

Deb McNeal

From: John McKenzie
Sent: Friday, December 14, 2018 1:39 PM
To: regs.comments@federalreserve.gov
Subject: Indiana Credit Union League Comments on Docket No. OP-1625

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

Re: Indiana Credit Union League Comments on Docket No. OP-1625

Dear Ms. Misback:

The Indiana Credit Union League (ICUL) appreciates the opportunity to comment on the potential Federal Reserve (Fed) development of and involvement in systems to support interbank settlement of faster payments. The ICUL member credit unions represent 98% of assets and members of Indiana's credit unions, with those memberships totaling more than 2.5 million consumers.

The ICUL supports ongoing efforts to move toward a real-time payments system. We also believe that it is important that the Fed play a pivotal role in the development and ongoing management of faster payment systems. The Fed has historically been the central point for payments flowing through the system, and in developing settlement processes that are trusted and encourage full participation by financial institutions of all sizes.

One challenge that we see in the development of 24/7/365 real-time payment systems is structuring the systems in such a way that all financial institutions can participate, and at the same time minimizing the technological and human resource expense that may be necessary to address payments made outside of the normal time that financial institutions are open and staffed. If the expense associated with participation is too high, smaller financial institutions will be at a disadvantage to the largest institutions controlling the systems and the market for faster payments. We believe the Fed will need to play a vital role in ensuring that the systems developed are available to all financial institutions.

The Fed has already developed a variety of systems to support the payments process, including speeding up the payments process within the existing systems. It would make sense that the Fed be involved in developing these new systems to support faster payments. The Fed has been the primary settlement endpoint for the current payment systems processes as well, and we believe that the Fed should be the primary settlement endpoint for any new systems developed. With that, we agree that the Fed should develop a liquidity management tool that can alleviate some of the potential technological or human resource burden that real-time payments could place on smaller institutions wanting to participate.

As with any payments system, we believe that the ability for full participation by financial institutions of all sizes at a cost that is reasonable should be the ultimate goal. The greater the volume, the lower the cost per transaction. The Fed is best positioned to ensure that full participation is an option. Any liquidity management tool and settlement process developed needs to be flexible in allowing those who choose to use a correspondent financial institution such as a corporate credit union or bankers' bank, can continue to do so. This would further encourage greater participation by institutions of all sizes.

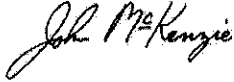
Another of the challenges associated with faster payments is to ensure that existing regulations do not create negative barriers to participation or inadvertently create limits on financial institutions' ability to monitor and mitigate fraud. We believe existing regulations that impact payments should also be reviewed and revised as needed. Regulation D, Regulation E and daylight overdraft rules are ones that immediately come to mind.

Thank you for the opportunity to comment on the potential Federal Reserve development of and involvement in systems to support interbank settlement of faster payments. We believe that the desire for a faster

payments system will continue by both consumers and financial institutions. We appreciate that the Fed is willing to be involved in the development of these systems. The Fed's involvement is vital for smaller financial institutions to have access to the same payment options as the large, mega-financial institutions that have already developed systems for faster payments. Without the Fed's involvement, we are concerned that the options for consumers looking for faster payment capabilities will be limited to these large institutions and will come at a higher cost than a more widely available system that allows all financial institutions to participate.

If you have any questions regarding our comment letter, please contact me at (317) 594-5320. Thank you again for the opportunity to comment.

Sincerely,

A handwritten signature in cursive script that reads "John McKenzie".

John McKenzie
President
Indiana Credit Union League