



Credit Union National Association

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December 19, 2011

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

Re: Docket No. R-1434 and RIN 7100 AD 84: Proposed amendments to Regulation J; Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers Through Fedwire: Elimination of "As-of Adjustments" and Other Clarifications

Dear Ms. Johnson:

This comment letter represents the views of the Credit Union National Association (CUNA) regarding the proposed technical amendments to Regulation J (Reg J) from the Federal Reserve Board (Board). By way of background, CUNA is the largest credit union advocacy organization in this country, representing approximately 90% of our nation's 7,400 state and federal credit unions, which serve about 93 million members.

CUNA generally agrees with the technical amendments to Reg J to incorporate the concurrent Regulation D (Reg D) proposal to simplify reserve requirement administration, as well as to clarify two other payment areas. Overall, we support more consistent regulations and encourage further efforts to reduce regulatory burdens on credit unions, including those under Reg D.

As discussed in further detail in our Reg D comment letter, we generally support the proposed amendments to Reg D, even though we question the value of certain provisions in Reg D, such as the current limits on transfers from savings to transaction accounts, in influencing monetary policy. While we recognize it is necessary to distinguish savings and transaction accounts, we urge the Board to reconsider its six transfer and withdrawal limit on savings deposit accounts under Reg D. If the Board feels it cannot remove the limits, we recommend the Board increase the number of such transfers allowable per month. We request that the Board give depository institutions ample time, at least nine months, to implement the proposed changes and that it stagger the effective dates for each proposed amendment.

Regarding this proposal, we believe the proposed elimination of references throughout Reg J regarding a Reserve Bank's use of "as-of



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adjustments” in connection with a Fedwire funds transfer is consistent with the proposed Reg D changes to discontinue “as-of adjustments” and replace all other “as-of adjustments” with direct compensation. These changes would permit a Reserve Bank to continue to directly compensate a depository institution for a Reserve Bank’s accounting or administrative error or delay.

This proposal would also clarify that subpart B of Reg J would continue to apply to a Fedwire funds transfer even if the funds transfer also meets the definition of a “remittance transfer” under Section 919 of the Electronic Funds Transfer Act (EFTA), and Section 919 would prevail if there is an inconsistency between Reg J and Section 919. In May 2011, the Board issued the “remittance transfer” proposal to implement Section 919 as required by the Dodd-Frank Act that will be finalized by the Consumer Financial Protection Bureau (CFPB). We agree that a Fedwire funds transfer should remain covered under subpart B of Reg J, which addresses interbank rights and obligations, even if the Fedwire funds transfer is also subject to “remittance transfer” final rule. However, we also recommend that the Board further coordinate with the CFPB before finalizing this proposal, because there are outstanding issues to be addressed in the “remittance transfer” final rule, such as with preemption between Section 919 and Article 4A of the Uniform Commercial Code.

Further, this proposal would amend subpart A of Regulation J to clarify that when an institution sends a check or other item for collection to a Reserve Bank, the institution’s Administrative Reserve Bank is deemed to have accepted deposit of the item even if the item was sent directly to another Reserve Bank. We believe this is a useful clarification because Reserve Banks currently permit institutions to send checks and other items directly to a Reserve Bank that is not the Administrative Reserve Bank.

Thank you for the opportunity to comment on this proposal. If you have any questions concerning our letter, please feel free to contact Senior Vice President and Deputy General Counsel Mary Dunn or me at (202) 508-6733.

Sincerely,

A handwritten signature in blue ink that reads "Dennis Tsang". The signature is written in a cursive, flowing style.

Dennis Tsang
Regulatory Counsel