



November 1, 2019

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

Via E-Mail: regs.comments@federalreserve.gov

Re: Docket No. OP-1670

Dear Ms. Misback:

The following comments are submitted on behalf of Corporate Central Credit Union, a corporate credit union providing financial services to approximately 400 natural person credit unions. As a primary provider of correspondent/respondent settlement activity with the Federal Reserve System and an electronic service provider for our member credit unions, we appreciate the opportunity to comment on the Federal Reserve's FedNow solution for promoting ubiquitous, safe and efficient faster payments in the United States by facilitating real-time interbank settlement, a liquidity management tool and to build a nationwide infrastructure to provide services to financial institutions across the country. We agree that the Federal Reserve's role will provide a solution to the credit union members we serve that might otherwise not have access to an RTGS infrastructure for faster payments.

As we noted in our response to the Federal Reserve Bank's Request for Comment OP-1625, Corporate Central strongly supports the Federal Reserve Bank's role to provide the FedNow solution. We agree that the historical experience of the Federal Reserve Bank in the development of other payment systems provides a great opportunity to successfully improve the reach of a 24x7x365 RTGS service – particularly through correspondent/respondent relationships such as Corporate Central Credit Union.

The Federal Reserve can accelerate acceptance of faster payments in the same way they successfully transformed the industry with Check21 and Same Day ACH. The Federal Reserve has the unique ability to connect financial institutions of all sizes and sophistication with the efficient and secure correspondent/respondent infrastructure model that is already in place today. The FedNow solution will benefit competitive pricing and accelerate innovation by establishing a broad reach to many institutions and the end user solutions they provide. The Federal Reserve Bank, as the nation's central bank, is key to our nation's economy and stability. FedNow is essential to provide equitable access and help to minimize the concern for a single point of failure of the payment systems and the settlement that supports it. The FedNow solution will dramatically impact the opportunity for adoption nationwide.



Of the proposed features for the FedNow service, we believe the key priorities should include the following:

- Process individual credit transfers of \$100,000 or less in real time on a 24x7x365 basis. The Federal Reserve Bank has indicated that they would develop FedNow to process individual credit transfers valued at \$25,000 or less however in order to establish a common standard, we believe that the maximum transfer should meet the maximum transfer value of the private sector solution. Lower thresholds could be established at the account level, and at the control of the participating Financial Institutions (FI).
- Access should be made available through Fedline to send and receive messages that will instruct the receiving FI to pay the identified beneficiary to complete the end to end payment and seek confirmation from the receiving FI that key information about its member/customer is valid prior to settlement. This aspect is required to ensure that participants could rely on the integrity and finality of the payment transfer. The FedNow solution must allow participating credit unions to designate a service provider to submit and/or receive payment instructions. The Federal Reserve is in the unique position of providing an infrastructure with existing relationships that includes the agent role that already exists for our member credit unions so that ubiquity can be achieved. Settlement is most efficient under the correspondent/respondent relationship with the Federal Reserve Bank. Our line of credit relationship with our members can provide the needed liquidity in order to support the 24x7x365 activity. We agree that the settlement for FedNow should be final and irrevocable.
- The FedNow solution must allow participating credit unions to settle payments in the account of a correspondent bank such as Corporate Central Credit Union. Liquidity through intraday credit for our master account on a 24x7x365 is crucial for settlement. Intraday and overnight lending opportunities at the Federal Reserve Bank align with a tiered structure that corporate credit unions provide to their members. The Federal Reserve Bank can address liquidity concerns through intraday lending and collateral solutions. As the Federal Reserve's analysis indicates, initial adoption and volumes may not create high demand initially, but over time there will be a need to extend the discount window operations to include weekends and holidays. A liquidity management tool should be developed to help reduce the challenges of 24x7x365 funds management, reducing the costs associated with maintaining excess liquidity and reducing the risk of off hours insufficient funds which would reduce trust and usage of the FedNow system. Use of an Agent is critical for many credit unions to participate – credit unions depend on the corporate credit union system to handle settlement and liquidity management.
- Intraday management tools for our corporate credit union to manage and reconcile our Federal Reserve master account, along with a reporting feature to receive confirmations and reports and transaction monitoring are a necessity.



- Building a secure directory to connect a beneficiary's public identifier to account information is critical given the risk of exposure of sensitive information and fraud in order to remain competitive with FinTech solutions. The preferred solution would be for the Federal Reserve to build their own directory as part of the FedNow service.
- Fraud prevention services are important in order to automate off hours transactions. Fraud monitoring and prevention must be present to remain competitive. Additional fraud mitigation features such as payment monitoring to alert participating credit unions of unusual transactions would benefit the success of FedNow. Account takeover fraud or money mule schemes add significant risk in an immediate, guaranteed funds environment.
- A Request for Payment feature would add value however would not be a priority at initial launch.

Corporate Central Credit Union surveyed members in focus groups ranging from 250 million to over 1 billion in assets and, while there does not seem to be an immediate demand from their natural person members, they agreed that in order to remain competitive it is necessary to develop their strategy for faster payments. The existing structure between the Federal Reserve Bank, the corporate and the credit union was the preferred solution rather than developing new relationships in order to offer such a service. It is critical that the FedNow solution launch is accomplished quickly for credit unions to remain competitive. Speed to market is critical and the target date of 2023 or 2024 is too late. As noted in the Request for Comment, nationwide reach will likely be a later timeframe than when the service is initially available.

We believe that one of the largest barriers our member credit unions will face is that operational solutions, perhaps offered through their core processor or a FinTech solution, will not include the settlement and liquidity solution necessary to support their needs. The Federal Reserve Bank's FedNow, in tandem with the correspondent/respondent relationships that currently exist, will enable these credit unions to remain competitive.

Thank you,

A handwritten signature in black ink that reads "Chris Felton".

Chris Felton
President/CEO