



December 11, 2018

Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551

**SUBJECT: OP-1625 – Potential Federal Reserve Actions to Support Interbank Settlement of Faster payments**

Dear Federal Reserve Board of Governors:

Atlantic Community Bankers Bank (ACBB) is a for-profit cooperative bank providing credit and non-credit correspondent services to more than 500 community financial institutions (CFIs) located throughout the mid-Atlantic and New England regions. The vast majority of our shareholder institutions are under \$3 billion in assets and utilize our services to better serve their communities and offer services more typically offered by larger banking institutions. We, like other bankers' banks, help level the playing field for community financial institutions by facilitating core banking service for their customers.

Our comment letter on OP-1625 and the Fed's future role in a faster payments world is the result of input from our management team, Board of Directors and shareholder community financial institutions.

It is the position of ACBB that the Federal Reserve should develop a 24 x 7 x 365 settlement service to ensure a safe, ubiquitous and fair payment system.

CFIs are seeking a trusted partner(s) to ensure the integrity of the payments system as well as competitive choices, which will allow them to better serve their communities.

Currently, CFIs' choices in the payment space are limited due to an oligopoly of large entity providers. This includes large national banks, core processors and bank cooperatives.

The ability to connect to these providers, or away from these providers, to a company of choice is many times cost prohibitive.

Without the Federal Reserve as a choice for the 24 x 7 x 365 settlement services, it will exacerbate the ability or opportunities for CFIs to compete in this space and ultimately result in less funding capacities for lending back to their communities. With the Federal Reserve as a

faster payment choice, not only will CFIs be able to compete more effectively, but it will also help create a more competitive environment within the private sector.

The Monetary Control Act of 1980 ensures when the Federal Reserve provides services to the public, they will basically recoup their cost. We believe the Federal Reserve maintains the talent and the resources to provide a 24 x 7 x 365 faster payment services. In addition, without the motivation of for profit shareholders as in the private sector, the Federal Reserve is in a position to create an initial framework with the highest standards for safety, fairness and ubiquity. Ultimately, the private sector could replace portions of the Federal Reserve's involvement, but building a framework and through the transitional years, the Federal Reserve could help ensure a faster, transparent payments system that is beneficial to all participants

As relates to the Fed offering or supporting a liquidity management tool, ACBB again supports the Fed's involvement.

In a faster payments world, liquidity is a major concern. Payments are being executed 24 x 7 x 365 and financial institutions will need to have sufficient funds to cover these transactions at any time.

One of the current proposals is to collateralize these positions. It would be our recommendation that the Fed consider a solution whereby institutions could utilize their existing collateral position at the Fed's Discount Window in addition to utilizing liquidity lines institutions they have established with correspondent and bankers' banks.

At ACBB, we maintain approximately \$2.0 billion in liquidity facilities to our customers. These facilities, if permitted to be utilized to support faster payments, could prevent financial institutions from potentially needing additional collateral by accessing a mechanism already in place. In addition, these liquidity lines would limit the credit risk exposure of the Federal Reserve Banks.

We appreciate the opportunity to provide input and welcome questions or further dialogue.

Please contact me should anyone have any questions.

Sincerely,



Jon S. Evans  
President & CEO  
Atlantic Community Bankers Bank