



November 5, 2019

**COMMUNITY SPIRIT
BANK[®]**

To: Federal Reserve System
Via Electronic Submission to regs.comments@federalreserve.gov
Ann Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

From: Community Spirit Bank, FDIC Certificate #50
Brad M. Bolton, President/CEO

Re: Docket No. OP-1670 Comment Letter on Proposed FEDNOW Service

To Whom It May Concern:

I want to first begin this letter by thanking the Federal Reserve Board for announcing they will enter the faster payments arena with the new “FedNow” Service. I have joined other community banks in submitting previous comment letters asking the FED to take an active role in RTGS faster payments and I am appreciative of the Fed’s decision to create a system that gives community banks like ours access to this payment space. I have participated in the webinar of the FRB from August 27, 2019 and have attempted to stay abreast of relevant issues and timelines regarding the proposed implementation initiatives and am happy to provide a few brief comments to the FRB as you continue that role of implementation.

Comments Regarding the Proposed Features:

We support the initial credit transfer valued at \$25,000 or less at least initially but would recommend the FED being flexible in evaluating increasing that threshold if demand so fit. Specifically, any threshold levels should be flexible in that it wouldn’t require the full FRB approval but perhaps give your FEDNOW division the authority and flexibility to increase those limits as they see the need and as demand for the service evolves.

We would also recommend that the credit transfer value be institution specific so that each institution is able to put their own limits until they are comfortable with the new service even if the FED’s limit is much higher.

We would hope that the FED works with as many vendors as possible in the setup and implementation as rural banks like ours are dependent upon in some cases independent third-party service providers outside of the “big 3 or 5” core processors for our payment services. As such, I would request that the service and operations thereof have open and continual dialogue with any core vendor that would be assisting a community bank like mine in providing this service as well as any other independent third-party providers of payment solutions for community banks.

We are fully supportive of your features listed in the August 27, 2019 webinar. I appreciate you allowing institutions to designate a service provider to submit and or receive payment instructions and to allow financial institutions to settle payments in the account of a correspondent bank if we so choose. It is extremely important that community banks have the ability to continue settlement through their correspondent bank of choice. We would encourage and urge the FED to allow participating banks to designate a service provider and settlement account separately.

It is imperative that any faster payment solutions be able to integrate with our core processing platforms and do so in a way that does not comprise risk to our core system from a cyber security standpoint as well. We need to be able to continue to have direct access to the Federal Reserve for check, ACH and wire transfer services as well. I am greatly concerned that any fintech players that will begin offering faster payment will do so operating outside of the current regulatory environment a traditional financial institution operates within. The Federal Reserve must make certain that any faster payments solution or provider be required to adhere to the same compliance burdens my bank is having to endure, especially when it comes to BSA and AML requirements.

The feature about “messaging based on ISO 20022 standard which supports additional descriptive information related to payments such as remittances or invoices” is important, but I would suggest it not be mandatory for all payments. That option should only be an option for senders and or receivers to choose whether to send such additional information but not required for all payment transactions.

Comments on Auxiliary Proposed Features:

We would encourage the FED to ensure interoperability with other faster payment services. As stated in another letter issued by my correspondent bank, I would concur and agree that “the inability to interoperate on day one should not delay the implementation”. As such, interoperability should be a goal of the service but shouldn’t cause the FED to delay implementation.

Fraud Prevention Services:

I applaud the FED for thinking in terms of fraud detection and prevention. We have a real issue currently in the way debit card fraud is handled, whereas a financial institution such as ours hold the risk for fraud incurred on the debit card rail. The FED should have a better standard whereby the financial institution doesn’t have all the risk like we currently have in the debit card model.

Directory:

We believe that the creation of a directory service must occur. We believe that using a non-personally identifiable information identifier as an alias should be allowed to use either an email or text to a cell phone as that identifier. We believe most if not all users of the service will have some smartphone capabilities and thus, those devices are usually never out of the sight of the end users, so being able to use a text based service could aid in privacy, protection and accomplish the FED’s goals as well.

Comments about the Cost of the Proposed Service:

The FED is in an excellent position to provide this service to financial institutions across the country at a price point that is reasonable and acceptable. The FED has already stated they can recoup the cost of implementing this service over a period and with the development of this system, community financial institutions are not dependent upon one sole provider for this service. However, the FED must keep the cost of implementation as well as per transaction fees to a minimum. Community financial institutions operating in rural areas are already at a disadvantage from many vendors required to help us meet the growing technological needs of our customer base. Many of the services provided to our customers have to be provided as a free service to the end customer even though the financial institution bears the cost. With this in mind, if there is a per transaction fee, it needs to be minimal and the financial institution needs to have the ability to pass that fee thru to the customer or to allow a spread the financial institution can charge in addition to the FED fee to cover our cost of implementation.

The bottom line here is make it reasonable and affordable so that all financial institutions can provide this much needed service for our customers. Please make sure the service is competitive and not materially different based on volume or size of the institution.

Comments Regarding Proposed Timeline of Implementation:

Regarding the timeline listed by the FED, it is our opinion that this timeline is unacceptable. Technology in payments and financial services is ever expanding and community banks like mine cannot afford to sit on the sidelines in offering faster payments for another 4-5 years. I am confident the Federal Reserve has the resources available to them to have this system running within 18 months and that should be the goal. My challenge and encouragement is that the FED implement this system sooner rather than later.

Final Comments:

The new FEDNow Service should be available only to regulated financial institutions. We should not allow access to the service to anyone who is not a federally regulated financial institution.

I would encourage the FED to work cooperatively with the US Faster Payments council as well as all stakeholders in the development of this new service and to develop a timeline that is much faster than the one proposed. I appreciate the opportunity to share my comments on behalf of Community Spirit Bank, FDIC Certificate #50! I look forward to the FED's launch of this new service, which will benefit all our financial institutions and the customers and communities in which we serve.

Sincerely,



Brad M. Bolton
President/CEO/Sr Lender