

Press Release



What Past Fed Behavior Indicates for its Potential Entrance Into the Real-Time Payments Market

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The Federal Reserve is considering providing real-time payment services, but this would not be the first time the Fed has competed with private entities directly. The Fed has entered the private market before by providing automated clearing house services — an electronic network for financial transactions — in the 1970s. AAF's Director of Financial Services Policy Thomas Wade examines the Fed's behavior in this role and concludes that it leveraged its taxpayer backing to harm private competitors — behavior that must be considered as the Fed debates entering the private market yet again.

His primary points:

- Since the 1970s the Federal Reserve has acted both as regulator and market participant in the provision of automated clearing house services;
- Twenty years of decreasing prices that are not matched by identified cost-savings suggest that the Federal Reserve is using its platform for non-market policy purposes that serve to undercut private providers and benefit the largest banks; and
- These lessons and potential conflict of interest concerns must be considered as the Federal Reserve contemplates entering the real-time payments space.

[Read the analysis.](#)