



MISSOURI CREDIT UNION ASSOCIATION

December 13, 2013

Federal Reserve Banks  
[comment@fedpaymentsimprovement.org](mailto:comment@fedpaymentsimprovement.org)

**RE: Don Cohenour – Input on the “Payment System Improvement”  
Public Consultation Paper**

Dear Federal Reserve Banks:

On behalf of the 1.3 million credit union members, the Missouri Credit Union Association (MCUA) appreciates the opportunity to comment regarding the Federal Reserve Banks’ (Fed Banks’) “Payment System Improvement – Public Consultation Paper.” MCUA appreciates the Federal Reserve Banks’ approach and engagement to look into ways to improve the U.S. payment system, by focusing on the “end-to-end” process, which is from origination to receipt for payments.

While credit unions support appropriate and flexible rules, we continue to be concerned with regulatory and other changes that reduce credit unions’ access to payments products, or reduce the ability of credit unions to assess appropriate rates and/or fees for these services.

The Fed Banks should continue to work with, and coordinate with, the Consumer Financial Protection Bureau (CFPB), Federal Reserve Board, NACHA – The Electronic Payments Association, other regulators, and policymakers to facilitate payment services provided by credit unions, and ensure that credit unions will not be impacted by new regulatory restrictions, including overdraft protections. The Fed Banks should fully consider the costs and benefits for any payment system changes, and ensure credit unions will not be negatively impacted by such changes. We urge the Fed Banks to fully consider the potential costs and impacts on credit unions and other smaller institutions, as well as potential benefits, with any approaches to move towards “ubiquitous near-real-time payments.” As noted in the paper, “the actual cost to implement near-real-time payments cannot be known until specific solutions are identified.”

Another important, related issue is the distinction between real-time messaging compared with real-time settlement. Some payments already use timelier or near real-time messaging to notify a user’s payment is authorized and will be posted, even though actual settlement will be after the message. While financial institutions consider these approaches, the Fed Banks should explore whether real-time settlement, which requires greater infrastructure and system changes, would be needed for faster payments, in addition to timelier messaging.

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Credit unions believe the Fed Banks should remain an important provider and partner to help them meet the payments needs of their members. We also generally agree the Fed Banks should continue to act as a major service provider to the interbank market for financial institution payment services, given the role of the Fed Banks in the payment system and economy.

Also, we continue to advocate for higher data security standards that apply to merchants. While credit unions and other financial institutions are subject to very high data security standards under the Gramm-Leach Bliley Act and other rules, merchants are not currently required to follow these standards. We support holding merchants to the same standards as financial institutions when they handle financial and payments transactions, and permitting financial institutions to disclose the source of the data breach and seek reimbursement from the merchant for the cost of the breach.

We believe the “centralized directory” concept could be useful for payments. Credit unions are interested to learn more about how this potential concept would work, any associated costs to use the directory, and how the directory would be updated and maintained, as well as other operational and risk management considerations.

As always, we appreciate the opportunity to respond on this paper. We will be happy to respond to any questions regarding these comments.

Sincerely,



Don Cohenour  
President

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