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July 3, 2018

Submitted via <http://www.regulations.gov>

Ms. Ann E. Misback  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551

Re: Docket Number: OP-1607  
Policy on Payment System Risk and Expanded Real-Time Monitoring

Dear Ms. Misback:

The Independent Community Bankers of America (“ICBA”)<sup>1</sup> is pleased to submit comments regarding the Federal Reserve Board’s (“Board”) request for comment on the benefits and drawbacks to a possible change to part II of the Federal Reserve Policy on Payment System Risk (“PSR policy”) related to the policies for measuring intraday credit or daylight overdrafts in financial institutions’ accounts at Federal Reserve Banks (“Reserve Banks”).

The Board is exploring the potential benefits and drawbacks of expanding real-time monitoring to all outgoing Fedwire Funds transfers (“Fedwire transfers” or “transfers”) and rejecting those transfers exceeding an institution’s net debit cap or maximum daylight overdraft position.<sup>2</sup> The Board is only considering the applicability of real-time monitoring to Fedwire transfers due to the high value and settlement finality of these transactions. ICBA agrees with the Board’s decision not to expand real-time monitoring to other transactions such as checks, ACH transactions, Fedwire securities transfers, National Settlement Service or cash withdrawals.

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<sup>1</sup> The Independent Community Bankers of America®, the nation’s voice for nearly 5,700 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services. With nearly 52,000 locations nationwide, community banks employ 760,000 Americans and hold \$4.9 trillion in assets, \$3.9 trillion in deposits, and \$3.3 trillion in loans to consumers, small businesses, and the agricultural community. For more information, visit ICBA’s website at [www.icba.org](http://www.icba.org).

<sup>2</sup> The Board currently applies real-time monitoring to institutions facing potential excessive risk exposure, such as those classified as problem institutions or incurring chronic overdrafts.

ICBA is generally supportive of a policy change designed to prevent outgoing Fedwire transfers from breaching the sender's ceiling on its total daylight overdraft position in an effort to reduce loss exposure for financial institutions and Reserve Banks. However, there is considerable uncertainty among community banks regarding the specific handling of a rejected Fedwire transfer. Under the Reserve Banks' pilot program, Fedwire transfer senders have the "opportunity to verify authorization and authenticity and to fund the transaction," when a transaction is rejected, but it is unclear whether this same process would apply in a real-time monitoring environment for all outgoing Fedwire transfers. ICBA supports applying the pilot's approach if the Board determines it is in the best interests of all stakeholders to expand real-time monitoring to include all outgoing Fedwire transfers. An outright transfer rejection would create operational burden and reputational risk by necessitating the sending institution to: 1) flag the initial request as an exception transaction; 2) track and resubmit transfer requests; and 3) potentially advise its customer of the delay and thereby, damaging the bank/customer relationship.

ICBA appreciates the opportunity to comment on this possible policy change. Please do not hesitate to contact me at [cary.whaley@icba.org](mailto:cary.whaley@icba.org) or 202.659.8111 with any questions regarding our comments.

Sincerely,

/s/

Cary Whaley  
First Vice President, Payments and Technology Policy