



Dow Chemical  
Employees' Credit Union

November 7, 2019

*Submitted via Email to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)*

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

RE: Docket No. OP-1670

Dear Ms. Misback:

The following comments are submitted on behalf of Dow Chemical Employees' Credit Union (DCECU,) a \$1.7 billion, state-chartered, federally insured credit union located in Midland, Michigan representing the interests of over 68,000 natural person members. Our members currently rely heavily on electronic payment services. In 2018, DCECU received and processed 3.1 million ACH debits and credits totaling nearly \$3.35 billion and originated approximately 30,000 transactions for \$14.2 million. DCECU therefore supports advancement to expedite payment processing in an effort to meet the real-time payment needs of our members.

DCECU appreciates the opportunity to comment on the proposed FedNow<sup>SM</sup> Service, a new interbank 24x7x365 real-time gross settlement service with integrated clearing functionality to support faster payments in the United States. We commend the actions of the Board of Governors of the Federal Reserve Board (the "Board") to build and develop the FedNow Service and believe that the Board has the unique ability to provide the framework necessary to reliably settle obligations between financial institutions. The Board's involvement is imperative to ensure interoperability, ubiquity, safety and efficiency of any real-time payment system.

### **Ubiquity**

Above all, it is imperative that the FedNow Service be accessible to all U.S. banks and payment system participants to allow both individuals and businesses to transfer payments to another party for broad purposes. DCECU believes that a real-time payments system needs to be widely available to institutions of all sizes which will require implementation of a robust, simple, affordable system. Broad market adoption will be critical to the success of this new payment rail.



## **Core Service Features Required Upon Initial Implementation**

DCECU believes that there are a few core service features that are key requirements upon initial implementation of the FedNow Service. There appears to be great industry interest in interoperability between the FedNow Service and RTP® via The Clearing House. It is DCECU's opinion that the FedNow Service must not merely operate alongside services provided by the private sector but requires an integrated approach for expedited payment services. To that end, the Board is encouraged to engage early with third-party providers, particularly core processors.

Real-time gross settlement between institutions through accounts held with Federal Reserve Banks also creates the need for expanded settlement capabilities. Sophisticated forecasting capabilities will now be required of financial institutions to anticipate round-the-clock liquidity needs. Tight business operations require that reserve balances are not overfunded, resulting in the occasional need to access lines of credit. Automation of line-of-credit draws will be an absolute necessity to remove friction in this process as most institutions do not operate 24x7 to provide approvals for these transactions.

## **Ancillary Features Requested Beyond Initial Implementation**

While not necessarily required upon initial implementation, DCECU requests that the Board consider the provision of several other ancillary features to provide enhanced capabilities within the FedNow Service. For enhanced safety and security of real-time payments, it is imperative that the Federal Reserve provide a directory service that allows for contact lookups by alias and tokenization of their account credentials so that account information is never shared between Senders and Receivers. Further, we ask that the Board consider tokenization of the transactions, eliminating the storage of actual consumer account numbers and other sensitive information.

Historically, financial institutions have been responsible for compliance and fraud monitoring of electronic transactions. However, addition of the following services to the suite of FRB services provided alongside the FedNow Service would be extremely beneficial. In order to ensure compliant, real-time payment processing, live OFAC screening and management of these payments within the FedNow Service such that only those transactions that are OFAC-compliant are passed along to the receiving institution will be necessary. Additionally, fraud monitoring and reporting services for real-time payments provided by the FRB would elevate risk management across the industry. The FRB's ability to analyze transactions in real time would allow suspicious items to be immediately identified and stopped before funds leave the account. We believe that the FRB is in the perfect position to serve as a central repository for



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known and suspected fraud to bolster financial institutions' risk mitigation programs, preventing related financial loss and making these transactions even safer.

### **FedNow Service Implementation Timeframe**

Both individual and business consumers are increasingly demanding real-time payment services and thus, implementation of the FedNow Service is preferred as expeditiously as possible. To that end, we believe the Board should consider partnering with The Clearing House and other vendors who have either already created a real-time payment rail or at least are further along on the continuum to product availability and delivery. While it is understandable that it will take time to obtain nationwide participation and reach, the proposed timeline of four to five more years for initial availability is clearly too long.

In closing, DCECU shares the same goal as the Board to provide access to safe, efficient, ubiquitous and faster payments throughout the United States and looks forward to availability of the FedNow Service in the near future.

Sincerely,

A handwritten signature in cursive script, reading "Lisa L. Gray".

Lisa L. Gray  
Director of Compliance & Risk Management

cc: Jim Nussle, President/CEO, Credit Union National Association  
Dave Adams, President/CEO, Michigan Credit Union League  
Rusiru Gunasena, Director of JHA PayCenter™, Jack Henry & Associates