

December 14, 2018

Ann Misback
Secretary of the Board
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

[Delivered Electronically](#)

Subject: Docket No. OP-1625, Interbank Settlement of Faster Payments

Dear Ms. Misback

On Thursday, November 15, 2018, the Board of the Governors of the Federal Reserve System (Board) issued a request for comment regarding potential Federal Reserve actions to support interbank settlement of faster payments. The request for comment seeks input on potential action by the Federal Reserve, specifically developing a service for 24x7x365 real-time interbank settlement of faster payments; and a liquidity management tool that would enable transfers between Federal Reserve accounts on a 24x7x365 basis in order to support services for real-time interbank settlement of faster payments.

The Northwest Credit Union Association (Association)¹ is pleased to be able to offer comments related to the potential actions by the Federal Reserve to support interbank settlement of faster payments. The Association also appreciates the Board's leadership in exploring how to support faster payments, within the financial system, as demonstrated by the Faster Payments Task Force, which culminated in two final reports addressing fast and secure payments and spawned cross-industry innovation in this sector.

General Comments

The Federal Reserve is in a unique position to provide a ubiquitous solution, from an operating standpoint, as it pertains to faster payments. The Federal Reserve already provides an operational role that facilitates safe and equitable services to financial institutions in the form of check processing, ACH payments, and Fedwire services. Setting up a settlement service that promotes real-time, payment-by-payment interbank messaging and settlement with 24x7x365 daily operations seems like a natural progression for the services offered by the Federal Reserve.

In the Request for Comment, the Federal Reserve indicates that it holds a "fundamental responsibility to ensure that there is a flexible and robust infrastructure supporting the U.S. payment system on which the private sector can develop innovative payment services that

¹ The Northwest Credit Union Association is a regional trade association representing the interests of more than 180 credit unions and their 6.5 million consumer-members; institutions that employ and engage more than 19,000 people and hold more than \$90 billion in aggregate assets. The Association is a nonpartisan advocacy organization representing the interests of its member institutions on a variety of systemically important banking issues.

Credit unions affiliated with the Association are principally domiciled in Idaho, Oregon, and Washington, but the Association also has members from the states of Alaska, California, Utah and Hawaii. Learn more about the Association at www.nwcua.org.

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serve the broadest public interests.” As such, it seems that the Federal Reserve is in the position to provide the safe, transparent, and ubiquitous solutions that the industry is currently seeking. However, as with any major system improvement or overhaul, careful consideration is warranted.

Specific Comments

Creating the right solution within an efficient timeframe

The Federal Reserve plays a large role in facilitating payments between financial institutions. Due to the volume of processed transactions and institutions that participate in the services offered, it is vital that the Federal Reserve develop solutions that will facilitate faster payments. The Federal Reserve currently provides a non-bias, transparent, safe, and equitable system and service set in which financial institutions can participate. As real-time payment applications gain more popularity and necessity in the marketplace, access to a broad service network with safe and equitable services becomes imperative to the industry.

Industry comments regarding the Federal Reserve’s proposal include concerns about delays in industry innovation, which is probable if the Federal Reserve moves forward with its plans to offer a faster payments solution. While we respect the opinions from other industry partners regarding the fear of a delayed process, and we agree that a delayed implementation period by the Federal Reserve may halt adoption of real-time payments at a large number of financial institutions, we still encourage the Federal Reserve to explore its options and develop a service that provides the appropriate foundation for interbank settlement of faster payments. The Federal Reserve should be vigilant in outlining the correct approach to a faster payment system, while being cognizant of not prolonging its deliberations. If the Federal Reserve delays deployment of a service by 5, or even 3 years, it may contribute to interruptions in the offerings within the real time payments system in the US financial services sector.

Ensuring community institution access

The faster payments market is important to financial institutions of all sizes and charters. Regardless of the size or complexity of the financial institution, offering faster payment solutions to consumers is an important consideration to an institution’s relevancy within the financial services sector. It is important that as the Federal Reserve continues to explore its offerings, regarding real-time payments, that it doesn’t price community institutions out of its products or services. The Federal Reserve should also ensure that its complexity is scalable in order to allow community institutions to utilize the service. Allowing institutions affordable and accessible participation in a Federal Reserve faster payment solution is vital to ensuring a robust marketplace and encouraging innovation within the space. We encourage the Federal Reserve to develop a solution that is not only beneficial to the financial services industry, but one that is also affordable and accessible to institutions of all sizes.

Additionally, because of the integral nature of community financial institutions for consumers, and the Federal Reserve’s mission to provide a service that will yield a clear public benefit, we encourage the Federal Reserve to allow all depository institutions, even those that do not meet the definitions under 12 U.S.C. § 461 (b)(1)(A), to be eligible to participate in the faster payments services that will be offered.

Conclusion

In conclusion, the Association and its member credit unions appreciate the opportunity to comment on this important matter, and we appreciate the consideration that the Board put into the comments of its constituency. It is imperative that an institution, such as the Federal Reserve, take the lead in offering a safe, transparent, and ubiquitous faster payments system, which is explored and outlined in the request for comment. Any solution deployed should be affordable and ensure that its complexity is scalable in order to allow community institutions to utilize the service, independent of their size and technical capabilities. Additionally, we believe that all institutions should have access to any solution put forth by the Federal Reserve in the faster payments' realm.

We appreciate the Board's commitment to improving the faster payments facilitation within the United States. Thank you again for the opportunity to comment on this issue. We would be pleased to answer any questions that you may have.

Respectfully,



Katie Clark
Director, Regulatory Compliance and Risk Management
Northwest Credit Union Association