



Credit Union National Association

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

VIA: EMAIL [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

June 4, 2008

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

Re: Docket No. OP-1310; Proposed Changes in ACH Posting Times  
Docket No. OP-1309; Policy on Payments System Risk

Dear Ms. Johnson:

The Credit Union National Association (CUNA) appreciates the opportunity to comment on the Federal Reserve Board's (Board's) request for comment with respect to proposed changes to the automated clearinghouse (ACH) debit transfers that are processed by the Reserve Banks' FedACH service and on proposed changes to its Payments System Risk (PSR) Policy. By way of background, CUNA is the largest credit union trade organization in this country, representing approximately 90 percent of our nation's approximately 8,300 state and federal credit unions, which serve more than 90 million members. This letter was developed under the auspices of CUNA's Payments Policy Subcommittee, chaired by Mr. Terry West, President and CEO of VyStar Credit Union in Jacksonville, Florida.

### **Summary of CUNA's Views**

The Board is proposing to change the posting time for commercial and government automated clearinghouse (ACH) debit transfers that are processed by the Reserve Banks' FedACH service from 11:00 a.m. ET to 8:30 a.m. ET to coincide with the posting time for commercial and government ACH credit transfers. A summary of CUNA's views is below:

- CUNA opposes the Board's proposal to change the posting times of ACH debit transfers that are processed by the Reserve Banks' FedACH service. We do not believe the Board has substantiated the need for the change, and it would create an extreme hardship for corporate credit unions and their constituents in managing their balances with the Reserve Banks.



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- Corporate credit unions would be required to either retain substantially higher overnight balances in the Reserve Bank accounts or find alternative sources for early morning funding if ACH debit transfers are posted at 8:30 a.m. ET.
- If the Board finalizes the proposed changes to the ACH posting times, we urge the Board to permit corporate credit unions to pledge collateral for intraday overdrafts with an implementation date equal to the change in posting times.

### **Discussion of CUNA's Views**

The Board is proposing to change the posting time for commercial and government ACH debit transfers (ACH debit transfers) that are processed by the Reserve Banks' FedACH service from 11:00 a.m. ET to 8:30 a.m. ET to coincide with the posting of commercial and government ACH credit transfers (ACH credit transfers). Additionally, the Board intends, in consultation with the U.S. Treasury, to move the posting time for Treasury Tax and Loan (TT&L) investments associated with Electronic Federal Tax Payment System (EFTPS) ACH debit transfers to 8:30 a.m. ET to maintain the simultaneous posting of ACH transactions and related Treasury transactions.

We do not believe the Board has provided a sufficient basis and rationale for making this change to the posting time. Also, we believe that the proposed change in posting times would significantly increase the burden on corporate credit unions in managing their Reserve Bank balances. As you know, corporate credit unions are "bankers' banks" and provide numerous payment services to natural person credit unions such as investment, liquidity, cash-management, risk-management, settlement and funds transfer services. With the current posting times, corporate credit unions are able to utilize the two and one half hours after ACH transactions are credited to fund their Reserve Bank balances before ACH transactions are debited.

With regard to ACH transactions, credit unions are net payers for most days of the week. As a result, corporate credit unions are required to fund the net debit positions at their Reserve Bank accounts for the ACH transactions that they settle on behalf of the credit unions they serve. Currently, corporate credit unions are able to plan accordingly and move funds into their Reserve Bank accounts to cover the 11:00 a.m. debits. If ACH debit transfers are posted at 8:30 a.m. ET, corporate credit unions would be required to fund these accounts prior to the opening of Fedwire. This would not only create operational burdens and cash management challenges for corporate credit unions, but would also subject them to potential lost earnings and higher costs to fund their Reserve Bank accounts in order to avoid daylight overdrafts.

As a result, corporate credit unions would be required to either retain substantially higher overnight balances in the Reserve Bank accounts or find alternative sources for early morning funding. Both options would significantly increase their expense and add operational burdens.

Maintaining significantly higher overnight balances in Reserve Bank accounts would result in lost interest income to the corporate credit unions. Alternatively, seeking early morning funding sources would result in higher costs and would likely create pressure on the availability of these early morning funds.

If the Board finalizes the proposed changes to the ACH posting times, we request that corporate credit unions be permitted to incur daylight overdrafts in an amount equal to pledged collateral with the Reserve Banks, like is being proposed for all other depository institutions.

In an effort to eliminate credit risk associated with intraday overdrafts, the Board is proposing to adopt a policy of supplying intraday balances to healthy depository institutions predominantly through collateralized daylight overdrafts and permit depository institutions to pledge collateral for security. (Currently, most corporate credit unions and other “bankers’ banks” do not have access to the Federal Reserve’s discount window and therefore may not incur daylight overdrafts. Additionally, under the current PSR Policy, collateral for most intraday extensions of credit are not required, reflecting the Board’s current policy of minimizing its risk of loss resulting from daylight overdrafts incurred by “bankers’ banks.”)

We believe that permitting corporate credit unions to provide approved collateral for securitization of intraday credit extended by the Reserve Banks would minimize or eliminate the possibility that an intraday credit advance would be converted into impermissible discount window credit in the event the daylight overdraft was not repaid by the close of business.

If the Board determines that changes to the ACH debit posting time are justified, we urge the Board to permit corporate credit unions to pledge collateral for intraday overdrafts with an implementation date equal to the change in posting times, as other depository institutions would be permitted.

Thank you for the opportunity to express our views on the proposed modifications to the ACH posting times. If you have questions about our letter, please do not hesitate to give Senior Vice President and Deputy General Counsel Mary Dunn or me a call at 202-508-6733.

Sincerely,



Lilly Thomas  
Assistant General Counsel