



3138 10th Street North  
Arlington, VA 22201-2149  
703.522.4770 | 800.336.4644  
f: 703.524.1082  
nafcu@nafcu.org | nafcu.org

**National Association of Federally-Insured Credit Unions**

March 7, 2023

The Honorable Patrick McHenry  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Maxine Waters  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

**Re: Tomorrow’s Hearing, “The Federal Reserve’s Semi-Annual Monetary Policy Report”**

Dear Chairman McHenry and Ranking Member Waters:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) ahead of tomorrow’s hearing, “The Federal Reserve’s Semi-Annual Monetary Policy Report,” and the testimony of Federal Reserve Board Chairman Jerome Powell. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 135 million consumers with personal and small business financial service products. NAFCU and our members appreciate the Committee’s continued oversight of the Federal Reserve and its activities.

Ahead of the hearing, we would like to share some thoughts on issues impacting credit unions before the Federal Reserve.

**The creation of a central bank digital currency:**

While NAFCU supports a framework for regulating digital assets that accommodates responsible innovation within the credit union industry while also ensuring that standards exist to promote safety and soundness, mitigate financial stability risks, protect consumers and investors, and prevent financial crime, we remain opposed to the creation of a central bank digital currency (CBDC). Recent remarks made by Treasury officials suggest that valuable administrative resources continue to be directed towards investigation of a CBDC through an interagency working group that includes the Federal Reserve. With the launch of FedNow, which will provide instant payment functionality, we believe the Federal Reserve should not divide its efforts by investigating a far riskier and partially redundant endeavor like CBDC to promote payments innovation. We urge the Federal Reserve to not move forward with a CBDC at this time.

**Extend the effective date for the recent final rule amending Regulation II (12 C.F.R. Part 235, the “Final Rule”):**

The Board of Governors of the Federal Reserve System (Board) should extend the effective date for the recent final rule amending Regulation II (the Final Rule) in order to provide credit unions and other debit card issuers sufficient time to implement the requirements of the Final Rule. We have joined with other community institutions in asking the Board to do so.

The Honorable Patrick McHenry  
The Honorable Maxine Waters  
March 7, 2023  
Page 2 of 2

We are concerned that the new mandate imposed by the Final Rule provides debit card issuers insufficient time to change their core banking software and payments infrastructure to comply with new network requirements. These time-consuming changes involve vetting and testing potential vendor solutions while prudently managing operational and security risks. The rushed timeline for these efforts will create unintentional negative consequences for consumers while credit unions are forced to reprioritize implementation of the Final Rule over other consumer-oriented and security-focused improvements.

The Board should permit financial institutions an additional one and a half years to come into compliance with the Final Rule. Given the thousands of small issuers affected by the Final Rule, it will take a significant amount of time for issuers to come into compliance. We urge you to raise this issue and encourage Chairman Powell to support granting this extension.

**Public disclosure of depository institutions with access to Reserve Bank accounts and/or financial services:**

NAFCU supports the Board's efforts to develop a transparent, risk-based policy for granting eligible depository institutions access to Reserve Bank accounts and services. We believe periodic disclosure of institutions that currently have master account access represents an appropriate addition. With respect to credit unions and other federally-insured depository institutions, those with existing access to Reserve Bank accounts should constitute a stable and relatively low-profile group.

We support the publication of institutions that have been granted access to Reserve Bank accounts and services. This will help inform the public about what types of institutions have direct payment system access. A public list will also offer a general sense of how long it takes for the Reserve Banks to reach a final decision after applying the Board's Account Access Guidelines.

NAFCU and its members appreciate the opportunity to share our priorities and concerns with the committee. Should you have any questions or require any additional information, please contact me or NAFCU's Senior Associate Director of Legislative Affairs Amber Milenkevich at [amilenkevich@nafcu.org](mailto:amilenkevich@nafcu.org) or (703) 842-2266.

Sincerely,



Brad Thaler  
Vice President of Legislative Affairs

cc: Members of the House Financial Services Committee