June 2, 2008

Bank of America

Bank of America, N.A.
Corporate Treasury
NC1-003-04-02
901 West Trade Street
Gateway Center
Charlotte, NC 28255-0355

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

Re: FRB Docket Number OP-1310

Dear Ms. Johnson:

Bank of America appreciates the opportunity to comment on the questions proposed by the Federal Reserve Board on the Payments System Risk (PSR) policy changes.

Bank of America operates the largest and most diverse banking network in the United States with $1.6 trillion in total assets and over $800 billion in worldwide deposits. We offer full-service consumer and commercial services in 33 states and the District of Columbia with over 6,100 retail branch locations and over 18,700 ATMs.

General

1. Does your institution believe that the introduction of a zero fee for collateralized daylight overdrafts will contribute to an overall reduction in liquidity, operational, and credit risks in the payments system? Would it reduce these risks for depository institutions, their customers, or financial utilities?

   Bank of America believes that the introduction of a zero fee for collateralized daylight overdrafts will result in an increase in overall payment systems liquidity, while at the same time it will result in reductions in both operational and credit risks for the Federal Reserve.

   We believe that credit risk for the Federal Reserve will be reduced because of the increased levels of collateral that are likely to be maintained by many institutions at the Fed. These banks, however, will experience an increased cost for maintaining that new higher level of collateral.

   Banks will need to determine if the cost for maintaining additional collateral and achieving the zero fee for collateralized overdrafts is preferable to paying the increased expense for uncollateralized overdrafts.

2. What procedural or systems changes do you expect to make as a result of this proposed policy change?

Bank of America, based on a review of our systems and procedures, does not anticipate that it would need to make any significant systems or procedurals changes if this proposed PSR Policy change is implemented.

Collateral

3. Does your institution regularly use Federal Reserve daylight credit, and does your institution currently have sufficient unencumbered eligible collateral to pledge to the Reserve Banks to take advantage of a zero fee for collateralized overdrafts? By your estimate, what proportion of your expected average and peak overdraft would you intend to collateralize?

   Bank of America does use daylight credit on a regular basis. We view the change to allow banks to use their Discount Window Collateral during the day as Daylight Overdraft Collateral as a positive move for the industry. We anticipate that we will continue to maintain with the Federal Reserve sufficient unencumbered eligible collateral to take advantage of the zero fee for collateralized overdrafts as described in this proposal as long as the definition of eligible collateral remains as currently defined.

   Bank of America anticipates that we would continue to collateralize our average and peak overdrafts much as we do at this time. We anticipate that the level of collateral that we would maintain with the Federal Reserve would remain close to its current level.

4. Would your institution's intraday credit use increase or decrease from current levels? Do you expect the intraday credit usage of depository institutions as a group to increase or decrease from current levels?

   Bank of America believes that our usage of intraday credit will neither increase nor decrease if this proposed change to the PSR Policy is implemented.

   Bank of America believes that the usage of intraday credit by the industry as a whole will increase. Bank of America also believes that most institutions needing to increase their intraday credit usage above current levels will do so by increasing their level of collateralization in order to obtain the zero fee.

5. While the proposal envisages no fee for collateralized overdrafts, institutions will face an opportunity cost to pledge collateral. How difficult or costly would it be to collateralize daylight overdrafts? What opportunity costs would your institution face in pledging (additional) eligible assets to the Reserve Bank to collateralize daylight overdrafts? What are the costs of entering into the Reserve Banks' borrowing documents?

Bank of America does not anticipate any significant change in our current level of collateralization; therefore we do not anticipate an increase in our expense to pledge collateral. This may not be the case for other institutions.

We currently have existing borrowing documents executed with the Federal Reserve and therefore would not be incurring any additional expense to enter into that type of an agreement.

6. How would the adoption of this new PSR strategy, which explicitly links collateral to daylight overdrafts and pricing of daylight overdrafts, affect the availability of collateral for other financial market activity? How might it affect other creditors and other payments system participants?

   Bank of America does not anticipate any significant changes in our availability of collateral for other financial market activity since we do not anticipate making significant changes in the level of collateral that we maintain with the Federal Reserve for Discount Window and Daylight Overdraft purposes.

   Bank of America believes that the adoption of this new PSR strategy will result in a number of banks increasing their level of collateralization at the Federal Reserve. This may cause some of those banks to modify their behavior in other financial markets.

7. What (additional) collateral management capabilities would your institution expect of its Reserve Bank (such as changes to the frequency or means of obtaining collateral reports, the ability to move directly and quickly collateral in and out of pledge accounts, and so on)?

   Bank of America does not anticipate that it would require any changes by the Federal Reserve to its collateral reporting or collateral moving capabilities as a result of this proposed PSR Policy change. Some banks, depending on their collateral position may want the Federal Reserve to enhance its ability to receive and report on collateral on an intra-day basis so that they may increase or decrease their level of collateral multiple times a day.

8. If you do not currently have a borrowing agreement or pledge any collateral, would you expect to do so? If so, would the rationale rest on the use of daylight overdrafts or overnight extensions of credit?

   Bank of America currently has a borrowing agreement in place and has pledged collateral in place, therefore we would not anticipate any changes.

Pricing

9. To what extent would your institution make payments earlier in the day as a result of the proposed pricing changes? If your institution holds payments in a liquidity queue, would your institution continue to hold payments, particularly large-value payments, in a liquidity queue under the proposed policy changes? If so, under what circumstances would your institution continue to queue payments? What further steps would encourage queue reductions?

   Bank of America believes that the change in pricing policy, while good for the industry as a whole would not make an appreciable difference to Bank of America and our payments practices for either our own position, or for that of our clients.

   Bank of America does not hold payments in a liquidity queue to avoid daylight overdraft charges under the current policy, and does not anticipate that it would hold them in a liquidity queue under the proposed policy.

10. Does your institution believe that the introduction of a zero fee for collateralized daylight overdrafts could lead to changes in practices for returning early securities used in repurchase agreements? What changes might institutions expect?

    Bank of America believes that the introduction of a zero fee for collateralized overdrafts could lead to changes in practices by some banks that could result in the earlier return of securities used in repurchase agreements. The early return of these securities is the current Bank of America policy, and we would hope that the zero fee would be sufficient incentive for others to adopt this as an industry best practice.

11. Does your institution believe that the introduction of a zero fee for collateralized daylight overdrafts and the higher (50 basis point) fee for uncollateralized daylight overdrafts could lead to changes in practices for the early return of fed funds loans? What changes might institutions expect?

    Bank of America believes that the introduction of a zero fee for collateralized daylight overdrafts and the increased fee for uncollateralized overdrafts will lead to changes in the practices for the early return of fed funds loans

12. If your institution would face potentially higher fees on its daylight overdrafts, how will your institution adjust its collateral position or payments activities in response to the Board's proposed fees?

    Bank of America believes that the implementation of this PSR Policy Change will not have a significant impact on our bank, or the level of daylight overdraft fees that will be incurred for our institution.

Bank of America appreciates the opportunity to comment on the Board's questions and we thank you for your consideration of these comments.

Respectfully Submitted,

Robert B. Clark
Vice President
980.386.1450