

May 25, 2008

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. OP-1309 and Docket No. OP-1310

Dear Ms. Johnson:

Several payments professionals and senior managers within SunTrust Bank have recently reviewed and discussed the proposed rule changes under Docket No. OP-1309 and Docket No. OP-1310. We sincerely appreciate the opportunity to provide our comments to the Federal Reserve Board of Governors regarding these changes. Overall, SunTrust Bank is very supportive of the proposed amendments to the Board's Policy on Payments System Risk.

ACH Simultaneous Posting (OP-1310)

The current discrepancy between the posting and settlement times for ACH debit and credit entries has created several challenges for our organization during the past five years. As the 6th largest ACH originating financial institution in the United States, SunTrust Bank has been required to closely and manually preserve the early morning liquidity position of large ACH debit originators. (ACH payment volumes reported for 2006 and 2007 by NACHA – The Electronic Payments Association). Eliminating the two-and-a-half hour delay between debit and credit postings will put these relationships in a more favorable financial position earlier in the business day, and will encourage these relationships to release funds into the Fedwire network earlier in the day. Of course, even with the simultaneous posting change, only ACH originators that are able to meet rigorous SunTrust Bank credit risk, KYC and AML requirements will be permitted to initiate ACH debit entries.

Like many organizations, SunTrust Bank has witnessed increased volumes in the number of transactions and in the dollar amounts that are being initiated as ACH debits. This is particularly true with the e-check services, such as Account Receivables Check Conversion and Web-initiated payments. The current delayed settlement posting for ACH debit entries essentially penalizes organizations that fully utilize the ACH network and promote check conversion activities. This is because transactions that remain in a paper format and are cleared through image exchange do not incur any delays in settlement posting in today's environment.

Another consideration is that the Electronic Payments Network (EPN) provides its members and participants a net settlement posting for all ACH transactions at 8:30 AM ET. Originating Depository Financial Institutions (ODFIs) that utilize FedACH

services exclusively are at a disadvantage because they must wait until 11:00 AM ET to receive settlement for their ACH debit entries.

To summarize, at SunTrust Bank, we encourage the rapid implementation of moving the posting time for ACH debit transfers to 8:30 AM ET, and we look forward to the positive impact that this change will provide to our clients and to the Fedwire and FedACH networks.

Collateralized Daylight Overdrafts (OP-1309)

The proposition to allow banks to voluntarily secure daylight overdrafts to eliminate daylight overdraft charges is well considered. For those of us who maintain excess collateral at the Discount Window and who do not use the window unless there is significant market volatility, we welcome the chance to put the collateral that is already pledged to the Fed to work for us. We feel that daylight overdraft charges are an undue tax on intraday "borrowings" that are already collateralized through the Discount Window. The collateral pledged to the Window is segregated, dedicated and haircut on a monthly basis, according to FRB parameters and current market conditions. Collateral pledged to the Discount Window should be applied to cover intraday daylight overdrafts with no additional segregation or separation required. By definition, daylight overdrafts are intraday, and are settled or covered by close of Fedwire. Otherwise, the bank risks a more penurious FF + 4% charge for an actual overdraft at night (plus balance makeup). Clearly this collateral then is adequate to serve a dual purpose of securing intraday and overnight borrowings, without placing any additional burden on participating banks. If the collateral already pledged to the FRB Discount Window cannot also be pledged for daylight overdraft purposes, then the added burden of moving, tracking and reconciling an additional account is excessive, and it diminishes the effectiveness and efficiency of this proposal.

We feel very strongly that the collateral already pledged to the Discount Window should serve double duty as daylight overdraft collateral without any additional segregation or duplication of efforts. Risk to the Federal Reserve is mitigated by overarching collateral arrangements, either overnight or intraday.

Another alternative for the use of collateral that would be beneficial to banks is to allow pledged collateral to be used as a de facto line of credit against an unforeseen overnight overdraft. This would be significantly less penurious than the current methodology, and as long as the collateral is available at the Fed, it would be a great benefit to banks who find themselves in an overdraft position after hours or as a result of after hour postings, etc.

The white paper cites concern of risks to the Federal Reserve Banks for their constituents' intraday overdrafts, but a change in assessing daylight overdraft charges would probably not change that, as the banks that are responsible for the largest portion of daylight overdrafts during any given day are also those maintaining excess collateral at the Fed. Further, as long as the money markets

function the way they do, we would expect no real change in the post 4:00 PM ET Fedwire activity. A change in assessment in daylight overdraft charges will not change this settlement process, and will not incent banks to shift payments to earlier schedules. One way to reduce the risk of after hour overdrafts on volatile days and on days with extensions is to expand the settlement period (after third party is closed) to the standard 30-minute period, rather than trying to rush all of the payments and settlement activity into a compressed 15-minute time period.

As far as the quantity of collateral available for daylight overdrafts, we maintain at least 1.5 times our overnight position in collateral at the Discount Window. In practice, this is 2-3 times our position. We feel that this is adequate to cover any potential daylight overdrafts by at least 1.5 to 2 times. We should consistently be in a position to avoid daylight overdraft charges and support any necessary Discount Window needs.

In summary, we are completely in favor of sharing Discount Window collateral to secure daylight overdrafts and eliminate daylight overdraft charges, as long as there is no increased burden on banks to maintain separate or segregated collateral to collateralize daylight overdrafts and Discount Window borrowings.

Sincerely yours,

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