

I will address each topic in accordance with the Committee’s request, but before responding specifically to those questions, it may be helpful to provide a summary of The Clearing House’s position. When the Federal Reserve competes with the private sector, the Federal Reserve must do so in a manner that minimizes the competitive advantages that a government system has, both inherently and as a direct by-product of the Federal Reserve's role as a supervisor, the supplier of liquidity to the financial system and the central bank. This is not the normal competitive question of impact on profitability because The Clearing House does not seek to operate at a profit. Rather, it is a question of The Clearing House's ability to provide the most effective and efficient real-time payment system to consumers and businesses, to the ultimate benefit of this country's overall economy.

Current State and Evolution of the Payment System

The payments landscape in the United States is complex and highly competitive, with tremendous innovation during the last decade spurred by banks, money services businesses and fintechs. This innovation has largely been focused on end user products. What has been lacking, however, until the launch of the RTP network, is modernization of what we often refer to as the payments rails. This lack of modernization has had important consequences. Consumers and businesses have been left to choose between payments options that were slower than desired and that offered conditional forms of payment, or new payment products that sit outside of the traditional banking system, often with less security and resiliency. Bank and non-bank financial institutions have been forced to accept settlement risk, increasing fraud risk and increased operational complexities due to limitations in the underlying payment rails. The RTP network, the first new payments rail in over 40 years, is designed to eliminate these suboptimal choices and risks, to accelerate the availability of payments and to serve as a platform for innovation for all.

Americans don't spend a lot of time thinking about our country's payments system, which is understandable because so much of it is hidden from view. But make no mistake—without this infrastructure our economy would cease to function. Our payments system enables consumers and businesses to make payments safely, securely and with certainty— – whether you are paying your wireless bill or splitting a restaurant tab with friends.

Although the U.S. payments system has and continues to work *very well* (meaning safely and efficiently), prior to the introduction of the RTP network, it had become (as noted above) very *outdated* when compared to the payments systems in other industrialized parts of the world. I suspect everyone in this room has been frustrated upon hearing that you have to wait a day or longer to gain access to funds you have received or when you don't actually know when a party to whom you have made a payment will actually receive those funds. These frustrations are due to the simple fact that our country's payments infrastructure was designed and built over 40 years ago—well before the dawn of the Internet and mobile phones.

Launched in November of 2017 and fully operational, the RTP network addresses the need to modernize the payments infrastructure in the United States and provides a safer, more secure and more efficient way to make payments that clear and settle immediately, consistent with the way American consumers and businesses operate today.

Federal Reserve Faster Payments Task Force

To its credit, the Federal Reserve recognized the need for faster payments in the United States and leveraged its convening power to urge the private sector to act. In 2013, the Federal Reserve proposed 5 objectives to improve the U.S. payment system that, according to the Federal Reserve, would ideally be achieved within 10 years, including "[a] ubiquitous, safe, faster electronic solution(s) for making a broad variety of business and personal payments supported by a flexible and cost-effective means for payment clearing and settlement groups to settle their positions rapidly and with finality" (*i.e.*, a real-time payments system).[i]

After receiving substantial stakeholder comment on the various objectives, including commentary expressly directed toward the development of a real-time payments system, the Federal Reserve published in 2015 its Strategies for Improving the US Payment System.[ii] In this paper, the Federal Reserve described various strategies for improving the payments system in the United States, including "[i]dentify[ing] effective approach(es) for implementing a safe, ubiquitous, faster payments capability in the United States," noting that "[p]ayment stakeholders will ultimately determine through their individual and collective actions the extent to which these strategies are achieved."[iii]

In late 2015 and early 2016 and to further the strategies outlined in its 2015 paper, the Federal Reserve established its Faster Payments Task Force ("FPTF"), which was charged with "evaluating options for achieving faster payments capabilities with the goal of identifying the approach(es) that would best achieve the desired outcomes."[iv] As part of this assessment process, the FPTF called on the private sector to submit proposals for "a full end-to-end payments solution" to achieve the identified strategies.[v] These proposals were to be judged against the "effectiveness criteria" developed by the FPTF to determine "how well solutions can achieve the desired outcomes associated with improving the U.S. Payments System."[vi]

Of the 16 different private-sector proposals that were submitted to the FPTF, The Clearing House's RTP network proposal received the very highest marks, achieving a rating of "very effective" (the highest possible rating) with respect to 31 of the 36 criteria and "effective" with respect to the remaining 5.[vii] A "very effective" rating meant that "the solution fully satisfies the[] criteria."[viii]

Importantly, the RTP network was given the highest rating possible with respect to its plan to achieve ubiquity, its approach to settlement and resiliency as well as the other categories noted below:

Attribute	Federal Reserve FPTF Rating (“Very Effective” is highest possible)
Accessibility (plan to achieve ubiquity)[ix]	Very Effective
Enables Competition	Very Effective
Implementation Timeline	Very Effective
Risk Management	Very Effective
Payment Finality	Very Effective
Settlement Approach	Very Effective
Fraud Information Sharing	Very Effective
Security Controls	Very Effective
Resiliency	Very Effective
Fast Settlement	Very Effective
Consumer Protections	Very Effective
Effective Governance	Very Effective

The Clearing House was well positioned to meet the need identified by the Federal Reserve for the development of a real-time payments solution and is proud of the ratings its solution received from the FPTF.

That The Clearing House would be well-positioned to deliver on the promise of faster payments for all should not come as a surprise. The Clearing House, which was created to provide the payment services required by the nation’s economy, has been in existence for over 165 years and, while owned by a relatively small number of banks, it has always existed to serve depository institutions of all sizes, and continues to do so today. In fact, in The Clearing House’s Automated Clearing House (“ACH”) and check-clearing networks approximately 80% of our customers are banks and credit unions with $10 billion in total assets or less.

The Clearing House has been entrusted with operating an integral part of the financial system since 1853 because we serve our participants effectively and ethically. We do not engage in anti-competitive behavior because such behavior offends our culture and core values. Our focus on the needs of the industry as a whole has led The Clearing House to price our services on a “cost recovery basis”—in other words, services are priced at a level sufficient to maintain the ongoing safety and soundness of The Clearing House’s systems and to make necessary investments in research and development. The Clearing House doesn’t have shareholders seeking to maximize profits: it has never paid a dividend in its history, there is no expectation for any return on capital and there is no special pricing for owner banks. The Clearing House instead annually reassesses fees; this cost recovery model has enabled The Clearing House to continually lower prices over time. And, if that were not enough, we are subject to antitrust laws that provide real guardrails on the way we compete, and to multiple different legal protections that prohibit unfair or deceptive acts and practices.

The Clearing House maintains a critical and constant emphasis on the safety, security, reliability and efficiency of its payment systems and it has a remarkable 166-year history of resiliency, having maintained its operations without interruption through multiple world wars, financial crises and natural and man-made disasters, including 9/11 and the great recession.

The RTP Network

To meet the needs identified by the Federal Reserve and consistent with the criteria articulated by the FPTF, The Clearing House led an initiative to modernize the U.S. payments system by developing the RTP network. Today, the network represents the culmination of The Clearing House and the private sector's collective investment of more than $1 billion to design, build, launch and commercialize a real-time payments network in this country. Launched in 2017 and fully operational since that time, the RTP network is the first significant new payments infrastructure introduced in the United States in over 40 years. The RTP network was designed and built to offer real-time payments capabilities to every consumer and business in the country via any and all depository institutions nationwide that want to deliver this functionality to their customers—what the industry refers to as "ubiquity." This means that whether you bank with JPMorgan Chase, or the community Bank of Oak Ridge, North Carolina, where I live, any consumer or business can have the benefits of real-time payments through their depository institution. Today, the RTP network is already connected to over 50% of all U.S. transaction accounts, with the goal of achieving near-universal reach in the next several years.

In terms of the network's functionality, RTP delivers the real-time capabilities that Americans want and need, so that payment recipients receive final, good funds immediately and senders receive confirmation that the funds have been received. The benefits to consumers, small businesses and the nation's economy are transformational. For example:

- Employees who were previously paid by check can be paid through the RTP system and have immediate access to final good funds;
- Day laborers can be paid immediately at the end of their shift;
- Uber drivers can get money into their bank accounts to buy gas for the next day;
- Consumers can stop worrying about how long a payment may take to get to their power company, their mortgage lender or their water company;

- Small businesses, like contractors, can be paid immediately upon completion of a job;
- Restaurants can leverage the RTP network to make payments for "just-in-time" inventory instead of relying on credit; and
- Insurance companies can get disaster relief funds immediately into their policyholders' accounts.

While the immediacy of a payment is an important component of the RTP network, RTP offers so much more, including the rich data features of the system, which allow small businesses to easily transmit invoices and instantly receive payments—streamlining cash flow for businesses that are the backbone of our economy. In addition to the examples above, the appended Fact Sheet provides more details on the design of the RTP network.

In addition to the features of the RTP network that will provide all Americans with a range of new benefits relating to speed, convenience and safety of the payments they make and receive, there are also societal benefits that will accrue from real-time payments. Some analysts, for instance, believe that real-time payments are one of the most immediate ways to benefit Americans who today live paycheck-to-paycheck but tomorrow can receive immediate, final payment through the RTP system and therefore have earlier access to funds.

Let me briefly talk about achieving near-universal reach for the RTP network. The RTP network was designed and built so that the network has the capacity to reach every depository institution in the country, either directly or through third-party service providers, so that every American consumer and business can have the benefit of real-time payments. To achieve this, The Clearing House not only built out the technical capabilities to reach the country's 11,000 financial institutions, but also ensured that the pricing to participate on the network was the same for all banks and credit unions regardless of size. In sum, whether you are the country's largest commercial bank or the smallest, you pay the same, per-transaction fee, to bring these capabilities to your customers.

But the decision by a bank to join a faster payments network like the RTP network or, in 4 years, FedNow, is not simply a matter of having a pre-existing connection or paying the per-transaction fee.[x] Each bank joining a faster payments network needs the right connection, one that is highly resilient (persistent) and right sized for the nature of real-time payments, needs a back office with the capacity and technology to accomplish real-time accounting and availability and needs employee resources available for 24/7 payments support. This is a heavy lift for all banks and for most requires the assistance of third party service providers. The Clearing House has been working with all types of service providers to help ensure that true access to the RTP network is within reach.

The RTP network is also a fundamentally safer and more secure way to pay. RTP payments are limited to "credit push" only, which means that consumers are always in control of the money that moves from their accounts. Unlike "debit pull" systems, where a payee can pull money from an account, consumers and businesses using the RTP network must authenticate into their bank's platform and affirmatively send or "push" money to a recipient—no one can "pull" money out. This feature also lays the foundation for securing the message between the bank and its customer, responding to the need for greater fraud resistance and better cybersecurity.

<u>Federal Reserve Notice and Request for Comment on Actions to Support Interbank Settlement</u>

The Committee has explicitly requested our views about the Federal Reserve's decision to enter the real-time payments playing field. Less than a year after the RTP network went live, the Federal Reserve issued a proposal that contemplated entering the market with its own competing real-time gross settlement (RTGS) system.[xi] (The RTP network is also a real-time gross settlement system.) In this proposal, the Federal Reserve cited, as a major justification for potential entry, a generalized concern that its real-time payment service would be needed to achieve the ubiquity that could not be achieved by the private sector.[xii] There was no analysis of The Clearing House's then-operational RTP network's efforts to achieve ubiquity or the FPTF findings related to the RTP network.

The 2018 proposal had two other important components. First, the Federal Reserve noted that accessibility would be greatly enhanced "if existing and potential future private-sector RTGS services were able to interoperate with a Reserve Bank service such that end-user customers of any bank could send faster payments to end-user customers of any other bank regardless of the faster-payments services used by the banks."[xiii] Second, the Federal Reserve suggested that it might modernize its own existing Fedwire and National Settlement Service (NSS) infrastructures, upon which the private sector relies to manage liquidity, by extending the hours of those services to meet the demands of a 24x7 economy. The comment process revealed near unanimity of support for extending Fedwire and NSS hours.[xiv]

While The Clearing House was disappointed in the Federal Reserve's action suggesting it might enter the market with its own solution, and concerned over the chilling impact that might have on The Clearing House's plans to bring the benefits of real-time payments to every American, The Clearing House was also encouraged by statements that the Federal Reserve might modernize its own existing Fedwire and NSS infrastructures. If the Federal Reserve took these enhancing actions, private-sector systems would find it easier to offer 24x7 payments services, which currently operate during times when the Federal Reserve is not open or operational to provide liquidity.

In August of 2019, the Federal Reserve issued a *Federal Register* notice stating that it *would* enter the market with its own competing RTGS system, FedNow. The Federal Reserve acknowledged that FedNow would not be ready to launch until 2023 or 2024 at the earliest and that nationwide reach would take more time to establish.[xv] In spite of near unanimity of support for extending Fedwire and NSS hours, the notice states only that the Federal Reserve will continue to "explore the expansion" of Fedwire and NSS hours.[xvi]

The announcement stated that the Federal Reserve's FedNow service will provide a "clear public benefit" based on accessibility, safety and efficiency. Notwithstanding the FPTF ratings for the RTP network, the announcement also concluded that the RTGS service is not one that other providers alone can provide with "reasonable scope, effectiveness and equity."[xvii] In reaching its decision, the Federal Reserve stated that the criteria "require[] a forward-looking evaluation of the probable or likely future state of the payment system over the long run, with or without Federal Reserve action" and that the Federal Reserve "focuses on expected, long-term outcomes and does not require a determination that each of the criteria is satisfied at present or will be with certainty in the future."[xviii]

The future state described by the Federal Reserve in its Federal Register notice was one in which The Clearing House would act in ways that are entirely inconsistent with its 166-year history (i.e., that we would abandon cost-recovery pricing and instead pursue a profit motive) and that in some cases would be anticompetitive despite The Clearing House being subject to antitrust laws. While unintended, the assumptions that the Federal Reserve made in support of its decision to enter the market have contributed to misinformation about The Clearing House and the RTP network and run the risk of impeding The Clearing House's ability to bring the benefits of real-time payments to every American.

The FedNow announcement further noted that the Federal Reserve believes it needs to enter the market with its own competing system because it lacks "plenary regulatory or supervisory authority" over payments systems and instead has "traditionally influenced retail payment markets through its role as an operator."[xix] Its authority over The Clearing House under the Bank Service Company Act[xx], however, is extremely broad, with The Clearing House being subject to regulation and examination to the same extent as if the services being provided were being performed by the depository institution that is subject to Federal Reserve supervision itself.[xxi] In addition, the Act gives the Federal Reserve broad authority to issue "such regulations and orders as may be necessary to enable [it] to administer and to carry out the purposes of this [Act]."[xxii] Nevertheless, the Federal Reserve concludes in the Federal Register notice that this authority is not sufficient to protect against potential future bad behavior by The Clearing House although this conclusion is made without reference to antitrust and unfair and deceptive practices laws to which The Clearing House is subject.

Despite concerns that the Federal Reserve's announcement may hinder The Clearing House in achieving the full potential of the RTP network (see discussion below on the impact of two non-interoperable systems), The Clearing House is resolute in its goal of bringing real-time payments to the United States and believes strongly in the value and integrity of the RTP network, as fully confirmed by the strong ratings it received from the Federal Reserve's own Faster Payments Task Force. We are committed to working closely with every financial institution that is interested in pursuing participation in the RTP network so that each institution's customers can obtain the benefits of real-time payments.

<u>Comparison of the RTP Network to FedNow</u>

The Committee has asked for a comparison of the RTP network to FedNow, which is not easy because one payment system exists and the other is an aspirational future system. The information that we have about the design of FedNow is strictly based on the Federal Register notice, which does not provide many significant details and suggests that much of the design of the system is still in the planning stage. While President George is best positioned to speak to the design of FedNow, we believe that the proposed design will be similar to the RTP network in the following ways.

- Both the RTP network and FedNow are real-time gross settlement systems
- Both are credit push systems that operate 24x7
- The RTP network has a current value limit of $25,000 and the Federal Reserve has indicated FedNow will have a value limit of $25,000
- Both systems will leverage ISO 20022 message standards

Of course the biggest difference between the two systems is that the RTP network is operational and available in the market today while FedNow will not be available for at least 4 years. While much has been made about differences in settlement, the RTP network uses a settlement model that has been used for decades to settle payments over The Clearing House's wire payments system, known as CHIPS, a systemically important payment system designated as such under Dodd Frank and supervised and regulated by the Federal Reserve. RTP settlement is fully supported by a balance in an account at the Federal Reserve Bank of New York. Funding (or lack of funding) by any one RTP participant does not affect the ability of other participants to send or receive funds over the RTP network. Importantly, the RTP network is designed so that neither The Clearing House nor its participants experience credit risk. In contrast it appears that the FedNow service will provide unlimited credit (no real-time monitoring of credit positions) even on weekends and holidays when the Federal Reserve's discount window is closed.

The general design of FedNow raises several significant competitive issues for the private sector that may hamper the private sector's ability to bring the full benefits of real-time payments to consumers and businesses in this country. The good news is that the Federal Reserve could take steps to address these concerns.

First, the Federal Reserve, as the nation's central bank, has the ability to clear and settle payments directly through financial institutions' master accounts, which means the balances being held in accounts used for FedNow payments will count towards a financial institution's reserve requirements and bear interest. The Federal Reserve has the legal authority and operational capacity to accord the same treatment to financial institution positions in the RTP account that is held at the Federal Reserve Bank of New York and that is used to facilitate RTP settlement, but so far has been unwilling to do so.

Second, given the near unanimity of support in response to its October 2018 Request for Comment that the Federal Reserve should move forward with making Fedwire and NSS available on a 24x7 basis, the Federal Reserve should act quickly to implement expanded hours. Because the private sector is dependent on Fedwire or NSS to manage liquidity in private-sector systems, this is the single most important action the Federal Reserve could take to encourage private-sector competition in real-time payments. This is especially important from a competitive perspective given that the Federal Reserve appears to have announced that it will provide *unlimited* access to liquidity in the FedNow system even when the discount window is closed.

These two issues must be expeditiously addressed by the Federal Reserve in order to ensure that the private sector is not impeded in its ability to bring the benefits of real-time payments to American consumers and businesses.

Finally, while the Federal Reserve's analysis of its pricing flexibility under the Monetary Control Act (MCA) comports with our understanding of the MCA, the Federal Reserve's choices on pricing will obviously significantly impact competition with the private sector. For example, the Federal Reserve has indicated that it may be 15+ years before FedNow achieves cost recovery and that initial fees will be based on "mature volumes" with the Federal Reserve anticipating that FedNow will become the sole RTGS system with "nationwide reach" [xxiii] To ensure fair competition, The Clearing House would urge that the Federal Reserve reassess what is meant by "in the long run" to take into account the length of time that a private-sector entity would be able to wait to recover its operating costs, and calculate "mature volumes" in a manner that does not unrealistically assume volume moving away from the RTP network and to FedNow.

Interoperability

The Clearing House does not believe that interoperability between two RTGS systems is achievable. The Federal Reserve's original proposal in November of 2018 assumed that the Federal Reserve's RTGS system would be interoperable with private-sector systems. It appears from the Federal Reserve's notice, however, that the Federal Reserve has realized that interoperability is unlikely.

The result in the United States may be a completely bifurcated market, where, unless each bank in the country joins two systems (a highly expensive and inefficient proposition, particularly for smaller banks), the banks and their customers that are transmitting payments on one system will not be able to reach the banks and their customers that are on the other. In the place of ubiquity, we will have balkanization. In our view, that is a highly damaging result for the future of real-time payments in the United States.

When considering the issue of interoperability, it is important to understand the differences between real-time payments and other payment methods, such as the ACH system or wire systems like CHIPS and Fedwire. With regard to ACH, ACH is interoperable with respect to the exchange of payment messages (known as "clearing"), allowing a participant on one system to send a message to a participant on another system. It is not, however, interoperable with respect to settlement. Clearing interoperability is achievable in the ACH network because clearing and settlement in the ACH are distinct actions that happen at different times. With real-time clearing and settlement systems like the RTP network, clearing and settlement happen instantaneously—they cannot be split without significantly compromising the integrity and functionality of the system—and unlike the ACH network funds are immediately available to the recipient and are final and irrevocable.

Similarly, real-time payments cannot function like wire payments, which rely on a system of intermediary banks to be able to reach all endpoints. In contrast to systems like Fedwire and CHIPS (The Clearing House's wire system), an overarching design principle of real-time payment systems like the RTP network is to ensure that when a payer (the sender of a payment) instructs payment to a payee (the recipient of a payment), that payment will be completed instantaneously. To achieve this goal, payment systems like the RTP network must be designed so that payment processing will always be completed (meaning get to the recipient's bank) and will be completed within milliseconds. While The Clearing House has yet to see how the Federal Reserve will design FedNow to meet this important objective of real-time payments, the RTP network accomplishes this by supporting a very simple payment model. In an RTP payment there is a payer, the payer's bank, the payee and the payee's bank (no intermediary banks). This design eliminates the very real possibilities that exist today in wire transfer systems that a payment will be delayed or stopped at an intermediary bank. This also means that the RTP network can only be used to make a payment if the financial institutions holding the payer's and payee's accounts are both participants on the RTP network. This is in stark contrast to wire transfer systems like CHIPS which can be used to support payments sent by anyone to anyone regardless of whether such persons have accounts with CHIPS participants. This important distinction between wire and real-time systems like the RTP network means that CHIPS can compete with Fedwire for each and every dollar wire payment – either system could be used to help make such payments even though neither CHIPS nor Fedwire[xxiv] is ubiquitous. The RTP network (and the FedNow service) will not enjoy that same opportunity and instead will be strictly limited to the accounts held at banks that have signed up to use the service. It is The Clearing House's view that in that type of payments environment, given the commodity nature of payments, it will be very hard for two systems to both succeed.

Conclusion

The Clearing House is extremely proud of its record of providing essential payments infrastructure for the U.S. financial system for well over a century and a half. While we are proud of our long service to the nation, we are also excited about our country now having the most advanced payment system in the world. We are working hard to bring the benefits of the RTP network to all of the banks in this country so that your constituents, consumers and businesses across America, can all realize the benefits of faster, more efficient and more secure real-time payments.

The Clearing House appreciates your interest in this topic and I look forward to answering your questions.

The RTP Network

The Clearing House launched the RTP network in November 2017 to bring real-time payments to the U.S. Today the RTP network reaches over 50% of U.S. transaction accounts, with a path to achieving universal adoption over the coming years. The RTP network was built for financial institutions of all sizes and serves as a platform for innovation enabling the delivery of new products and services to their customers. Real-time payments over the RTP network provide consumers and businesses with the ability to conveniently send payments directly from their accounts 24/7 and to receive and access funds sent to them over the RTP network immediately.

RTP Facts & Frequently Asked Questions:

- **Ubiquity –** All federally insured U.S. depository institutions can participate on the RTP network.
- **Access to the RTP network –** Federally insured U.S. depository institutions have the option to directly connect to the RTP network or use an electronic connection provided by a third-party service provider such as a core processor, a hosted gateway, a bankers' bank or a corporate credit union.
- **Pricing –** The RTP network has a single price for all participants regardless of size, with no volume discounts, no volume commitments and no monthly minimums. Pricing for the RTP network is available on The Clearing House's website (www.theclearinghouse.org/)
- **24/7 –** The RTP network operates 24/7, which allows financial institutions to send or receive payments at any time.
- **All Types of Payments –** The RTP network supports all types of payments (B2B, B2C, C2B, P2P, G2C). The RTP system may not be used to make a payment for a foreign account.
- **Flexible Messaging Functionality –** Rich, flexible messaging functionality (non-payment messages) is included to support communications between participants and value-added products. For example, the RTP system provides messaging capability enabling a request for payment of a bill or invoice directly via the RTP network.
- **Immediate Availability –** Recipients receive the payment within seconds of the sending financial institution initiating the transaction; the receiving financial institution is required to make funds available immediately, except where necessary for risk management or legal compliance purposes.
- **Payment Certainty –** Sending financial institutions are not permitted to revoke or recall a payment once it has been submitted to the RTP network. However, there is a process to facilitate communication between financial institutions around return of funds sent in error or if there is suspected fraud.
- **Transaction limits –** The RTP network is strictly a credit push system. The credit transfer limit is currently $25,000.
- **Prefunding –** RTP participants that intend to send payments over the RTP network are currently required to contribute funding to a special deposit account at the Federal Reserve Bank of New York (an account that may be used by all RTP participants regardless of the Federal Reserve district in which they are located). A participant may use a liquidity provider such as a bankers' bank or corporate credit union to provide its funding. An RTP participant that only receives payments over the RTP network does not have to contribute funding.
- **Rules Governing the RTP Network –** The RTP Participation and Operating Rules apply to all network messages and are available on The Clearing House's website (www.theclearinghouse.org)

[i] *Payment System Improvement—Public Consultation Paper* (Sept. 10, 2013), *available at* https://fedpaymentsimprovement.org/wp-content/uploads/2013/09/Payment_System_Improvement-Public_Consultation_Paper.pdf.
[ii] *Strategies for Improving the U.S. Payments System* (Jan. 26, 2015) *available at* https://fedpaymentsimprovement.org/wp-content/uploads/strategies-improving-us-payment-system.pdf.
[iii] *Id.* at 3.
[iv] *Id.* at 17.
[v] *In Pursuit of a Better Payment System*, Federal Reserve Banks (2016) at 5.
[vi] *Id.* at 4.
[vii] *Faster Payments QIAT Assessment* (Feb. 21, 2017).
[viii] *Faster Payments Effectiveness Criteria* (Jan. 26, 2016) ("FPTF Effectiveness Criteria") at 6.
[ix] "Accessibility" is defined in the FPTF Effectiveness Criteria as meaning that the solution would "enable any entity . . . to initiate and/or receive payments to/from any Entity" and that the solution had a "credible plan for achieving widespread adoption." FPTF Effectiveness Criteria at 6.
[x] The Federal Reserve makes a similar observation in its Federal Register notice where it notes that FedNow participants "would need to deploy and test enhanced or upgraded FedLine components" and "maintain adequate telecommunications services to support the expected end-to-end speed of payments." *Federal Reserve Actions to Support Interbank Settlement of Faster Payments*, 84 F.R. 39297, 39320 (Aug. 9, 2019).
[xi] *Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments, Request for Comments*, 83 F.R. 57351 (Nov. 15, 2018).
[xii] *Id.* at 57361.
[xiii] *Id.*
[xiv] 84 F.R. 39297, 39302 (approximately 225 of 230 commenters supported the Federal Reserve's liquidity management proposal).
[xv] *Id.*at 39301.
[xvi] *Id.* at 39316.
[xvii] *Id.* at 39306-39309 & 39310-39312.
[xviii] *Id.* at 39303.
[xix] *Id.* at 39300.
[xx] The Clearing House is also a designated financial market utility under Title VIII of Dodd-Frank, subjecting The Clearing House to the highest levels of supervision and regulation by the Federal Reserve. While The Clearing House's regulation and supervision under Title VIII relate specifically to its role as the operator of CHIPS, The Clearing House operates as a single entity in the operation of its payments systems.
[xxi] *See, e.g.*, 12 U.S.C. § 1867(c) ("[W]henever a depository institution that is regularly examined by an appropriate Federal banking agency, or any subsidiary or affiliate of such a depository institution that is subject to examination by that agency, causes to be performed for itself, by contract or otherwise, any services authorized under this chapter, whether on or off its premises . . . such performance shall be subject to regulation and examination by such agency to the same extent as if such services were being performed by the depository institution itself on its own premises . . . .").
[xxii] 12 U.S.C. § 1867(d) ("The Board and the appropriate Federal banking agencies are authorized to issue such regulations and orders as may be necessary to enable them to administer and to carry out the purposes of this chapter . . . .").

[xxiii] 84 F.R. 39297, 39313-39314 & 39320.

[xxiv] The CHIPS system has 44 financial institution participants. The Fedwire Funds Service has approximately 5,300 participants. (cite Fed PFMI https://frbservices.org/assets/financial-services/wires/funds-service-disclosure.pdf page 8 says over 5,300 and our public website https://www.theclearinghouse.org/-/media/new/tch/documents/payment-systems/chips_participants_revised_05-15-2019.pdf) Yet both systems can facilitate payments involving all 11,000 US financial institutions.