

Kleberg Bank

Since 1905

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Dear Sir or Madam:

As President and Chief Operating Officer of Kleberg Bank, an independent community bank founded in 1905 with assets of \$515 million and approximately 154 employees serving Kingsville, Corpus Christi and the South Texas region, I would like to express my strong support of the Federal Reserve developing a 24/7/365 real-time gross settlement service (RTGS) for faster payments. The Federal Reserve's development of a real-time RTGS would make settlement services more equally accessible, reduce interbank settlement risk and simplify clearing functions.

From creating a new core infrastructure for the clearing and settlement of checks to the advent of ACH payment, fostering a safe, efficient, and widely accessible payment infrastructure has been a crucial aspect of the Federal Reserve's mission from its founding in 1913. In today's fast-paced digital economy, the banking industry, in particular community banks, once again finds itself at a crucial juncture working to balance settlement capabilities with consumer's and business' expectations for instantaneous transactions.

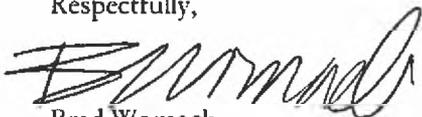
Faster payment systems, such as Venmo and PayPal, currently exist and are being used by our customers. Additionally, other systems are under development in the private sector. However, access to faster payments is not equally accessible to all banks. Small to mid-range community banks, such as ours, face a number of limitations including: being bound to our core system and subject to the core provider's timing on accessibility and pricing; having less resources to develop a system; and facing unfair competition with financial technology firms which are not subject to the same regulations as community banks.

We encourage the Federal Reserve System to facilitate an RTGS for faster payments and make it equally available to all federally insured depository institutions. We support the Federal Reserve becoming a provider of a faster settlement service as outlined in the recent proposal issued in October 2018, including:

- An RTGS designed to support interoperability with its ACH and wire transfer systems and any private-sector faster payment offerings;
- The development of a liquidity management tool to complement the RTGS;
- New operational roles to support faster payments similar to the Fed's current role in providing safe, secure and universal access to check, ACH and wire services; and
- A payment directory that links financial institutions and any private-sector payment directories.

We applaud the Federal Reserve and the Faster Payments Task Force for efforts to improve payment systems and further encourage the Federal Reserve to move forward as quickly as possible with the development of a real time 24/7/365, faster payment system. Providing the services outlined above (and in the October 2018 proposal) is crucial to ensuring that community banks remain viable players in the US banking system, and fairly positioned to continue serving the financial needs of our respective communities. Additionally, as a participant in the Banking on the Leaders of Tomorrow conference in November, we met with a number of Community Bankers who unanimously pledged their support.

Respectfully,



Brad Womack
President and Chief Operating Officer