



Securities, Banking & Treasury  
Management Services

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June 3, 2011

Via e-mail: [reg.comments@federalreserve.gov](mailto:reg.comments@federalreserve.gov)

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 Number R-1409 & RIN Number 7100-AD68

**Notice of Proposed Rulemaking – Regulation CC – Availability of Funds  
and Collection of Checks**

Dear Ms. Johnson:

State Street Corporation (“State Street”) appreciates the opportunity to comment on the Notice of Proposed Rulemaking (“NPR”) issued by the Board of Governors of the Federal Reserve System (“Board”) amending Regulation CC in respect of the availability of funds and the collection of checks in the U.S. payment system.

Headquartered in Boston, Massachusetts, State Street specializes in providing financial services to institutional investors, including investment servicing, investment management and investment research and trading. With \$22.6 trillion in assets under custody and administration, as well as \$2.1 trillion in assets under management, we are one of the world’s largest custody banks, operating in 25 countries and in more than 100 markets worldwide.<sup>1</sup> We are an active participant in the Federal Reserve FedWire and FedACH systems, and also use the Federal Reserve’s check services in order to facilitate the electronic processing of our items.

Consistent with the Board’s intent, State Street strongly supports measures to improve the safety and efficiency of the U.S. payment system. This includes enhancements to the existing check processing system. Notwithstanding our institutional investor client base, we still routinely encounter and process via the

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<sup>1</sup> As of March 31, 2011

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Federal Reserve paper-based checks. This includes, in certain instances, the processing and truncation of paper-based returns, a burdensome and operationally inefficient exception based-process which unnecessarily inflates industry costs.

As such, we support the Board's efforts to encourage the further development of a fully electronic inter-bank check collection and return process. This includes the recommendation to modify the current "expeditious return" rule so that a depository bank would not be entitled to the expeditious returns of funds unless it agrees to receive such returns via electronic means. Similarly, we support proposed modifications to the "same day settlement" rule to encourage the use of electronic presentations, the elimination from Regulation CC of the reference to non-local checks, the shortening of the allowable "reasonable hold" exception period, and the introduction of new warranties governing electronic items not derived from underlying checks. These and other similar measures can provide important cumulative benefits to depository banks, including a lowering of operational risk and an increase in overall market efficiency.

In addition, we support various recommended changes to key terms and definitions in Regulation CC, such as "electronic collection item", "electronic return" and "electronic presentment point", as well as the re-formatting of available customer notices. Finally, we have no particular concerns regarding the implementation of Section 1086 of the Dodd-Frank Wall Street Reform and Consumer Protection Act which requires an increase in available next day funds from \$100 to \$200.

State Street agrees that other steps can and should be taken to further limit risk for depository banks within the U.S. payment system, including in the processing of checks. We welcome in this respect, the Board's consideration of possible modifications to the regulations governing returned payments, and would recommend, as an initial step, the shortening of the Uniform Commercial Code deadline for the return of checks to 4:00 p.m. on the business day following the date of receipt of the check by the paying bank.

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Thank you once again for the opportunity to comment on the various matters raised within this NPR. Please feel free to contact me at [sscase@statestreet.com](mailto:sscase@statestreet.com) should you wish to discuss State Street's submission in greater detail.

Sincerely,

A handwritten signature in cursive script that reads "Suzanne S. Case". The signature is written in black ink and is positioned above the printed name and title.

Suzanne S. Case  
Senior Vice President  
Securities, Banking & Treasury Management Services