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February 10, 2014

Robert de V. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, D.C. 20551

RE: Federal Reserve Policy on Payment System Risk; Procedures for Measuring Daylight Overdrafts; Docket No. OP-1472

Dear Mr. Frierson:

NACHA—The Electronic Payments Association[1] respectfully submits this response to the Board of Governors of the Federal Reserve System ("Board") on the proposed amendments ("Proposed Rule") to the Board's Policy on Payment System Risk ("PSR Policy"). NACHA strongly endorses the Board's efforts to improve the ACH services provided by the Federal Reserve by changing the settlement time for ACH debits from 11:00 a.m. ET to 8:30 a.m. ET. This will improve funds availability for financial institutions that originate ACH debits. NACHA also strongly supports the Board's efforts to develop the legal, technical and operational infrastructure necessary to support faster payments in the United States. It is also critical that those developments are done in a way that reduces risk, improves efficiency and is competitively neutral with respect to private sector providers. Accordingly, while we encourage the Board to adopt the Proposed Rule, we also believe it is important that the Board (i) take the necessary action to extend the settlement windows for the National Settlement Service ("NSS"), and (ii) to address the private sector impacts highlighted in the comments of The Clearing House Payments Company L.L.C. and its affiliate ("TCH").

NACHA lauds the recognition reflected in the Propose Rule that continued expansion of settlement windows is essential to enabling ubiquitous systems like the ACH to support the types of payment services that demand accelerated settlement. As noted in NACHA's comment to the Board's consultation paper on "Payment System Improvement" (the "Consultation Paper"), it is critical that the ACH be positioned to support all financial institutions and their customers with

[1] NACHA manages the development, administration, and governance of the ACH Network, the backbone for the electronic movement of money and data. The ACH Network serves as a safe, secure, reliable network for direct consumer, business, and government payments, and annually facilitates billions of payments such as Direct Deposit and Direct Payment. Utilized by all types of financial institutions, the ACH Network is governed by the *NACHA Operating Rules,* a set of fair and equitable rules that guide risk management and create certainty for all participants. As a not-for-profit association, NACHA represents nearly 10,000 financial institutions via 16 regional payments associations and direct membership. Through its industry councils and forums, NACHA brings together payments system stakeholders to enable innovation that strengthens the industry with creative payment solutions. To learn more, visit www.nacha.org, www.electronicpayments.org, and www.payitgreen.org.

payment models that require faster settlement. Such changes not only help address customer demand, but also help reduce risk in the system by reducing the size and duration of daylight settlement exposures. In this regard, closing the gap between credit and debit settlement windows so as to enable a single net settlement will have important risk-mitigating effects within the ACH Network.

Nonetheless, these changes to the PSR Policy alone are not sufficient to keep the ACH Network on a path to the future envisioned by the Board's Consultation Paper. It is also important that the Board take the necessary steps to expand the applicable NSS settlement windows. Continued improvement of NSS services and longer NSS operating hours might be especially valuable to financial institutions on the West coast, and will enhance the ability of the ACH Network to provide the faster, retail payment services desired by end users. Those changes also would help reduce risk in the system by enabling faster and more frequent ACH settlements among financial institutions, thereby reducing the duration and the size of outstanding settlement obligations.

Finally, although the Proposed Rule is an essential step forward in improving the integrity and value of ACH services, TCH has raised several issues that should be addressed before the Proposed Rule can be finalized. The Board must take care not to create new risks for the private sector because of the interaction of the Board's settlement times for ACH with the posting and settlement requirements of the NSS and Fedwire systems.

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Again, NACHA appreciates the opportunity to provide comments on the Board's Proposed Rule, and supports the Board's goal of enabling a faster, more efficient and safer payment system. If you have any questions regarding our comments, please do not hesitate to call me at (703) 561-3943.

Sincerely,

/S/

William Sullivan
Senior Director and Group Manager
Government and Industry Relations

cc: Janet Estep, President, NACHA
Jane Larimer, General Counsel, NACHA
David Teitelbaum, Sidley Austin LLP