



Credit Union National Association

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[cuna.org](http://cuna.org)

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

February 10, 2014

Robert deV. Frierson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551

Re: Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers through Fedwire; Time of Settlement by a Paying Bank for an Item Received from a Reserve Bank; [Regulation J; Docket No. R-1473]

Dear Mr. deV. Frierson:

This comment letter represents the views of the Credit Union National Association (CUNA) regarding the Federal Reserve Board's (Fed's) proposed changes to Regulation J (Reg J). By way of background, CUNA is the largest credit union advocacy organization in this country, representing state and federal credit unions, which serve about 99 million members. We have also filed a separate comment letter today on the Fed's related proposed changes to its Payment System Risk (PSR) Policy.

The Reg J proposal would permit the Fed Reserve Banks (Fed Banks) to require paying financial institutions that receive presentment of checks from the Fed Banks to make proceeds of settlement for checks available as soon as one half-hour after receiving the checks and by as early as 8:30 a.m. ET. Currently, these requirements are as soon as one hour after receiving the checks and by as early as 9:30 am ET, respectively.

CUNA appreciates that the Fed is taking incremental steps to improve the payment system. These proposed Reg J changes would apply to checks handled by the Fed Banks and are intended to conform to the proposed concurrent PSR changes regarding intraday balances at financial institutions' accounts at the Fed Banks. We have concerns that some financial institutions may be impacted by these changes and will have to increase their account balances to settle presented checks. If these changes are necessary, the Fed should minimize the costs and impact on credit unions, corporate credit unions, and other payment providers that



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may be affected, including by providing additional information and resources, as well as adequate time for implementation.

We are concerned that some financial institutions, including credit unions, may be impacted because many checks are currently settled later than the proposed timeframes and there are still small amounts of paper checks that require additional settlement time. To minimize the impact from the proposed changes, financial institutions would have to provide additional funding in their Fed Bank accounts by holding higher balances overnight, arranging for additional funding before settlement time, or incurring daylight overdrafts (if eligible).

Additional analyses from the Fed regarding the proposed changes, including with the potential impact on financial institutions and check activity that currently occurs after the proposed timeframes would be helpful. The Fed believes about 90 percent of checks are currently available to be presented by 8:00 a.m. ET, and prompt settlement is possible for the majority of the value of check activity.

We ask the Fed to minimize impact on credit unions and others that may be affected, if the proposed changes are necessary. For example, it could be helpful to provide additional information and resources for all potentially-affected financial institutions.

Further, we recommend an effective date of at least six months or more to provide an adequate timeframe for financial institutions to make processing, account management, funding and collateral, and other necessary changes to implement the proposed rule changes. The effective dates for the PSR and Reg J changes should be aligned to facilitate these related changes.

Thank you for the opportunity to comment on this proposal. If you have any questions concerning our letter, please feel free to contact CUNA SVP and Deputy General Counsel Mary Dunn or me at (202) 508-6733.

Sincerely,

A handwritten signature in blue ink that reads "Dennis Tsang". The signature is written in a cursive, flowing style.

Dennis Tsang  
CUNA Assistant General Counsel for Regulatory Research