



Bank

America's Most Convenient Bank®

July 1, 2015

Via Electronic Delivery

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Docket No. OP-1515 - Enhancements to Federal Reserve Bank Same-Day ACH Service
Request for Comments

Dear Secretary Frierson:

TD Bank, America's Most Convenient Bank®, appreciates the opportunity to respond to the Federal Reserve Board's Request for Comments on the recently amended NACHA Operating Rules & Guidelines. TD Bank is the 6th largest receiver and 31st largest originator of ACH transactions for 2014, to which we speak in context of our response. Following are TD Bank's comments in the areas of payments improvements and same-day ACH.

About TD Bank

TD Bank, America's Most Convenient Bank, is one of the 10 largest banks in the U.S., with approximately 26,000 employees and deep roots in the community dating back more than 150 years. TD Bank offers a broad array of retail, small business and commercial banking products and services to more than 8 million customers through its extensive network of approximately 1,300 convenient locations throughout the Northeast, Mid-Atlantic, Metro D.C., the Carolinas, and Florida. TD Bank is a national banking association with headquarters located in Wilmington, Delaware.

Demand for Payments Improvements

Before addressing the two specific questions on same-day ACH, TD Bank would like to comment on the current state of payments and the need for improvements. There are many initiatives addressing all aspects of the payments value chain as the pace of change in the industry quickens. Banks have the unique ability to play a strong role in keeping with that pace, building upon a long-standing and well-developed infrastructure which provides proven protections and controls. NACHA's Rule change for same-day ACH will build on current capabilities and ubiquity, which will benefit all users. Other proposals to date are fragmented and not widely adopted.

TD Bank believes the introduction of same-day ACH with mandatory participation by Receiving Depository Financial Institutions (RDFIs) with an interbank fee meets the Federal Reserve Board's criteria for enhancements to its service for the reasons outlined below.

1. The service must enable full long-run recovery of costs by the Federal Reserve Banks. Same-day ACH as outlined in NACHA's Rule change would not have a negative impact on the Federal Reserve Banks, as banks would pay their ACH Operator for services. With FedACH® Service processing over half of the network's ACH volume, Federal Reserve Banks should continue to recover implementation and operating costs associated with processing.

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2. The service must yield a clear public benefit. This is demonstrated in the various use cases to support same-day ACH including emergency payroll and current-day bill payments. Additionally, same-day ACH provides an opportunity for originators to reduce the time it takes to clear virtually all existing ACH transaction types under \$25,000, resulting in more timely updates to consumer balances and faster return processing, potentially reducing fraud losses in the payment system.
3. The service must be one that other providers alone cannot be expected to deliver with reasonable effectiveness, scope, and equity. As one of only two ACH operators, the support of the Federal Reserve in mandating ALL RDFIs to process and settle same-day ACH transactions establishes ubiquity and consistency within the network for all participants. In contrast, as reflected in the Federal Reserve's Request for Comment, the current FedACH SameDay Service with opt-in participation has limited adoption with fewer than 100 depository institutions using the service.

Other providers, as evidenced in the current market, have not achieved ubiquity and have experienced high fraud rates while the ACH network is one of the most reliable networks in the world, boasting an unauthorized return rate of less than .03% for calendar year 2013. TD Bank is also participating in the Clearing House Real-Time Payments Initiative as both a member and an owner. We encourage the co-existence of a new, real-time payment system, same-day ACH processing, and the traditional ACH and wire systems, as each serves its own specific market niche.

Mandatory Participation of RDFIs

TD Bank supports the mandate for RDFIs to accept same-day ACH transactions and the requirement to make funds available to recipients by 5:00 p.m. We believe that the certainty in timing of funds availability is crucial in order for ACH processing to continue to add value for Customers. Conversely, a lack of ubiquity would be a deterrent to the advancement of faster payments, and the progression of the industry as a whole.

Allowing receiving banks to participate optionally in making funds available on the same day would negate the benefits of same-day ACH, as demonstrated in the current FedACH SameDay Service offering. Payment initiators must be certain of the timing of funds being credited or debited, which requires payments to be treated in a consistent manner regardless of the receiver's bank. Without these elements, the value proposition of same-day ACH is significantly diminished.

Interbank Fee

TD Bank is supportive of the detailed, independent analysis sponsored by NACHA to assess an appropriate interbank fee for same-day ACH transactions. Such a fee would provide equitable balance between Originating Depository Financial Institutions (ODFIs) and RDFIs to recover some of the costs associated with implementing and processing same-day ACH transactions. Receiving banks deploy significant resources to process incoming payments, and to manage returns, exceptions, and Customer inquiries and claims. An interbank fee will support the required investments to process same-day ACH transactions and to manage associated risks.

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Dependency on Federal Reserve Decision

Implementation of same-day ACH as proposed would require significant investment and resource planning due to its complexity. In an effort to manage to our fiduciary responsibility, banks would not be in the position to begin this extensive development work until we receive final confirmation and support from the Federal Reserve. To this end, we require a swift and definitive decision on which to act, with the assurance that the Federal Reserve will commit to making NACHA's Same Day ACH Rule operational. TD Bank and the industry must also respond quickly to implement the required solutions to support the initial phase in September 2016, and to position ourselves for subsequent phases.

Again, TD Bank appreciates the opportunity to provide comments to the Federal Reserve on same-day ACH to ensure potential changes to the ACH Network provide ongoing value to all participants. We understand and appreciate the process that we must undertake to move our industry in the right direction. As we continually look to improve U.S payments systems, we rely on the Federal Reserve's leadership and partnership to move us forward. We hope you agree that same-day ACH is the next step in getting us there.

Sincerely,



Richard W. Burke, Jr.
Head of Corporate Products & Services
TD Bank, America's Most Convenient Bank

cc: Edward B. Pollock, Head of Regulatory Relations and Government Affairs, TD Bank
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