

**Crapo Statement at Faster Payments Hearing**  
*September 25, 2019*

**WASHINGTON** – U.S. Senator Mike Crapo (R-Idaho), Chairman of the U.S. Senate Committee on Banking, Housing and Urban Affairs, delivered the following remarks at a hearing entitled, “Facilitating Faster Payments in the U.S.”

*The text of Chairman Crapo’s remarks, as prepared, is below.*

“Today, the Committee will turn its focus to facilitating faster payments in the United States.

“Faster payments are important and yield economic benefits for both consumers and businesses by providing them with greater flexibility when managing money and making time-sensitive payments on demand.

“Real-time payments offer efficiency and convenience, helping consumers to better manage their spending and avoid unnecessary fees and penalties, and helping businesses pay for goods and avoid other costly sources of funding.

“Unfortunately, the U.S. has lagged behind other countries in the development of real-time faster payments for retail payments.

“Recognizing this shortcoming, in 2015, the Federal Reserve organized a Faster Payments Task Force, made up of a diverse group of stakeholders, to encourage the development of a real-time payment system in the United States.

“The Fed stated in its report on strategies for improving the U.S. payment system that it ‘would not consider expanding its service provider role unless it determines that doing so is necessary to bring about significant improvements to the payment system and that actions of the private sector alone will likely not achieve the desired outcomes for speed, efficiency and safety in a timely manner.’

“Responding to the mission of the Faster Payments Task Force, The Clearing House announced in 2016 its intent to launch a real-time payments system, which it officially launched in November 2017.

“Just prior to The Clearing House launching that system, the Faster Payments Task Force in July 2017 issued a final report, which offered several recommendations for achieving a safe, ubiquitous and efficient faster payment system in the U.S.

“One of those recommendations was for the Federal Reserve to develop its own 24x7x365 real-time gross settlement system for retail payments and to assess whether there were other operational roles the Fed should play in faster payments.

“After determining the Federal Reserve Banks should develop a new real-time gross settlement service, on August 2, 2019, the Federal Reserve Board voted on the Fed’s proposal. The lone dissenter was Vice Chairman for Supervision Randy Quarles.

“The Federal Reserve then issued a notice and request for comment on Federal Reserve Actions to Support Interbank Settlement of Faster Payments – a system referred to as FedNow.

“In Vice Chairman Quarles dissent, he noted that ‘The U.S. private sector has a long history of providing efficient payment solutions to consumers and businesses.’

“He added that ‘The public sector should provide its own capacity only when the evidence of market failure is clear and alternative means to achieve public goals are not feasible. In this case, [Vice Chair Quarles] does not see a strong justification for the Federal Reserve to move into this area and crowd out innovation when viable private-sector alternatives are available.’

“Additionally, when providing a new payment service, the Federal Reserve is required to meet certain obligations and criteria before moving forward. Those criteria are: the Federal Reserve must expect that its providing the service will yield a clear public benefit; the service should be one that other providers alone cannot be expected to provide with reasonable effectiveness, scope and equity; and the Federal Reserve must expect to achieve full recovery of costs over the long run.

“Throughout the Fed’s process, some financial institutions have raised concerns about the Fed’s analysis and process, the cost and amount of time it would take to develop its own real-time payment system, its prospects for achieving interoperability, inherent conflicts of the Fed operating its own system and its prospects for negatively affecting existing real-time payment systems.

“Still, other financial institutions urged the Fed to move forward due to their concerns surrounding pricing, power and competition in the marketplace.

“I strongly support better, safer and faster payments in the U.S., including the work already done on existing solutions in the private market.

“I look forward to learning more about numerous issues during this hearing, including: clear demonstration of the market failure or problem that the Fed believes it must solve through the development of its own real-time payments system; how the existing real-time payments platform works, how it has been impacted by the Fed so far and the consequences of the Fed developing a competing system; and how the Fed believes its proposed system could achieve interoperability, minimize negative effects to existing private sector participants, and fully recover its costs quickly.

“I look forward to hearing from each of you on your views of faster payments in the U.S., and more about the existing and proposed platforms.”

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