February 7, 2014
John W. King
Vice President
U.S. Bank, N.A.

Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

**Re: Policy Statement - Federal Reserve Policy on Payment System Risk; Procedures for Measuring Daylight Overdrafts**

**File Number: Docket No. OP-1472**

Dear Mr. deV. Frierson:

This letter is in response to the changes to part II of the Federal Reserve Policy on Payment System Risk (the "**PSR Policy**") proposed by the Board of Governors of the Federal Reserve System (the "**Board**") (i) procedures for measuring balances intraday in institutions' accounts at the Federal Reserve Banks (ii) the proposed changes to the Board's Regulation J regarding the timing of when paying banks settle for check transactions presented to them by the Reserve Banks (iii) the proposed principles for establishing future posting rules for the Reserve Banks' same-day ACH service and any future same-day ACH service to be provided by private sector ACH operators

U.S. Bank National Association ("U.S. Bank") has reviewed the proposed amendments to the rules and has further endorsed and adopted the Comments set forth by The Clearing House. U.S. Bank reiterates its support of those comments and further comments as follows:

## *I. Posting Time for FedACH Debit Transaction*

### *a. EPN Settlement Risk and Competitive Issues*

U.s Bank re-iterates The Clearing House concern with the possible negative impact to the overall settlement process if the timing and sequence proposed in the rule are implemented

U.S. Bank agrees that the Reserve Banks should not, by reason of rule modifications, be provided with a priority over private sector competitors, or have access to Federal Reserve Accounts that are not available to the private sector. The terms and schedules for access to settlement and the processes and rules regarding posting order, precedence, overdrafts and rejected settlement should apply equally to the private sector and Reserve Banks.

U.S. Bank supports The Clearing House in its request to the Board for information regarding the type of analysis and modeling the Board undertook in assessing the effects of these proposed changes to NSS settlement and if an assessment was performed, whether such findings and conclusions would be shared with private sector operators.

## *II. Posting Principles Applicable to Same-Day FedACH and Any Future Same-Day ACH Service*

U.S. Bank supports The Clearing House concern that settlement of same-day ACH transactions potentially as late as 6:29 p.m. (ET) would not give financial institutions sufficient time to settle other positions prior to the Fedwire Funds 6:30 p.m. settlement close. We agree with the Clearing House proposal that there always be at least a 30 minute period between settlement for

ACH transactions and the close of Fedwire and requests that the Board consider addressing this by ensuring that FedACH operating hours are consistent with NSS operating hours

U.S. Bank is concerned with the Board's statement that it would not seek public comment on future same-day ACH posting rules provided that that these same-day ACH rules conformed to the proposed same-day ACH posting rule principles. Given the rapid changes in ACH clearing and settlement that have and will continue to occur in process, environment, regulations, rules U.S. Bank believes that it is in the best interest of all parties that any future rules that the Board may consider implementing be submitted for public comment. Public comment would allow for a review and commentary on any issues and/or concerns that may arise and also provide opportunity to offer alternatives to mitigate and or eliminate the issues/concerns identified.

U.S. Bank appreciates the opportunity to respond and comment on the proposed PSR changes. If you have any questions please feel free to contact me.

Respectfully Submitted,

John W. King

Vice President

U. S. Bank