

# *Coulee Bank*

BANK WITH CONFIDENCE

December 14, 2018

Via Electronic Submission

Ms. Ann E. Misback, Secretary  
Board of Governors of the Federal  
Reserve System  
20th Street and Constitution Avenue NW  
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:

Coulee Bank is a community bank chartered in La Crosse, Wisconsin, with assets of \$380,000,000.00 supporting commercial and consumer customer's financial services and payment needs in the states of Minnesota and Wisconsin. We respectfully submit the following comments on the Request for Comment on Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments notice.

Since our beginning in 1961, our product offerings has enabled us to meet our customer's ever-changing needs. As a community bank, our resources are limited when it comes to developing products on our own. Cost becomes very central in our decision in either collaborating with a vendor or not offering a particular service. We are typically priced out of the market to develop our own internal products, thereby creating a need to find a reliable vendor or provider of service. In the payment space, we typically rely on the Federal Reserve Bank, correspondent banks, core system providers and third party vendors.

Central to our payment options has been the role the Fed has played in allowing universal access to payment solutions. Community banks look to the FRB for future and continued support of the success of community banking. The actions that the Federal Reserve takes, or does not take, will shape the future of payments in the U.S. The success of the U.S. Payments system in efficiently, equitably and securely providing payment solutions up to this point has been predicated on the role that the Fed has taken in support of cash letters, ACH and wires. For all banks to have equitable access in the future of payments, the Fed needs to continue to provide support for the delivery of updated and new services.

Coulee Bank supports and shares the Board of Governors' goal of modern, secure, and innovative payment efforts in the marketplace. Coulee Bank has been a supporter of this effort through:

[www.couleebank.net](http://www.couleebank.net)

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- active participation in the Independent Community Bankers Operations and Payments Committee (I have been on the committee since January 2017),
- attendance at the Federal Reserve Bank of Minneapolis Town Hall held on November 9, 2018,
- membership in the Secure Payments Task Force and serving on the Data Security committee until its conclusion in March 2018, and;
- current member of the FedPayments Improvement Community.

Coulee Bank believes the Fed should provide a Real Time Gross Settlement (RTGS) system and Liquidity Management Tool (LMT). In addition, our thoughts are that the Fed has an Operator Role and Directory role to play too.

Real Time Gross Settlement (RTGS): RTGS is the needed direction to ensure that we have a universally viable U.S. Payments solution. In making that direction a reality we need to take into consideration not only new faster payments solutions but also the solutions that are successfully serving the payments market today. ACH and wire transfer systems as well as any private-sector faster payments offerings should be considered as a new system is architected. Interoperability is a requirement. There is also a concern about the time it will take for such a solution to be operational.

Liquidity Management Tool (LMT): The development of an LMT is needed to manage fund balances as the hours and complexity of payments activity grows. As with other services that the Fed currently offers we believe there is benefit for either banks to use a tool directly or through an entity acting as their agent. Handling 24/7/365 liquidity needs successfully requires new tools with equitable access for all financial institutions. The Federal Reserve is a logical architect of this service as well.

Operator Role: Universal and equitable access to payment solutions has allowed the U.S. Payment system to successfully and effectively run with multiple payment options. As the contemplation of a role for the Fed to play with a new faster payment solution is made we would ask that the successes of the past not be overlooked. While new private-sector faster payment solutions are in the market, the suggestion that the solutions will reach all Community banks does not seem within sight or cost structure. The participation of the Fed would create competition between price and service levels benefiting all financial institutions in the marketplace. The Fed has the ability to address systemic risk issues more effectively than any private sector entity. Moreover, I would add that in the media you hear of data breaches constantly, but have not had one at the Federal Reserve Bank.

Directory Role: The challenge of reaching anyone, anywhere and at any time, creating a ubiquitous payment solution must be solved for. The Fed has taken steps to facilitate cross industry discussions on solution options. The need for a universal solution is integral to the success and participation of all financial institutions and their end users. We urge the Fed to

continue efforts and consider more direct involvement in developing such a directory structure and/or data base. We believe that the ability to achieve universal access is predicated on this.

As we work toward a modern, secure, and innovative payments marketplace, much of the credit for where we are today is thanks to the ongoing efforts made by the Fed.

While there is uncertainty around the Fed's role, we continue to see innovation in faster payment offerings. Determining what and when the Fed will take steps (and hopefully sooner than later) will provide many Financial institutions and the market additional clarity in developing their payment plans. The development and design of solutions by the private-sector is influenced by the role(s) the Fed will play. While the market will continue to innovate the Fed direction plays a pivotal role for many, including community banks.

We thank the Fed and appreciate the opportunity to provide comment on these important topics. If you have any questions regarding our comments, please do not hesitate to contact me at (608)784-9550.

Sincerely,  
Coulee Bank

A handwritten signature in black ink, appearing to read "Michael J. Gargaro". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Michael J. Gargaro  
Chief Operating Officer