



December 12, 2018

Ann Misback
Secretary, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

RE: Docket No. OP-1625

Dear Ms. Misback,

Enterprise Bank is a small business niche community bank located in Pittsburgh, PA. We focus on helping small business start-ups and small businesses in distress. Our business is organized in a manner where we operate as small business consultants as well as suppliers of business working capital.

The legal and competitive changes to the payments clearing systems timeliness standards have changed customer expectations. These system changes and related customer expectations have increased costs and risk to community banks like ours.

The cost associated with operating a safe and sound IT security system which facilitates transaction activity has become the second largest expense for a community bank trailing behind only wages. Many consumers have migrated to non banks to provide these transactional clearing services. The non bank service providers are not regulated and therefore have the opportunity to process in an unregulated system which will not be as safe and sound as the bank environment. This evolving transactional clearing environment is creating exposure to the consumer and creating an unfair and anticompetitive business environment. A real time gross settlement system for faster payments operated, supervised and regulated by the Federal Reserve System would assure a fair, competitive and safe real time clearing system for the Country.

Our Bank recognized the need for a real time settlement system. Zelle was created to provide an option to settle payments in real time and was founded by the larger banks. Our community bank along with many others have pushed our core providers like "Jack Henry & Associates" to function as an aggregation entity for community banks to gain access to Zelle. While Zelle has publicly agreed to this, they actually have created barriers to Jack Henry & Associates and others to get access to the clearing system. One can only speculate that the large banks currently in Zelle created a market advantage via clearing and are shutting out the community banks. One of the main purposes behind the Federal Reserve creation was to facilitate a fair clearing system between all banks. The Federal Reserve needs to immediately create a real time interbank gross settlement system where there is direct access for check services, ACH services, wire services, and direct business to business and consumer to consumer transfers. The competitive marketplace will only be protected if the Federal Reserve creates, manages, and regulates the modern world transaction clearing environment.

Private non bank systems like Venmo, PayPal and Square conduct many customer transfers in a non bank regulated environment where the charges are not transparent to the user. Intuit and other private companies earn revenue from supplying services such as accounting software through disguised and large interchange and clearing fees. Consumers and small business owners are not aware of all of this “behind the scenes” fee creation! A well designed real time clearing system created, managed and regulated by the Federal Reserve that facilitated direct person to person transfer would enable the banking system to offer an alternative to the existing private person to person clearing system which takes advantage of consumers and small business through a lack of transparency. When consumers pay for services and can’t observe exactly what and how they are paying for the product, the opportunity is present for unscrupulous players to take advantage of people because competition doesn’t flourish! If the Federal Reserve built, managed and regulated the electronic clearing system in which banks could facilitate direct person to person transfers, the whole market place in this country would shift to an honest, fair and competitive payment environment where consumers and business would prosper and not have a fear of unscrupulous vendors!

Enterprise Bank is of the belief that if the Federal Reserve doesn’t immediately create a universal bank real time clearing program enabling person to person transfers the potential for community bank to exist in the future will be diminished. A secure real time clearing system hosted by the Federal Reserve is the only way to assure a fair competitive banking industry while protecting commerce in our Country from those that wish to harm us or take advantage of us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Charles H. Leyh', written in a cursive style.

Charles H. Leyh
President, Enterprise Bank