

Date: 12/14/2018  
To: Federal Reserve  
From: Northwest Financial Corp, Arnolds Park, IA  
RE: Request for Comment on Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments – Docket No. OP-1625

Thank you to the Federal Reserve for that work that has done over the past several years to help guide the financial sector in moving forward to modernize the U.S. Payments System. I am CEO of a \$1.8 billion, privately owned, financial services holding company in Arnolds Park, IA. Our two banks have 24 locations in Western Iowa and Omaha & LaVista, NE. We serve an ag, small business, and commercial and consumer customer base with a strong focus in the residential mortgage and wealth management sectors as well.

Faster payments is a foregone conclusion and it is just a matter of figuring out how the United States is going to move forward in this space and whether the Federal Reserve should be directly involved or just facilitate and regulate the private sector initiatives. The private sector is making good progress through EWS/Zelle on the consumer side and through The Clearing House on the business side. Both are early in their rollout efforts.

Community bankers have clearly stated that they want a choice and prefer that the Federal Reserve be one of those choices. They would like the Fed to provide Real Time Gross Settlement and also create Liquidity Management Tools. These are two separate initiatives and it is my view that they should be approached at the same time. However, the liquidity tool initiative shouldn't be held back because of a RTGS initiative or a decision not to go down that path. A Fed liquidity tool would facilitate and provide real strength and confidence to real time payments in the United States, whether the Fed decided to move forward with RTGS or not.

Whatever the Federal Reserve decides to do, there are three areas where there is common ground between those who want the Fed to be involved and those that don't.

1. Interoperability: any solution needs to meet the effectiveness criteria established by the Faster Payments Task Force. A fractured real time payment system will do more harm than good.
2. Settlement and Liquidity Management: virtually all FI's would support the Fed playing a role in settlement and allowing banks to use their central bank accounts, reserve requirements, receive interest and have access to borrowing services.
3. Bank Centric: any service needs to be owned and controlled by the banking system for purposes of safety and soundness, separation of banking and commerce, data security, regulatory compliance and regulatory oversight.

Whatever the Federal Reserve decides to do, they need to make their decision sooner rather than later. Delaying key decisions will only delay the progress of moving forward with faster and real time payments. Many community banks will just stand on the sidelines until the Fed announces their intentions. And if the Fed decides to push forward with both proposals, they need to do it with urgency and work with the industry to meet the three common ground principles stated above.

Sincerely yours,

Jeff Plagge President & CEO  
Northwest Financial Corp.