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May 2, 2005

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Docket No. R-1226

Dear Ms. Johnson:

Thank you for providing us with the opportunity to comment on the proposed rule changes related to Regulations CC and J published in the Federal Register on March 2, 2005.

Sun National Bank, with \$3 billion in assets has banking offices located in New Jersey, Delaware and Pennsylvania. Sun engages in financial activities that will be affected by the proposed changes to the processing rules under Regulations CC and J both as a depository bank as well as a paying bank.

The proposed rule defines remotely created checks and creates transfer and presentment warranties for such checks. Generally, the paying bank has been responsible for economic loss for these items that the customer claims are unauthorized. Under the proposal, because of the payee/originator's warranties that the item is authorized, the depository bank is at risk for the economic loss if the item is "charged back" by the paying bank.

Transfer and Presentment Warranty

We agree with the proposed transfer and presentment warranties option because it is made clear that the liability rests with the depository bank, the bank that can best monitor the activities of the payee/originator. Because the risk for unauthorized claims would flow back to the originator, the depository bank needs to review current relationships with payee/originators and put new procedures in place before accepting new payee/originators. This risk assessment and monitoring process would appear to be similar to what is typically done in the ACH debit context.

Coverage

We believe that the rules should apply to consumer and non-consumer transactions.



Extension of Bank's Midnight Deadline

The "midnight deadline" does not give a paying bank or its customer enough time to recognize and return unauthorized checks subject to the proposal. We would favor extending this deadline to a longer period after present, not in excess of 60 days. This would allow any customer sufficient time to examine his/her statement and notify the bank of any unauthorized activity.

State UCC Amendments

If each state is permitted to adopt or not adopt its own version of the UCC amendments, multi-state banks such as Sun will operate in a confusing and disparate environment. We are in favor of the new transfer and presentment amendments to Regulations CC and J with extension of the midnight deadline over the UCC alternative. Because liability is clear and predictable, Sun is in a better position to manage its risks.

Again, thank you for providing us with an opportunity to comment on this proposed rule. If you have any questions concerning our comments, please contact Dorothy Antrim at dantrim@sunnb.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Dorothy Antrim", written over a horizontal line.

Dorothy Antrim, Senior Vice President
Deposit Operations