First State Bank

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

Comment sent via email: regs.comments@federalreserve.gov

Date: June 19, 2015

RE: Docket No. OP-1515

To Whom It May Concern,

Tri-County Financial Group, Inc. is a holding company with total assets of $871 million at March 31, 2015 and a single subsidiary, First State Bank. First State Bank is a full service financial institution with 20 branches and three subsidiaries, First State Insurance Services, Inc., First State Investment Company and Mortgage Services III, LLC.

The Federal Reserve Board of Governors has requested comments on the enhancements to Federal Reserve Bank Same-Day ACH Service, Docket No. OP-1515. As one of two national ACH clearing facilities, the Federal Reserve must consider these enhancements due to the adoption if these changes by NACHA on May 19, 2015.

We agree that same-day ACH capabilities are necessary. It will be a requirement that all financial institutions must receive the same-day ACH files. We urge the agencies to understand the increased risk to the Receiving Depository Institution (RDFI).

Originating Depository Institutions (ODFI) will be required to pay $.052 for each same-day ACH originated transaction. The typical recourse would be to pass this cost along to the originating customer as payment for the benefit to complete such transactions. It is very likely that customers will migrate away from the more expensive transfer fees, such as wires, to the less expensive same-day ACH feature. This is likely to result in a loss of income to the ODFI. Our institution has already had customer inquiries regarding same-day ACH, specifically to avoid the wire fees.

While the RDFI will be the recipient of the above mentioned fees, they are not likely to offset the costs associated with changes in the processes involving personnel staffing necessary to accommodate the changes. These processes will include earlier posting times (7:30AM CT as opposed to the current 10:00AM CT) which will only be possible with extended personnel work hours or by incurring automated outsourcing costs. Such costs are not as transparent to the customer.

Of greatest concern, and an issue not addressed by either NACHA or the ACH operators, is the risk posed to an RDFI simply by being a participant in ACH services. An example is a recent event experienced by our bank. We monitor our account at the Federal Reserve from the start of the work day through the end of the day. On the morning of April 3, 2015, we discovered our account was overdrawn

by nearly $280 million dollars. The ACH debits posted by the Federal Reserve to our account were $300,242,463.92; nearly 50 times higher than what we would normally see by the end of a posting day. After many phone calls and emails it was determined that the ACH originator of another financial institution had entered an account number into the amount field. The originator's limits did not prevent the posting. Instead of stopping the item, the amount was automatically split into three transactions to bring the amount under the pre-established limit. The file was sent through the ODFI without any alerts being generated. When same-day ACH is not available, the ODFI should have detected this by monitoring limits across settlement dates.

We, as the RDFI, have no choice in a situation like this. We are required to accept the posting and suffer the consequences; which in this case was a monetary fine and a de minimis cap violation. The fee was not the main issue but the violation certainly was. After many more emails and phone calls we were granted a credit of $150.00 towards the total fee of $859.26 and, due to our diligence in identifying and resolving the issue, the violation was waived. The originator paid the balance of the fine.

What is important to note is all financial institutions can easily be victimized by poor controls like this. The RDFI has no ability to stop an error, or fraud, of this magnitude. The only tools provided by the Federal Reserve are alerts. In this case the alert would have been generated at 8:17pm ET on 4.2.2015. Due to the Fed's posting schedule for returns, no matter how early we discovered and returned the item, our account was not credited until 5:00pm ET on 5.3.2015.

The ACH payment system needs to be revised. An ACH transaction should not be allowed to automatically split into several different transactions just to circumvent a limit. An ODFI should monitor outgoing files and stop suspicious transactions. The Federal Reserve should not hold the RDFI responsible for actions taken, or not taken, by an ODFI.

Instituting same-day ACH and making funds available faster to the receiving customer allows faster flow of fraud, or on this case errors, in and out of institutions if proper processes and controls are not in place.

If you have any questions you may contact Jacqueline Bend, CFO/Cashier, at 815-538-2265 or jbend@firststatebank.biz .

First State Bank
Name of depository institution

071921532
Routing Number

By: Jacqueline Bend
Jacqueline Bend
CFO / Cashier