

# Union State Bank

PO Box 105 • 545 Main St  
Everest, KS 66424-0105  
785-548-7521

December 12, 2018

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: OP – 1625 Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments, Request for Comments

To Whom It May Concern:

The Union State Bank of Everest supports the Federal Reserve as a developer and operator of a 24x7x365 RTGS settlement service.

The Union State Bank of Everest also supports the Federal Reserve as a developer and operator of a liquidity management tool to support the 24x7x365 real-time interbank settlement of faster payments.

As a community bank, we believe the emerging faster payments ecosystem will only obtain ubiquity and interoperability if the Federal Reserve develops and operates the settlement rails. The current faster payment solutions, Zelle and Real Time Payments, provide neither ubiquity nor interoperability, and have the potential to greatly harm Community banking institutions.

The current systems fail in their bid for ubiquity and interoperability because of flaws in their system design. The flaw in Zelle is the use of an email address to identify an account and along with that, the setup that allows only one account per email address. Most people have 1 or 2 email addresses, but potentially have several different banking accounts. This has the potential to leave a large amount of the transaction accounts in the US un-served. Real Time Payments flaw is not in the system, but in the setup with member banks. They do not require any uniformity in how a bank verifies their customers, sets up the transfers, or how accounts are identified within the member banks systems. There is no central database that shows accounts and their identifiers. You can not have a ubiquitous and interoperable system that does not allow for every account to have a unique identifier nor can you have one that allows variation and separate databases.

The other fundamental problem with the systems is that their creators, Early Warning Systems and The Clearing House, are owned or controlled by the nation's largest banks. To send transactions over either system, a Bank must have their core or online banking platform work with EWS or TCH, or

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**Branch Location:**  
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**Branch Location:**  
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**Branch Location:**  
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choose to try to work with the company themselves. However, EWS and TCH have yet to prove their willingness to work with anyone other than the largest banks and banking cores. Even if they do allow us to play, they will have a huge head start. This puts community banks at a large disadvantage from the beginning, puts our future in the hands of the largest banks, and puts any thought of ubiquity or interoperability out of the picture.

If the only options for faster payment networks are left with no influence from the Federal Reserve, the result is nation's largest banks will govern its design and build based on their big-bank model. Consequently, as transactions migrate to available faster payments systems and away from traditional ACH, Check, Cash, or Wire Transfer channels, community banks would likely see deposits similarly erode at a devastating pace.

We encourage the Federal Reserve to promptly arrive at a decision that favors community banks and immediately begin development of a faster payments RTGS settlement solution.

Sincerely,



Steve Handke  
President/CEO  
Union State Bank of Everest



Amy Potts, AAP  
VP of Information Technology  
Union State Bank of Everest

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