



April 18, 2017

The Honorable Janet L. Yellen, Chair
Board of Governors of the Federal Reserve
Federal Reserve Building
20th Street and Constitution Avenue
Washington, D.C. 20551

The Honorable Jerome H. Powell
Board of Governors of the Federal Reserve
Federal Reserve Building
20th Street and Constitution Avenue
Washington, D.C. 20551

Ms. Esther George
President and Chief Executive Officer
Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Mo. 64198

Dr. Loretta J. Mester
President and Chief Executive Officer
Federal Reserve Bank of Cleveland
1455 E 6th St
Cleveland, OH 44114

Dear Chair Yellen, Governor Powell, President George, and President Mester:

The undersigned organizations strongly applaud the leadership role of the Federal Reserve System ("Federal Reserve") in improving the U.S. payment system by facilitating industry dialogue to improve the speed and security of payments, shaping the future payment system, and collaborating with all stakeholders in delivering payment services to end users. We also applaud the formation of both the Faster and Secure Payments Task Forces to ensure that as payments become faster, they remain secure. As these work efforts evolve, we strongly encourage the ongoing commitment of the Federal Reserve to lead and catalyze payments industry activities until the desired outcomes stated in the 2015 Strategies for Improving the U.S. Payments System paper are achieved.

In addition to the above, our organizations strongly urge the Federal Reserve to go one step further to serve two or more operational roles in the delivery of real-time payments. We believe payment industry stakeholders broadly support, as do we, the Federal Reserve providing central bank settlement capabilities to support all faster payment service provider functionality currently in the marketplace or under development.

Beyond settlement capabilities, our organizations see three possible operational roles for the Federal Reserve. First, the Federal Reserve could serve as an on-ramp to real-time payments, leveraging its connectivity among financial institutions to provide all financial institutions access to real-time payments. Second, the Federal Reserve could serve as an operator for real-time payments. This is a role that the Federal Reserve currently serves for checks, ACH payments, and wire transfers. Lastly, the Federal Reserve could operate a payments directory which could link to financial institutions, as well as to other private-sector payments directories. These roles would be similar to those the Federal Reserve currently plays in providing integrity, safety, transparency, equitable access, and ubiquity among all of the nearly 12,000 financial institutions for checks, ACH payments, and wire transfers. While there are many real-time payment applications in operation or under development, the work of the Faster Payments Task Force suggests that none are likely to reach all financial institutions. More importantly, we do not believe any of the potential private sector, faster payments service providers will be committed to the same level of safety, transparency, equitable access, and ubiquity as the Federal Reserve.

These potential operating roles are consistent and in accordance with the current Federal Reserve policies on payments system participation, which states:

In summary, the role of the Federal Reserve in providing payment services is to promote the integrity and efficiency of the payments mechanism and to ensure the provision of payment services to all depository institutions on an equitable basis, and to do so in an atmosphere of competitive fairness. Given the size, speed, and interdependencies of payments, this mission is, and will likely continue to be, even more important than it was when the Federal Reserve was established in 1913.

The Payments System Policy Statement also establishes three criteria that must be met before the Federal Reserve introduces a new service or major service enhancement. First, the service should be one that other providers, alone, cannot be expected to provide with reasonable effectiveness. Second, the service will yield a clear public benefit. Lastly, the service should ensure full recovery of costs over the long run.

Our organizations contend that the first and second criteria have been already fulfilled. By assuming an operation role, the Federal Reserve provides safety, integrity, and equitable access to all financial institutions, which are clear public benefits that only the Federal Reserve can provide, and that is why the Federal Reserve serves that role for checks, ACH payments, and wire transfers. No other entity has the breadth or incentive to reach every financial institution, regardless of size and charter. We are aware that in accordance with the third criteria, the Federal Reserve will need to recover its costs over the long run for the provision of faster payments services. This goal should be achievable; however, it is worth noting that the full value of Check 21 services was not realized until after the law was implemented. Faster payments infrastructure may well follow a similar trajectory.

Our associations are extremely concerned about the repercussions if the Federal Reserve does not commit to serving in an operational role in the development of an improved payments system. Without the Federal Reserve linking together the nation's financial institutions and/or playing a significant operational role in the creation and implementation of the new faster payments rail for the country, the much-needed goals of safety, equitable access, and ubiquity will not be effectively achieved.

Lastly, we want to underscore that we are not requesting the Federal Reserve to develop rules or standards for real-time payments. This should be left for private sector rules and standards organizations. Just as with checks, ACH payments, and wire transfers, it is within the authority of the Federal Reserve as an operator to establish policies and issue operating circulars to guide its product offerings.

Again, we applaud the Federal Reserve's leadership in improving the efficiency and security of the payment system and strongly urge the Federal Reserve to take an operational role in real-time payments. Representatives of our organizations would appreciate an opportunity to meet with you or the appropriate staff to further discuss this crucial issue for our members. We will be reaching out to arrange a meeting shortly.

Sincerely,



Camden R. Fine
President and CEO
Independent Community
Bankers of America



Jim Nussle
President and CEO
Credit Union National
Association



B. Dan Berger
President and CEO
National Association of
Federally-Insured Credit Unions