

November 5, 2019

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

RE: Docket No. OP-1670

Dear Ms. Misback,

On behalf of Corporate One Federal Credit Union, I would like to take this opportunity to respond to the Request for Comment related to Federal Reserve actions to support interbank settlement of faster payments. Corporate One is one of the largest wholesale financial institutions serving credit unions in the United States, representing the interest of 736 credit unions and their approximate 20.3 million members.

As previously stated in the 2018 response to the request for comment on the Federal Reserve's potential actions to accelerate interbank settlement of faster payments, we firmly support the Federal Reserve's involvement in creating a payment solution that is interoperable and achieves ubiquity. We view the Federal Reserve's role in providing payment and settlement services, such as faster payments, as critical in creating equitable access and competitive fairness for all financial institutions.

After reviewing the FedNow service proposal, a significant concern centers around the treatment of reserve balances. Corporate One recommends the Fed consider extending the treatment of reserve balances held in master accounts to balances held in joint settlement accounts such as the current RTP service provided by the Clearing House. Since funds held in joint accounts do not earn interest at the Federal Reserve's overnight rate on reserves and cannot be used to meet reserve requirements, funds moved to joint settlement accounts from depository institutions' master accounts will increase reserve maintenance costs. We recommend the Fed evaluate the disparity in treatment between balances held in joint settlement accounts and master accounts and, unless differences are well justified, change its policy to treat these balances in a similar way.

Recognizing the impact of a 24x7x365 service and the need for additional actions to support faster payments, we recommend the extension of NSS and Fedwire and implementation be slated to occur as early as possible to allow financial institutions time to migrate to a seven-day accounting regime. As a settlement agent for credit unions, these actions have significant operational implications that will require credit union core system software modifications and operational changes we need to address as early as possible.

In designing a faster payments solution for credit unions, Corporate One recognizes the importance of creating an interoperable platform that will facilitate connectivity with the FedNow service at a future date. The Fed has indicated that it agrees with public views that interoperability between “faster payments” services is desirable, but also that interoperability may be difficult to achieve, at least at an early stage. From a design standpoint, Corporate One believes it is critical that all faster payments are originated using a standard format, allowing sending FIs to subscribe to both the FedNow and RTP services, and route transactions to either channel. Moreover, format interoperability would appear to be a significant factor in promoting national reach and a robust national infrastructure.

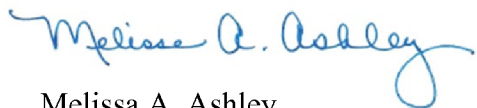
As a payments aggregator, Corporate One has a long history of developing payments solutions for credit unions including Wire, ACH, check clearing and forward collection services. Our mission has been to provide effective solutions for small and medium credit unions that may otherwise be cost prohibitive. Similarly, the availability of FedNow is not immediately available to credit unions without a front-end solution, a payments hub and faster payments network connectivity. To further complicate matters, credit unions may have an exclusivity relationship to a preferred core provider. In the absence of an open banking environment, the unique core connectivity requirement/feature of a faster payments solution is a significant barrier in developing a Corporate Credit Union aggregation model. As credit unions look to their Corporate partners for a faster payments solution, we encourage the Fed to work with industry partners, including the U.S. Faster Payments Council and core providers to promote open banking solutions to remove barriers to implementation.

We would like to express some concern regarding the proposed FedNow development and implementation timeline and its projected capabilities. Many of our member credit unions have indicated they have been waiting for the Fed’s decision to offer a faster payments solution, and have since voiced concern that the anticipated launch date of 2023 or 2024 will place them at a disadvantage based on competitive solutions already available in the marketplace. As expected, the private sector operator has focused its initial effort to connect several large TCH/RTP owner institutions and is working to achieve a ubiquitous network utilizing core system relationships. We are also aware of the movement of the private operator toward a higher dollar limit and recommend the FedNow service be implemented with dollar limits equal to those of the private sector operator to ensure smaller institutions opting for the FedNow service do not find themselves at a competitive disadvantage.

As a final comment, the lack of uniform faster payments rules and standards has led to a fragmented industry approach. Current payments laws and regulations are not sufficient to provide the guidance required for rapid deployment and adoption of faster payments solutions. The Fed should work closely with the U.S. Faster Payments Council and ANSI to develop and enforce technical standards, operating standards and an inclusive governance model.

We appreciate the opportunity to comment and look forward to the introduction of the FedNow service as the solution to create equitable access and competitive fairness.

Respectfully submitted,



Melissa A. Ashley
President/CEO

