



November 6, 2019

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

Submitted via Email: regs.comments@federalreserve.gov

RE: Docket No. OP – 1670 – Federal Reserve Actions to Support Interbank Settlement of Faster Payments

Dear Ms. Misback,

On behalf of Minnesota's 102 credit unions and their more than 1.8 million members, please accept this correspondence in response to your request for information regarding actions by the Federal Reserve (Fed) to support interbank settlement of faster payments. The Minnesota Credit Union Network (MnCUN) is the trade association for Minnesota's credit unions and their members. We thank you for the opportunity to provide a response on this matter.

We support the Fed developing and offering a real-time/faster payment service. Please consider the following as you develop such a service.

The first consideration is cost. How much will this service cost, not only the service itself but other ancillary costs such as staffing, software and other tools that will be required to support real-time transactions 24 hours a day, 365 days a year? Cost could be a major hinderance, particularly for smaller credit unions. The Fed has acknowledged that a high level of participation from financial institutions will be important for the effectiveness of a faster payment service. Participation will be lower if the service is cost prohibitive.

The second concern, which is related to the first, is how much of a staffing burden this service will be for credit unions. Transactions will be moving in real-time and happening 24 hours a day, 365 days a year, including holidays. This could mean having staff on hand 24 hours a day, 365 days a year or engaging a third-party to monitor and manage transactions during off hours and days. Could the service be managed by software during off hours? The ultimate concern is the cost to provide the support that will be necessary for real-time transactions.

Third, there are concerns with fraud. Because transactions will occur instantly, it creates an opportunity for fraudsters. Currently, there is some benefit to the delay in transactions between financial institution. The delay allows financial institutions to catch and stop some fraudulent transactions before the

fraudster is able to access the funds. With real-time payments, fraudsters will have access to funds almost instantly and once in hand those funds will be gone in a flash. How will transactions be monitored for fraud and who will conduct this monitoring? What security measures will the Fed put in place to mitigate and combat fraud? What authority will credit unions have to stop or hold transactions when fraud is suspected?

Another concern is accounting and monitoring for errors. How will errors such as funds being sent to the wrong financial institution be monitored and corrected? What measures will be put in place to assure Bank Secrecy Act and Office of Foreign Asset Control requirements are being met? Real time transfers will increase the risk of funds being delivered to sanctioned countries and individuals.

We are supportive of the Fed developing a Real-Time/Faster payment service. Participation from a high percentage of financial institutions will be critical to the success of such a service. This means that a faster payment service must be cost effective for financial institutions of all sizes. It also means that risks must be mitigated. The Fed must consider the many concerns related to cost, burden and risk, some of which we have raised in this letter. Thank you for the opportunity to comment. If you have any questions about our comments, please contact me at (651) 288-5517.

Sincerely,

A handwritten signature in blue ink that reads "Tim Tacheny". The signature is written in a cursive style with a small flourish at the end.

Tim Tacheny
General Counsel
Minnesota Credit Union Network