

From: Altra Federal Credit Union, Josh Goodman
Proposal: 1670 - Federal Reserve Actions to Support Interbank Settlement of Faster Payments
Subject: Federal Reserve Actions to Support Interbank Settlement of Faster Payments

Comments:

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Proposal:Federal Reserve Actions to Support Interbank Settlement of Faster Payments [OP-1670]

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First name:Josh

Middle initial:

Last name:Goodman

Affiliation (if any):Altra Federal Credit Union

Affiliation Type: ()

Address line 1:1700 Oak Forest Dr

Address line 2:

City:Onalaska

State:Wisconsin

Zip:54650

Country:UNITED STATES

Postal (if outside the U.S.):

Your comment:Dear Madam or Sir:

Altra Federal Credit Union is a federally chartered Credit Union headquartered in Onalaska, WI serving members in all 50 states. Altra, on behalf of our members, would like to submit this letter to the Federal Reserve to comment on Federal Reserve Actions to Support Interbank Settlement of Faster Payments. The addition of a 24/7 network through the Federal Reserve is a very exciting prospect with a whole host of benefits for consumers and Financial Institutions, alike. However, there is always the potential for hardships if certain features are not included in this product. A few specific areas that need to be considered, prior to rolling this out would be account verification, cyber security, and robust fraud detection ability.

In the few webinars that have taken place around this product since it was announced, it has been revealed that the Fed will now process seven days a week, instead of the traditional Monday through Friday processing. If manual processes are implemented, it could mean that each Financial Institution would need to add staff to cover those time periods. If it is truly a 24/7 settlement, that will not be feasible. In the current ACH environment, there is no ability for one Financial Institution to verify an account number is correct unless a pre-notification transaction is sent. When Fed Now is rolled out, the assumption would be that the pre-notifications would no longer be necessary. If that is the case, there would need to be some mechanism within the system that could tell if an account number at the receiving Financial Institution is correct. Potentially, best case scenario would be to have all participating Financial Institutions keeping accounts on file through the Fed.

If this information truly is all shared, cyber security would be of utmost importance to ensure that those records are not compromised. Theoretically, if all participating Financial Institutions have access to account number data at other Financials, it could be possible for bad actors to access that information simply by compromising any system that utilizes the data. With that in mind, any tool implemented would have to have robust cyber tools available to prevent that sort of compromise.

Along those very same lines, the more data that is shared between Financial Institutions, as suggested above, the more this creates a very real threat of exposure to fraud. Any solution implemented by the Federal Reserve would need to keep that risk in mind while creating a new product of this magnitude. It could be surmised that if the Fed Now tool gets universal adoption, or as close to that as possible; and if that adoption was centered around some sort of file sharing process, that information could be vulnerable if not properly protected. It would be imperative that this be brought into consideration before going live with such a product.

While this product is something that is already somewhat offered in the market place (The Clearing House & RTP solution), the solution by the Fed has the potential to have a much higher adoption rate

and, therefore, would be far more effective. Altra Federal Credit Union is very much looking forward to future developments of this product and is eager to see how everything unfolds.

We would like to thank you for your leadership in soliciting input and your time in considering these comments. If there are any questions, please feel free to reach out to me directly at 800-755-0055, extension 8135, or at the email address listed below.

Josh Goodman
Manager, Payment Operations
Altra Federal Credit Union
advocacy@altra.org