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Via email to regs.comments@federalreserve.gov

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

*Re: Comment on Docket No. OP-1670
Federal Reserve Actions to Support Interbank Settlement of Faster Payments*

Dear Ms. Misback:

ICUL Service Corporation (LSC) serves credit unions nationwide as a group service provider of card payment programs, including credit card, prepaid card, and ATM debit card programs. LSC is the affiliated credit union service organization of the Illinois Credit Union League, the primary association for state and federally chartered credit unions throughout Illinois. Below are comments on various aspects of the Federal Reserve's proposed 24x7x365 real-time gross settlement service, the FedNow Service.

Support for Equitable Access to Real-Time Payment Services

We support the Federal Reserve's goal to develop a ubiquitous, safe, and efficient 24x7x365 real-time gross settlement service in order to enable financial institutions of all sizes to offer real-time payments services to consumers and businesses throughout the United States. There are many small and midsize credit unions who cannot afford the monetary cost and resources needed to use the current private sector real-time payment option. Credit unions are not-for-profit financial cooperatives whose members, the account holders of the credit union, all share in the financial success of the credit union. Credit unions want their members to have safe and efficient real-time payment options and do not want to be placed in a competitive disadvantage to large banks, who own the only current private real-time payment service option.

We urge the Federal Reserve to share detailed information about anticipated costs and resources needed to utilize the FedNow Service as soon as possible, so that financial institutions can weigh their options and plan for implementation. The current Notice refers to anticipated per-item fees and fixed participation fees, but offers no detail on those fees at this time. Again, the hope is that the fees would not be prohibitive to small and midsize financial institutions.



Eliminate the \$25,000 Limit for FedNow Payments and Allow Financial Institutions to Set Their Own Limits

The \$25,000 limit on payments through the FedNow Service would unnecessarily curtail the availability of the service to many small businesses and financial institutions with specialized customer bases, such as the technology sector. The Federal Reserve’s Notice cites fraud mitigation as the reason behind the \$25,000 limit, but each financial institution can best calibrate its limits based on its own fraud risk. Each financial institution participating in the FedNow Service can set its own limits based on risk factors including the account holders, sector, transaction history, fraud risk and historical losses, and all other relevant factors. Financial institutions can even set different limits for different types of transactions, such as different limits for person-to-person, business-to-business, and person-to-business transactions.

Engage with Industry Partners Who Can Support Implementation Through APIs

Integration with processor systems will be necessary for financial institutions to utilize the FedNow Service. Again, the time and resources necessary to develop such integration could effectively prohibit small and midsize financial institutions from using the FedNow Service. Group service providers could work with the Federal Reserve in advance of the 2023-2024 expected implementation date to develop APIs and help ensure that the FedNow Service achieves its goal of ubiquity. Financial institutions want to avoid a long integration cycle after the FedNow Service is launched. Ideally, industry members would work alongside the Federal Reserve to establish the integration platforms before the launch.

Also, we encourage the Federal Reserve to share information about interoperability with the private real-time payments service as soon as possible to again allow financial institutions to better evaluate and prepare their systems for the launch of the FedNow Service.

Ensure the Safety of the FedNow Service with Fraud Detection and Mitigation Tools

Financial institutions must have anti-fraud tools that can be used with the FedNow Service to manage fraud risk and losses. Since real-time payments are irrevocable, fraud detection and mitigation are crucial components of the service. We ask for the Federal Reserve to share detailed information about fraud tools that will be provided with the FedNow Service and also whether current fraud tools offered by processors and other industry members would be compatible with the FedNow Service.

Identify the Regulatory Framework

Whether and how the FedNow Service would fall under one of the current regulatory schemes is a critical question for financial institutions. Financial institutions face a massive compliance burden with the myriad financial regulations governing financial services in the United States. We ask the Federal Reserve to confirm the regulatory framework that will apply to the FedNow Service as soon as possible so that financial institutions can evaluate the implications of the regulatory requirements.



Overall, we fully support the Federal Reserve's actions to offer real-time gross settlement services to financial institutions of all sizes, to the benefit of consumers and businesses across the United States.

Sincerely,

Katherine Romano Schnack

Katherine Romano Schnack
VP, Legal
LSC