



December 13, 2018

Ms. Ann Misback, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> 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 Millennium Corporate Credit Union (Millennium), thank you for the opportunity to provide input on the Federal Reserve's potential actions to support interbank settlement of Faster Payments by developing a 24x7x365 real-time gross settlement (RTGS) service and whether they should also develop a liquidity management tool. Millennium serves approximately two-hundred seventy credit unions located primarily in Kansas, Missouri, Nebraska and Montana.

Millennium supports the Federal Reserve maintaining an active role in providing settlement mechanisms and payment services, and believe an RTGS service is the appropriate strategic foundation for interbank settlement of faster payments. Implementation of a RTGS platform should be viewed as the first step in moving toward improved settlement speed of all payment systems.

We support the Federal Reserve's involvement in creating a payment solution that is interoperable and achieves ubiquity. A faster payments service operated by the Federal Reserve would provide credit unions access to faster payments by an established partner, provide opportunities to deliver faster payment products to their accountholders and the ability to compete with larger financial institutions and non-federally regulated providers.

If we leave faster payments to the industry alone, we risk a limited number of players with unlimited resources controlling the system, including pricing, rules and participation requirements. The Federal Reserve can serve as a central point and have the ability to work with all financial institutions with competitive pricing and appropriate regulatory oversight.

Millennium believes the Federal Reserve should develop a 24x7x365 RTGS settlement service. It's difficult to envision a scenario where the private sector could develop and host the RTGS

infrastructure while creating equitable access and competitive fairness in providing a settlement service. Additionally, in providing Faster Payments services the private sector does not have existing relationships with a large number of credit unions and may have difficulty establishing the relationships required to reach the goal of ubiquity. Although private-sector solutions are well under way, in order to engage the many smaller credit unions who serve members nationwide, a tandem approach would engage many more credit unions through relationships already in place with the Federal Reserve established through a corporate credit union.

The relationship between Faster Payments RTGS and the liquidity/credit impact for financial institutions is such that cash management under a central authority and policy is critical. Faster Payments provide finality and the Federal Reserve offers a safe/trusted solution. Intraday and overnight lending opportunities at the Federal Reserve align with a tiered structure that Correspondent/Respondent relationships currently practice with corporate credit unions. The Federal Reserve can address liquidity concerns through intraday lending and collateral solutions. A Federal Reserve solution provides a high level of security due to regulatory oversight. Secure sources of intra- and inter-day liquidity are important.

We agree that a 24x7x365 RTGS settlement service and the liquidity management tool need to be developed in tandem since knowing detailed balance and positions is key to maintaining smooth flow of funds for consumers. The potential liquidity management tool is perceived as a valuable tool that could help with the faster payments settlement account management during non-traditional business hours, especially if it facilitated with automated liquidity management.

Without a liquidity management tool, some credit unions would be disenfranchised because of the demands of 24/7 management. The liquidity management tool would also reduce the costs associated with maintaining excess liquidity and assist in the prevention of insufficient fund scenarios in off-hours. Many credit unions depend on corporate credit unions to handle settlement and liquidity management. A tool enabling “transfers on behalf” would enable more credit unions to participate in a faster payments solution as they depend on their corporate credit union to manage liquidity on their behalf.

We believe the Federal Reserve should continue to be a source for industry collaboration and encouragement of interoperability, which is an essential attribute of any faster payments service developed by the Federal Reserve. Real-time fraud detection and prevention services are also crucial for successful adoption and use by financial institutions.

The Request for Comment is silent on security, operational practices to include disputes, regulations and statutes that need development. Exemptions for Bank Secrecy Act (BSA) and OFAC regulations by the U.S. Treasury may be needed to gain greater adoption for faster payments and we encourage the Federal Reserve to be proactive in determining what regulatory changes are needed to optimize real time payments.

We believe that participation of the Federal Reserve in providing a solution would help gain acceptance of faster payments. Many credit unions are unwilling to make a commitment to service or software purchases, resources and development, until a decision is made by the Federal Reserve. As history has demonstrated – Check 21 and Same-Day ACH – corporate credit unions and our members will do what it takes once a firm timeline is established.

As a member of the Corporate Credit Union Alliance, we are supportive of their detailed comment letter. Thank you for the opportunity to comment on these potential actions to support the settlement of faster payments.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Larry Eisenhauer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Larry Eisenhauer  
President/CEO