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Board of Governors of the Federal Reserve System
C/O Ann Misback, Secretary
20th St and Constitution Ave, N.W.
Washington DC, 20551

RE: Docket No. OP-1625-Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments

Thank you for the opportunity for our organization to comment on this critical issue on behalf of our members. WACHA is a 501c(6) representing over 357 financial institutions and 30 companies in Wisconsin and Hawaii. Our membership consists primarily of small to medium size financial institutions. Over the last year we have held education sessions on faster payments for our members and have participated in the Faster Payments Industry Stakeholder Rules, Standards, Laws, and Regulations Work Group. We also have had meetings with our Board of Directors after participating in the Federal Reserve Bank Town Hall on this topic. As a result of those discussions with our members we would like to provide the following comments.

Currently, the Federal Reserve Bank has a foundational role in settlement services as there is complete ubiquity and the Federal Reserve Bank needs to continue in this role. Our members believe the Federal Reserve Bank provides safety and soundness for the financial industry. Our members also believe RTGS is the appropriate strategic foundation for faster payments in the United States, but should include other payment systems like ACH. Last year the ACH network settled over 46.8 Trillion dollars in 21.5 billion transactions. As the ACH network continues to focus on same day settlement, we believe that this already existing payment system with a high volume, warrants a RTGS system.

One of the questions asked was; do we need a RTGS system by 2020? Our members believe we do not within that timeframe. Our members are still waiting for the Federal Reserve Bank to become a partner with the private sector and there are still so many unknowns with their processors. However, time to market is crucial and our organization encourages the Federal Reserve Bank to move rapidly. The longer it takes for the Federal Reserve Bank to enter this market, the more likely it becomes that other non-bank competitors will emerge. It is imperative that the Federal Reserve Bank offers a product. There is also some concern about the OCC allowing fintech companies to gain charters which would then allow them to access Federal Reserve Bank services and settlement. These fintechs do not have the same regulatory and compliance requirements thus creating an unfair advantage.

In order for RTGS to be effective, it would have to be mandated for the receiving institution to make the funds available, similar to Same Day ACH. There also needs to be rules around these payments and we encourage the Federal Reserve Bank to use the Faster Payments Council to develop a standard set of operating rules. As in most business cases the businesses like to receive funds faster but do not like to

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pay faster especially if interest rates continue to rise. The volume will grow slowly as it did for example in the U.K.

Implementing faster payments for our members will be very costly as they will have to support another payment system along with the existing systems. Our members have also asked why we need new rails when we can use existing rails for messaging and settlement.

In today's environment a directory is vitally important and our members believe the Federal Reserve Bank is the most secure entity to provide this service whether that be directly or indirectly. Vendor management can hinder new products and services and the Federal Reserve Bank is the trusted source. A directory may also serve as a tool to validate account ownership and mitigate fraud. The directory service should be channel agnostic, supporting more than just real-time payments.

Our members thought the liquidity tool was also a necessity, but again would like it to be a tool to be used across multiple payment channels. The examiners talk about cross channel risk and this tool would be very helpful.

As discussed in the RFC, consider allowing a designated agent(s) to transfer funds between master accounts, which could lead to the development of innovative solutions to help small community bank and credit unions participate in real-time payments by consolidating management of these accounts.

Thank you for the opportunity to comment on behalf of our members.

Sincerely,



Mary Gilmeister, AAP, NCP
WACHA
President & CEO