



December 10, 2018

**COMMUNITY SPIRIT  
BANK<sup>®</sup>**

To: Federal Reserve System

From: Community Spirit Bank, FDIC Certificate #50  
Brad M. Bolton, President/CEO

Re: 12 CFR Chapter II, Docket No. OP-1625  
Community Spirit Bank Comment Letter on Faster Payments

To Whom It May Concern:

This comment letter is to give additional comments and insights on the Federal Reserve Banks actions to support Interbank Settlement of Faster payments.

As you know, I submitted brief comments already regarding my position personally that the Federal Reserve must maintain an active role in faster payments. This letter is to expand on my original comments and try to explain why it is important from my bank's perspective for the Federal Reserve to remain an active player in faster payments so as to protect the interest of community banks across the nation just like Community Spirit Bank.

First, I hope you understand that a small community bank like ours is solely dependent upon third party vendors to be able to help us provide services such as faster payments. Community banks like mine do not have the resources or capital necessary to develop our own payments solutions. We will be at the mercy of our core processing platform or other third-party vendors to provide any solution for faster payments.

Further, these vendors are not capable of personalizing payments capabilities per bank, thus we are stuck with a "cookie cutter" approach.

It is imperative that any faster payment solutions be able to integrate with our core processing platforms and do so in a way that does not comprise risk to our core system from a cyber security standpoint as well. We need to be able to continue to have direct access to the Federal Reserve for check, ACH and wire transfer services as well. I am greatly concerned that any fintech players that will begin offering faster payment will do so operating outside of the current regulatory environment a traditional financial institution operates within. The Federal Reserve must make certain that any faster payments solution or provider be required to adhere to the same compliance burdens my bank is having to endure especially when it comes to BSA and AML requirements.

In addition, at present there already exists a disconnect in the payments space with regard to debit card transactions and the liability these cards give to the financial services industry. Any and all data breaches or breaches of card information and the fraud that might occur thereof are currently paid for by the issuing institution. Further, interchange revenues have been given via regulation to merchants, yet merchants have no responsibility when breaches and losses occur but yet that falls back to the issuing bank. We can't let this occur in the faster payments space.

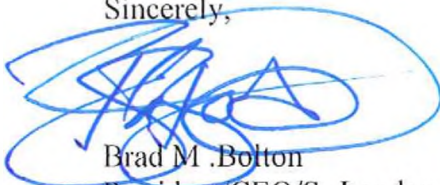
If the Federal Reserve is not actively involved in payments, it could put more potential losses and the liability for the potential losses onto the regulated institutions. The point of this is that the Federal Reserve must make certain that any entity offering payments solutions must adhere to the same regulatory framework as a regulated commercial bank. This is one of the many reasons why the Federal Reserve must remain an active player in the implementation of faster payments to protect the community bank model in this space.

I would stress to you that our position is that:

- It is very important that we have equitable and universal access to faster payment systems to match increasing customer expectations that all banks offer safe and secure payments to anyone, anywhere, at any time and with immediate funds availability.
- We support the Federal Reserve taking a leading role in developing 24x7x365 Real Time Gross settlement services (RTGS) for faster payments, which would open settlement services to more parties, reduce interbank settlement risk and potentially simplify clearing functions
- We support the Federal Reserve developing a liquidity management tool to compliment its RTGS service as well as other private sector solutions.
- We are concerned about the repercussions if the Federal Reserve does not commit to an operational role in the development of a faster and improved payment system. Without the Federal Reserve linking together the nation's financial institutions, the potential exists for thousands of community banks and their customers be placed a competitive disadvantage.
- We cannot afford to put more power and control in the hands of the largest and most complex institutions in the world and have another way of pushing the community banking model out, thus the Federal Reserve would be indirectly picking winners and losers and the community banks would be the losers in this regard.
- The Federal Reserve must make expeditious and transparent decisions regarding its roles in supporting faster payments to remove the cloud of uncertainty and facilitate community banks and their technology partners developing competitive offerings.

As you can see, these expanded remarks are to encourage the Federal Reserve to remain an active and direct responsible party in the implementation of faster payments in the US payment system. It is imperative that we maintain equitable and universal access to faster payments and not centralize faster payments into the hands of only a few large and complex financial institutions. Please let this serve as our banks request for the Federal Reserve to remain protect the interest of community banks like ours with a direct involvement in the development of faster payments for the United States monetary system.

Sincerely,



Brad M. Bolton  
President/CEO/Sr Lender  
Community Spirit Bank