

Ann Misback
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Sent electronically to regs.comments@federalreserve.gov

Re: Docket No. OP-1625

December 14, 2018

Dear Ms. Misback:

On behalf of the credit unions in the state of Iowa, I appreciate the opportunity to comment on the Federal Reserve System's proposal regarding faster payments. The Iowa Credit Union League (ICUL) is the non-profit trade association that represents the interests of Iowa credit unions and their over one million credit union members.

As evidenced by the many changes and modernizations to the financial industry over the past two decades, the demand for faster payments is increasing. A majority of the population utilizes the internet and smart phones and expects to have their daily transactions completed faster than ever before. While many utilize some sort of private sector company to meet this need there is still a gap to be filled, specifically for credit unions, and their members. In order for credit unions to serve their members efficiently, ICUL urges the Federal Reserve to develop a real-time payment and settlement service available to all financial institutions.

Federal Reserve Role & Infrastructure

ICUL strongly supports the Federal Reserve's role in creating an infrastructure that will allow for faster payments as well as clearing and interbank settlement. It is important that the system is based on independent, non-proprietary standards to ensure interoperability and access for financial institutions of all sizes. This could be done by expanding on existing financial institution access to the Federal Reserve's payment services network, such as ACH and wire transfer payments between financial institutions. A new, faster payments service would meet the Federal Reserve's statutory obligations and long-standing principles and criteria to yield a clear public benefit and provide a service that other providers alone cannot be expected to provide with reasonable effectiveness, scope, and equity.

ICUL encourages the Federal Reserve to utilize the real-time gross settlement (RTGS) method, which would allow for settlement on a 24x7x365 basis. The RTGS method would align the speed and 24x7x365 availability of interbank settlement with the speed and 24x7x365 availability of faster payments for end users. In addition, RTGS arrangements have less inherent risk for financial institutions since they utilize a single payment message with the information necessary to conduct interbank settlement.



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In order to prevent liquidity management issues that may arise with RTGS, ICUL also encourages the development of a liquidity management tool, which would allow participants in the faster payments service to monitor and manage their settlement accounts outside standard business hours. This liquidity management tool should allow financial institutions, or agents acting on their behalf, to move liquidity to the faster payment settlement account as needed. In addition, ICUL encourages the Federal Reserve to permit automatic transfers for financial institutions that wish to set them up from the faster payments account to the settlement account. This would reduce the burden on financial institutions, who may wish to set up certain parameters to replenish their accounts automatically.

Auxiliary Services

ICUL encourages the Federal Reserve to implement certain auxiliary services in order to provide financial institutions and end users with a safe and effective system for faster payments. First, ICUL would like to see the Federal Reserve incorporate some type of directory that would allow payments to be routed using an alias for the consumer to reduce potential privacy concerns when sending and receiving funds. However, if a directory system is used, the Federal Reserve should consider an alias or other naming system that still allows for settlement clarity in an environment where consumers have multiple accounts at different financial institutions. ICUL would also like to see enhanced fraud monitoring capabilities implemented for the faster payments network. This could include a shared database of known fraudulent accounts, automated fraud detection tools, or transaction limits to mitigate risk to financial institutions and end users.

Implementation Timeline

A faster payments system is critical for financial institutions to continue to meet the demands of consumers, especially for credit unions who strive to serve the underserved market and must compete with large banks. The Federal Reserve is the only party in a position to implement such a system that all could use with ubiquitous adoption. ICUL strongly encourages the Federal Reserve to expedite its decision and focus on a rapid implementation of a RTGS, 24x7x365 faster payments system, with appropriate auxiliary services.

ICUL applauds the Federal Reserve's willingness to improve on its existing payments system infrastructure and encourages quick movement forward on this proposal.

Sincerely,



Murray Williams
CEO/President
Iowa Credit Union League



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