

Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave NW  
Washington, DC 20551

**RE: Docket No. OP- 1670**

Dear Ms. Misback,

As the nation's premier credit union service organization, PSCU appreciates the opportunity to comment on the notice and request for public comment on actions to support interbank settlement of real-time payments (RTP), as well as the opportunity to point to areas where the credit union community in the United States would benefit from Board's actions and collaborations. For context, we support the success of more than 1,500 credit unions, representing over 3.8 billion transactions annually. PSCU delivers service, technology, products, portfolio analysis and pricing advantages they cannot achieve individually. We feel that the Federal Reserve's entry into real-time payments is a positive development for the credit union community, as the existing private sector bank-owned solutions are not well-structured to support credit union entry and long-term ROI.

***Part Two – V.C.1 – Message Standard***

PSCU supports the new ISO 20022 message standard and we believe the Federal Reserve should help establish a national standard as it relates to usage of the new ISO format for RTP money movement. This would not only ensure interoperability with existing networks in the United States (like The Clearing House), but also enable interoperability with the real-time payment schemes around the globe using the same ISO format.

Interoperability between RTP networks in the continental U.S. is critical in order to achieve ubiquity with real-time payments and ensure that the credit union industry can effectively compete in new business models that the nationwide adoption of RTP brings.

***Part Two – V.C.7 – Service Pricing***

We are in full support of the Board's approach to cost recovery, with expectations that it will take much longer than the standard 10-year window to get to full cost recovery. With the FedNow service being a new service to the entire industry, it will take some time for the industry to adopt the service and considerable volumes with FedNow can not be expected in at least the first five years. As the Fed is considering the ongoing cost of the service, it should be noted that credit unions will need to adjust and retrofit systems in order to connect and process transactions from FedNow.

In particular, smaller credit unions will be fully dependent on service providers to either deliver the connection or update their systems to connect to FedNow. It is reasonable to expect that the cost to update internal software, hardware, and processes will be substantial – especially for smaller credit unions. Therefore, the Fed should also consider the initial investment that

each credit union will need to make in order to connect to FedNow, be it through a vendor/partner or upgrading internal systems to connect, as FedNow service pricing is developed. Significant upfront costs and/or excessive ongoing costs could impact meaningful volumes on the FedNow network.

Further, to fully understand the ROI of a credit union connecting to FedNow, it would be desired that the Fed provides at least an estimate of implementation and ongoing cost as soon as feasible, but much sooner than FedNow availability. While understood that the estimated cost structure may change slightly by implementation, it would provide the ability for potential participants to better gauge costs associated with implementation and long-term participation.

#### ***Part Two – V.C.8 – Request for Payment***

In order for the FedNow service to be competitive with existing RTP and card networks, and provide the full value of a RTP system, Request For Payment should be a transaction message that is available from the start. The ability to push and pull money in real time provides many new use cases and capabilities to leverage the RTP networks and build long-term business models, which would help pay for the initial investment of connecting to the FedNow network and its ongoing cost. If FedNow does not support the request message until later in the future, we may see low processing volume and interest from participants, as this would be limiting the potential use cases and ROI for participants of the service.

#### ***Part Two – V.C.9 – Directory Service***

Directory service is an essential component of a RTP network, as it enables any participant to initiate transactions in the network with minimal required info about the recipient. This is a critical component that the Fed will need to solve in order to be successful with FedNow.

There are multiple solutions to the directory which would all make sense, and some – like using existing directories – would enable faster availability of FedNow.

Although the directory is crucial to the RTP service, the Fed should consider a hybrid approach. The Fed should consider connecting to existing directory services on behalf of their participants, pulling the available data into the FedNow consolidated directory. The Fed should also consider partnering with industry members that already have a directory, acting as aggregators on behalf of their participants.

One example of this partnership could be the Fed partnering with a credit union service organization like PSCU, who could act as the provider of directory data for 1,000+ CUs doing business with PSCU. The Fed would protect and own the data collected, but each of the directory service partners would act on behalf of the Fed and their participants, ensuring that the Fed's directory service is updated in real time with participant data. Collaboration with credit union service providers is key in order for the FedNow service to achieve timely delivery and adoption.

Alternatively, if each credit union would need to directly connect to an already existing directory service (as proposed by the Fed), we believe this may be a disadvantage to smaller credit unions, who may be priced out of that service or would need considerable investments in order to connect to an existing service.

Additionally, the Fed should help develop national standards around directory services, type and amount of data that those services should require and store. In existing private sector services, the directory may require participants to provide extensive consumer data, which raises concerns around consumer privacy and intrusion into existing business models.

***Part Two – V.C.10 – Fraud Prevention***

Fraud prevention and management is crucial as payments move in real time. Fraud management is another reason why the payment request message should be included as part of the initial rollout, as the ability to recover misguided funds is key for participants within the FedNow service.

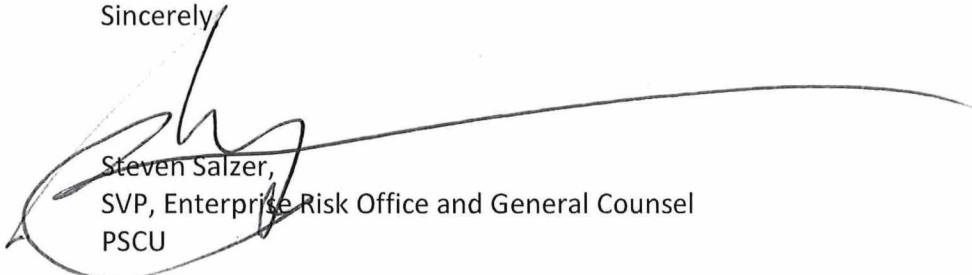
Integrity of a payment system has to be maintained at the operator level, and as such, we would encourage the Fed to develop tools that help prevent and manage fraud in the RTP payments system.

As an industry, we want to ensure that issues we have seen in ACH money movement are not present in the FedNow money movement scheme. The Fed should consider fraud mitigation measures which would provide assurance to the message recipient that the user originating the message (push or pull) along with any potential funds, are valid and/or have been verified.

***Part Two – V.D - Implementation***

We would encourage the Fed to consider a fast-tracked implementation of the FedNow service. If the service is not available until 2023-2024, the service may already be outdated and not serve the industry well by the time of implementation. The ability to move money in real time needs to be ubiquitous and with the current implementation timeline, the Fed may be too late to the market, thus hurting the ability of the credit union community to compete with larger banks on a level playing field. Current private sector RTP solutions are not financially feasible for many small financial institutions to effectively compete with large banks, which also have a stake in the private sector solution.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven Salzer", is written over a long, thin horizontal line that spans across the signature block. The signature is written in a cursive, somewhat stylized font.

Steven Salzer,  
SVP, Enterprise Risk Office and General Counsel  
PSCU