



Filed via regs.comments@federalreserve.gov

December 14, 2018

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

Re: Docket No. OP-1625

Dear Ms. Misback:

The Illinois Credit Union League (“ICUL”) is the primary trade association for nearly 270 state and federally chartered credit unions doing business in the State of Illinois, who in turn serve over 3.5 million consumers. We thank you for the opportunity to comment on the Request for Comment on Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments.

ICUL commends the Federal Reserve for its collaborative efforts in ensuring a safe and robust U.S. payment system, including potential actions to develop an infrastructure which provides a 24x7x365 real-time interbank settlement of faster payments and a liquidity management tool to support this service. We further support the Federal Reserve’s facilitation role in development of ubiquitous, nationwide access to safe and efficient faster payments in the United States.

Regarding the request for feedback presented in the comment notice, we submit the following:

Real Time Gross Settlement Service

ICUL concurs with the Federal Reserve that providing 24x7x365 Real Time Gross Settlement service would significantly improve the long-term prospects of all credit unions (and banks) having access to a real-time interbank settlement infrastructure for faster payments. However, if settlement occurs outside traditional banking hours, there will be a need for a liquidity management tool that complements and facilitates real-time payments capability. Absent a Federal Reserve Liquidity management tool, the RTGS will likely impact small institutions disproportionately and impede their willingness to promote real-time payment services to consumers.

Liquidity Management Tool

The risk of failed payments caused by insufficient liquidity in an RTGS-based faster payment service is a concern and may require tools to reallocate liquidity to support faster settlement. Tools must be flexible and robust enough to support enhanced settlement for any payment type and also support credit unions and community banks that engage a correspondent financial institution such as a bankers’ bank or corporate credit union.





Ubiquitous and Interoperable Solution

Foremost is the development and operation of a 24x7x365 settlement environment with the goal of reaching ubiquity – a goal not likely to be reached absent the Federal Reserve’s involvement and leadership. We feel strongly that the best chance for credit unions to ensure access to innovative payment solutions is for the Federal Reserve to develop and operate a real-time payments network that is both ubiquitous and interoperable with other real-time payment systems. In fact, access to an instant payment network on equal terms with other financial institutions and ubiquitous in operation is the single most important issue for credit unions.

Operational Adjustments

Credit unions are financial cooperatives, varying in size, product diversity and technical complexity. Many rely on third party providers to support technology, including payments and liquidity. For this reason, it is imperative the Federal Reserve consider vendor involvement in developing its real-time payments network. In addition, smaller credit unions (and banks) may lack the operational resources to support real-time payment capabilities and face additional costs and technological burdens establishing real-time payment processes. For this reason, ease in implementation will be key to any solution. If price or complexity are burdensome, smaller institutions may not adopt a new payment system, thereby impeding the goal of ubiquity.

Further, fraud is a concern of smaller institutions and may become a barrier to ubiquity. It is important a legal framework that governs the conduct of payments be considered across all levels of the payment process with an objective to provide, among other things, error resolution, fraud protection and security measures to mitigate fraud.

Conclusion

We appeal to the Federal Reserve to be cognizant of the burden smaller financial institutions face when investing in new technology and provide the opportunities to ensure they have the ability to access the most innovative technologies and payments services. In financial services, it is not a one size fits all landscape and steps must be taken to make certain smaller banks and credit unions are not hit disproportionately compared to their larger counterparts.

We support the Federal Reserve’s efforts to improve the U.S. payment system and appreciate the opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads 'Joni Senkpeil'.

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