



Federal Financial Analytics, Inc.

PAYMENT-SYSTEM INFLECTION POINTS

Caution is clearly the Federal Reserve's watchword for instant payments and CBDC. However, even a mighty central bank no longer dictates the terms on which the U.S. payment system evolves and the shape of retail financial services in its wake.

The analytics below are based on in-depth reports provided to FedFin clients.

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The *American Banker* today [posted](#) Karen Petrou's Friday client memo on the payment system because payment-system redesign is no longer a technology question – now, it's a top-priority strategic consideration that will help to determine the balance between public and private finance for years to come. Two new FedFin reports highlight key decision issues:

- Will the payment system stand still for the Fed as it carefully prepares a limited-functionality instant-payment system for a 2023 or even 2024 launch? As detailed [here](#), we don't think so. The Fed's decision not to ensure inter-operability with the only private-sector provider of real-time payments combined with new payment charters under construction at the OCC could preempt the Fed. Simply put, the urgent need for faster payments, the economic power of bigtech companies, the processing power of digital-ledger technology, and the willingness of banks to act as payment gateways ensure new payment configurations in the very near future.
- Will the Fed launch a central bank digital currency? [Our report](#) says the Fed is sorely tempted by CBDC but hesitant to act even though the dollar's reserve-currency status increasingly hangs in the balance. A Democratic Congress bent on creating "[Fed accounts](#)" may not give the Fed the breathing room it seeks. But, even if it does, private providers adroitly using DLT could beat it to the digital-currency punch.

To read Karen Petrou's latest speech, click [here](#)

To read our latest in-depth non-proprietary report, click [here](#)

Karen Petrou's latest column can be found [here](#)

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A proprietary think-tank for its clients, Federal Financial Analytics reviews critical federal and global policy developments in banking, insurance, asset management, and mortgage finance. We analyze strategic actions in great depth. Then, we advise clients on whether what they want can be made to work for them, within the policy environment and for the financial system. The firm's practice is a unique blend of strategic advice and policy analysis serving as a thought leadership resource for boards of directors and senior management seeking a forward looking assessment of risks, opportunities, governance and other matters critical to success.

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