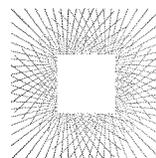


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April 6, 2007



The **BANK**
of **NEW YORK**

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Attention: Jennifer J. Johnson, Esq., Secretary

Re: Docket No. OP-1257
Consultation Paper on Intraday Liquidity Management
and Payment System Risk

Governors:

The Bank of New York thanks the Board of Governors of the Federal Reserve System for the opportunity to submit comments on the Consultation Paper on Intraday Liquidity Management and Payment System Risk, and applauds the Board's efforts with respect to its encouragement and management of this important industry initiative.

The Bank of New York, as the nation's fourth largest U.S. dollar clearer of cash and one of the two principal providers of services for the book entry securities market, considers it important to work closely with the Federal Reserve to reduce the risks in, and improve the efficiency of, the payments system. The Bank of New York is very supportive of the goals of the Federal Reserve in this regard and has been actively participating in the Payments Risk Committee and the Wholesale Customer Advisory Group Task Force established to gather data on the factors contributing to the increase in large value late day payments, to assess such data and to recommend potential solutions.

The Bank of New York is very aware that over the past decade, payments effected between the hours of 3:00 PM. to 6:00 PM. ET, have grown significantly. Some of the drivers leading to this compression in the timing of the release of these payments are the operational characteristics of the tri-party repo market, the commercial paper market, DTC progress payments and settlement procedures, the CHIPS settlement and the end-of-day securities settlements, and we believe that any opportunities to improve efficiency, lower costs and reduce risk should be thoroughly explored. Our comments address the prospects of achieving these goals through operational changes impacting the payments and settlement systems.

BNY feels strongly that the recommendations from the PRC/WCAG Task Force should be actively considered for implementation by the Federal Reserve. In particular, the task force's recommendation concerning the netting of large value payments sent between a small number of Depository Institutions that participate in the Broker Dealers and Tri-Party cash business should receive the Board's serious attention and consideration.

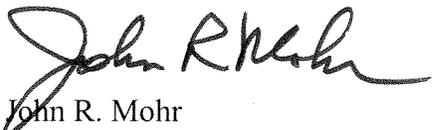
The transmission over Fedwire of the cash leg of these transactions between these institutions is a major contributor to the late afternoon peaking of Fedwire activity which the Federal Reserve has said it wishes to reduce. The Bank of New York recommends that the FRB study and model the potential effectiveness of a netting system for the exchange of Broker Dealer and Tri-Party cash payments between the hours of 3:00 PM and 6:00 PM to determine if this would be an effective means of achieving its goals.

While we are convinced that a netting arrangement for these payments would have beneficial impacts in terms of market activity, we do not think that the CHIPS model in its present form is an adequate solution for these large value items. They are time-sensitive and require the rapid release and availability of funds inherent in the Fedwire RTGS system.

The Bank of New York would be pleased to participate in a working group to study and introduce a proposed methodology for the establishment of a netting solution that would meet these requirements.

The Bank of New York thanks the Board for its consideration of our comments and recommendations.

Very truly yours,

A handwritten signature in black ink, appearing to read "John R. Mohr". The signature is fluid and cursive, with a long horizontal stroke at the end.

John R. Mohr
Executive Vice President