

December 14, 2018

Via Electronic Submission

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

Re: Request for Comment: Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments. Docket No. OP-1625

Dear Ms. Misback:

On behalf of First State Bank of St. Charles, Missouri, I am pleased to provide the following comments on the Request for Comment on Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments (the Notice).

First State Bank of St. Charles is a community bank headquartered in St. Charles County, Missouri with total assets of \$375 million. Since the founding of our bank in 1867, we have seen the industry develop as pioneers in the deployment of new payment options, resulting in rapid advances which are reflected in the choices available in the marketplace today. We continue to share the goal of your agency of a modern, secure, and innovative payments marketplace.

After thoughtful consideration, I submit to you four comments regarding the Notice:

- **Liquidity Management Tool:** This tool would assist banks in managing fund balances dedicated for settling faster payment transactions, regardless of whether the transactions travel on existing faster payment rails or on any new capability offered by the Federal Reserve or private sector entity. The Federal Reserve is a logical provider of this service. This service should be implemented expeditiously and independent of any other actions that might be taken by the Federal Reserve.
- **Interoperability:** If the Board decides to create new or upgraded payments capabilities, interoperability with private sector solutions now in the marketplace is critical. Our bank, along with many other community banks across the United States, relies heavily on a core processor to add new capabilities to our system on our behalf. It is imperative that any Federal Reserve solution be compatible with the cores that support financial institutions.

- **Chartered Financial Institution Access:** Banks are regularly examined for compliance with regulations and are currently the only institutions permitted by law to access the Federal Reserve's payment systems. In a time when we face increasing cyber threats and breaches at unregulated entities, I urge the Federal Reserve to keep the payment systems secure by ensuring that direct access be given solely to chartered institutions that are examined and subject to capital reserve requirements.

- **The Federal Reserve acting as Operator:** I feel that the Federal Reserve should move forward with considering the operation of a new or upgraded faster payments capability, with the following in mind:
 - The Federal Reserve's participation could decrease the amount of time it will take to achieve ubiquity because the Federal Reserve already has connections with the more than 11,000 banks and credit unions. Additionally, an established element of trust has existed between financial institutions and the Federal Reserve since the creation of the Federal Reserve in 1913. If deployed correctly, this combination can be a powerful element to ensure expeditious ubiquity.
 - This would create competition in the market rather than reliance on a single vendor.
 - The risk associated with a system-wide failure would be reduced.
 - An establishment of a real-time fraud detection service with the faster payments capability is essential.
 - The Federal Reserve should strive for clear and expeditious communication of a decision on this issue as uncertainty could contribute to business decisions by private payment networks and financial institutions to be delayed, thereby slowing adoption.

I would like to take this opportunity to thank you for your leadership in soliciting industry feedback on potential actions to promote the development of faster payments in the United States.

Sincerely,



Luanne Cundiff
President & CEO

First State Bank of St. Charles, Missouri