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Proposal: 1409 ver. 2 (RIN 7100-AD68) - Reg CC - Availability of Funds and Collection of Checks
Subject: Regulation CC

Comments:

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Proposal: Regulation CC: Availability of Funds and Collection of Checks [R-1409]

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As a member of both the electronic payments marketplace as well as a participant within the check processing industry, it is my strong recommendation that if any changes or modifications are made to Reg CC, that Alternative #1 is utilized for the following reasons:

First, the systems and solutions already in place serve the industry extraordinarily well. For the more than 26 years Reg CC has been in effect, timely notification of returned items has been managed superbly through the utilization of EARNS notifications or FedLine.

Second, Alternative 1 has the least financial, technological and potential liability impact on the financial institutions. Forcing financial institutions to adopt systems at a pace not in sync with existing budgetary or technological cycles would be extremely disruptive, counterproductive and would lead to increased exposure to losses.

Third, said budgets would need to be phased-in over time, thereby allowing for a more controlled and managed organic expansion of financial institutions' platforms and capabilities.

Fourth, the potential for excessive liability exposure on the part of (relatively) smaller institutions whose platforms are not as advanced, as compared with larger institutions, is unacceptable and could lead to significant financial losses at those institutions. Further, it would extend losses already incurred as a result of some institutions' decision to simply not comply with Reg CC in its current form.

Fifth, notification on all items, regardless of amount, makes tremendous sense since there is an inverse relationship of volume to the dollar amount (i.e., there are more checks returned under \$2,500 than there are over \$2,500). Making this simple change will assist greatly in risk and liability mitigation in the

future, until a fully electronic environment is achieved.

Sixth, as regulatory burdens continue to increase, there should be a recognition of the need to enforce what is already in effect. Proper compliance and enforcement of the current version, as well as future versions, of Reg CC is needed in order to promote a level playing field for all institutions.

In conclusion, I recommend instituting an 18-24 month phased-in approach to any regulatory changes. This will allow for budgetary cycle requirements and technology platforms to be properly funded, as well as managing liability and risk factors at a reasonable and sustainable rate. While larger institutions may already have systems in place, there should be careful consideration of ALL financial institutions' needs. Thank you for the opportunity to comment publicly.

Respectfully submitted,

Randolph Pentel
Chairman Guardian Payment Systems