



December 13, 2018

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

Re: Docket No. OP – 1625
Potential Actions to Support Interbank Settlement of Faster Payments

Dear Ms. Misback:

On behalf of the 2.2 million credit union members we represent, the Heartland Credit Union Association (HCUA) appreciates the opportunity to comment on the Request for Comment from the Federal Reserve Board of Governors related to the interbank settlement and liquidity management tool for faster payments. We commend the Federal Reserve for issuing a request for comment on the Federal Reserve's potential actions to develop 24x7x365 real-time settlement and a liquidity management tool to support this service.

Technological advancements have changed the way individuals conduct commerce. The nation's payment and settlement system must keep up with these changes to develop a foundation that supports the technological advancements that progress commerce and the economy. HCUA supports actions that the Federal Reserve could take to promote ubiquitous, safe, and efficient faster payments by facilitating real-time interbank settlement of faster payments.

HCUA agrees that real-time gross settlement (RTGS) is the appropriate strategic groundwork for interbank settlement of faster payments. RTGS arrangements inherently avoid interbank settlement risk because funds are made available to the recipient only after interbank settlement has occurred. The RTGS model also avoids the unanticipated liquidity effects that can occur in the event of a settlement failure when interbank settlement positions have been netted by a centralized entity.

The Federal Reserve should develop a 24x7x365 RTGS settlement service as this creates equitable access and competitive fairness. Establishing a centralized RTGS at the Federal Reserve would instill confidence in faster payments participants and the Federal Reserve is best positioned to couple RTGS with cash management and liquidity tools. Also, the Federal Reserve could provide educational tools and materials for credit unions and its members to demonstrate the benefits and security of a centralized system.

We support the Federal Reserve's involvement in creating a faster payment solution as it would be challenging for the private sector to develop and host the required RTGS infrastructure. A Federal Reserve solution provides a high level of security due to the regulatory oversight. Additionally, the private sector does not have existing relationships with many credit unions and may have difficulty establishing the relationships required to reach the goal of ubiquity. Credit unions without an existing relationship to the provider of private-sector RTGS service may find it cumbersome and time-consuming to establish connections with a new provider of settlement services.

HCUA supports the potential need for liquidity management outside standard business hours in certain RTGS-based systems for faster payments. The Federal Reserve should consider providing a liquidity management tool that would enable movement of funds during nonstandard business hours to support 24x7x365 real-time settlement of faster payments. Without a liquidity management tool, some credit unions would experience difficulty with 24x7x365 demands.

The Federal Reserve should develop the liquidity management tool and the settlement services alongside each other. Settlement services offers real time payment between credit unions and banks, and the liquidity management tool sets controls over these real time payments. We believe a liquidity management tool could be an efficient and economical way to close potential gaps in account funding times.

Fraud prevention services that provide tools to detect fraudulent transfers are necessary for a 24x7x365 RTGS settlement service. There are existing providers that may be a resource in providing fraud services for RTGS. Each institution or faster payment solution should consider fraud detection and prevention as a service to its members.

We understand that the Federal Reserve's Request for Comments raises numerous operational questions and considerations including substantial changes that would need to take place in moving a 24x7x365 operation. These changes would include significant changes to areas such as customer support and IT support. Accordingly, we urge the Federal Reserve to approach these matters thoughtfully and incrementally within a reasonable timeframe to develop the necessary systems and processes.

HCUA recognizes and applauds the Federal Reserve's efforts to address potential actions to accelerate interbank settlement of faster payments, including the idea of the bank developing 24x7x265 real-time settlement and liquidity management tool to support this service. We support the Federal Reserve's involvement in creating a payment solution that is interoperable and achieves ubiquity. We view the Federal Reserve's role in providing payment and settlement services, such as faster payments, as a way to create equitable access and competitive fairness for all financial institutions. As always, we appreciate the opportunity to review this issue. We will be happy to respond to any questions regarding these comments.

Sincerely,

A handwritten signature in black ink that reads "Bradley D. Douglas".

Brad Douglas
President/CEO