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15 July 2019

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

Submitted via email to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

RE: Docket No. OP-1664—Potential Modifications to the Federal Reserve Banks' National Settlement Service and Fedwire Funds Service To Support Enhancements to the Same-Day ACH Service and Corresponding Changes to the Federal Reserve Policy on Payment System Risk

Dear Ms. Misback:

On behalf of the United Nations Federal Credit Union (UNFCU) I would like to thank the Board of Governors of the Federal Reserve System (Board) for inviting comments on potential changes to the National Settlement Service (NSS) and Fedwire Funds Service (Fedwire), as well as corresponding changes to the Federal Reserve Policy on Payment System Risk, as proposed in the Federal Register on 16 May 2019 (the Proposed Modifications). UNFCU's members are located in over 200 countries and territories throughout the world; our mission is to "serve the people who serve the world."

As a general matter, UNFCU supports the Proposed Modifications as a positive step in developing a ubiquitous, safe, and efficient system for faster payments in the United States. In particular, UNFCU supports the extension of time in which financial institutions will be able to initiate transactions using Fedwire. Comments on several of the specific questions the Board asked relating to that modification follow.

How might institutions and their customers use a later same-day ACH window?

In keeping with our aim to provide our global membership with the superior service they have come to expect, UNFCU has been considering offering origination of same-day ACH. One way to achieve this would be to engage a fintech company that provides "real-time" payment services. Such an option would be both costly and

complex. Extending the Fedwire hours as outlined in the Proposed Modifications, however, would create an opportunity for UNFCU to take a more prudent, incremental step. The changes would allow us to offer faster payments to our members, but without the expense and complexity involved in deploying a fintech solution. UNFCU supports the Board's previously stated goal of developing a "ubiquitous, safe, and efficient" system for faster payments and believes strongly that the Proposed Modifications will help move closer to that goal.

What increased risks and costs might your institution and customers incur as a result of [the Proposed Modifications]; and what changes to internal processes or technologies (if any) would your institution need to make to adjust to any of the reduced windows?

The Proposed Modifications would create a later settlement window and reduce the time between service closings and cutoffs by 50%—what the Modifications refer to as “end-of-day compression.” These changes would likely create staffing implications for UNFCU and other credit unions because staff might need to work later or different hours to ensure adequate coverage during the “compression” period. For some credit unions, this might necessitate expanding hours or taking on additional staff. UNFCU would most likely maintain its current staff levels, but stagger schedules as necessary to provide coverage. This change therefore has the potential to create additional costs, but credit unions may be able to mitigate those costs. Furthermore, costs that result from this change are likely to be offset by same-day ACH’s benefits.

As is true of any faster payment method, reducing the processing window for payments and returns creates an increased risk of failure to detect fraudulent activity. Although this risk certainly warrants attention, UNFCU feels confident it can both address the increased risk and provide faster payments to members. At present, the volume of payments UNFCU processes in its late window is manageable, allowing us to guard thoroughly against fraud. If late-window volume were to increase significantly, it could create a greater risk. On balance, however, we believe that the benefits of offering faster payment options outweigh the enhanced fraud detection efforts that would be required to address any increased risk.

In addition to the Proposed Modifications to same-day ACH settlement, UNFCU also strongly supports the Board’s exploration of real-time payments in its related docket, OP-1625. Support for both of these proposals is not mutually exclusive—as positive a step as the Proposed Modifications would be, they would not be a substitute for a real-time gross settlement (RTGS) system. As UNFCU noted in its comments on the related docket, a globally interoperable RTGS system augmented by the appropriate auxiliary services is the optimal foundation for interbank settlement of faster

payments. UNFCU supports the Board's continued thoughtful evaluation of comments in that docket and looks forward to the Board's response.

Overall, UNFCU supports the Board's Proposed Modifications and believes that these changes will benefit financial institutions and consumers alike. Thank you for the opportunity to comment and for your consideration of UNFCU's comments on this matter.

Respectfully,

Bill Thomas

First Vice President, Member Operations

cc: William Predmore, President/CEO, UNFCU