



W177 N9856 Rivercrest Drive, Suite 105
Germantown, WI 53022
Ph: (262) 345-1245 Fx: (262) 345-1246
Website: www.wacha.org Email: info@wacha.org

July 5, 2019

Via Electronic Submission

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
regs.comments@federalreserve.gov

Re: Docket No. OP-1664

Dear Ms. Misback:

WACHA welcomes the opportunity to submit this comment letter to the Board of Governors of the Federal Reserve System (the "FED") in response to the notice and request for comment regarding the proposed extension of daily operating hours for the National Settlement Service ("NSS") and corresponding extension of daily operating hours for the Fedwire Funds Service (the "Request").

WACHA strongly supports the Request as a critical and immediately achievable step in the Fed's facilitation of faster payments in the U.S., particularly in the ability of the industry to timely implement a later windows for same-day settlement of entries within the Automated Clearing House ("ACH") Network ("Same Day ACH"). In order for the industry to have sufficient certainty to implement the new same-day settlement window by the scheduled implementation date of March 19, 2021, it is essential that the Fed act promptly following the close the public comment period to adopt the Request in final form.

I. BACKGROUND: WACHA AND THE ACH NETWORK

WACHA is a 501c(6) representing over 357 financial institutions and 30 companies in Wisconsin and Hawaii. Our membership consists primarily of small to medium size financial institutions.

II. COMMENTS ON THE REQUEST

A. Adoption of Same Day ACH is Robust and Implementation of the Third Settlement Window is Integral to Greater Use by Consumers and Businesses

Same Day ACH is a critical element of banking industry efforts to improve the speed and efficiency of the nation's payment systems. Since the initial implementation of Same Day ACH in 2016, over 339 million Same Day ACH entries have been processed. Moreover, the growth rate of Same Day ACH is strong now that the complete set of Same Day ACH functionality has been implemented, with a 137% increase in same day traffic year over year from 2017 to 2018.

Notwithstanding this success, significant opportunities exist for expanding the coverage of Same Day ACH and improving its utility for financial institutions and their customers. In response to industry

ACH is strong now that the complete set of Same Day ACH functionality has been implemented, with a 137% increase in same day traffic year over year from 2017 to 2018.

Notwithstanding this success, significant opportunities exist for expanding the coverage of Same Day ACH and improving its utility for financial institutions and their customers. In response to industry requests for extended access to Same Day ACH processing windows, particularly among institutions in the Mountain and Pacific time zones.

As part of WACHA's Request for Comment process, from financial institutions and end users, indicated that the Same Day ACH window will be used by financial institutions and their business and consumer customers for virtually all types of ACH payments, including payroll, business to business payments, consumer bill payment, consumer account to account transfer, and consumer person to person transfers especially in the Pacific time zones. Currently, their window is so limited and if a current window is missed sometimes the companies have to revert back to checks and fly checks to the neighboring islands. WACHA's members unanimously, supported a later Same Day ACH window and felt the availability of the window will enhance the speed, effectiveness and utility of the ACH system especially in the Pacific time zones.

B. Extension of NSS and Fedwire Hours is Critical to the Implementation of the Later Same Day ACH Settlement Window

A pre-requisite for implementation of the third Same Day ACH window is availability of the NSS and Fedwire for settlement of those transactions.

While the Fed did extend NSS operating hours later into the day by 30 minutes, from 5:00 p.m. to 5:30 p.m. ET, that extension will not be sufficient to support the third Same Day ACH settlement window. Similarly, the policy of expanding service hours by reopening NSS after 9:00 p.m. ET on tomorrow's banking day does not address the needs of the industry to settle transactions later in the same banking day.

WACHA members continue to emphasize that its preferred liquidity management solution to support settlement of faster retail payments is the ultimate extension of the Fedwire Funds service operating 24/7/365 for all transfer types, including customer transfers.

While the proposed extension of NSS and Fedwire windows may be only one aspect of the Fed's overall approach to developing faster payments infrastructure in the U.S., it is an essential and achievable first step to provide results that will directly impact products and services that end users demand and that financial institutions seek to provide. WACHA members have commented the need for the NSS and Fedwire extensions is real and immediate.

WACHA members feel that if there is an expansion of NSS and the Fedwire windows they would not have to use a new rail which would be costly to implement.

C. The Risk-Reward Balance Favors the Request.

The Request inquiries regarding the risk implications of the proposed extended windows for NSS and Fedwire. In this regard, the Request focuses primarily on areas in which later settlement windows could increase risk and the ways in which risk can be mitigated. It is important to recognize, however, that the third Same Day ACH window will actually reduce credit risk, settlement risk, operational risk, and return risk within the ACH Network by supporting later clearing of positions within the network.

Accordingly, we support the Fed's proposal to revise its Fedwire extension process as a potential risk mitigant in this regard. The dollar threshold for granting Fedwire extensions, and the minimum time period required for re-opening Fedwire after such extensions, have not been revisited since 2002. If the payment system is going to continue to evolve toward faster solutions, reassessment of these criteria is inevitable. The Request for support of the third Same Day ACH window offers a modest, controlled setting through which Fed and financial institutions can begin address these issues.

The proposed extension of NSS and Fedwire operating hours provides significant net benefits to financial institutions, end users and the payment system as a whole. Given that there are aspects of the Request that both decrease and increase risk, the balance of risk/reward weighs heavily in favor implementing the Request, including changes to mitigate those risks that might otherwise increase.

D. Timing

We strongly urge the Fed to act expeditiously in issuing a final rule. As indicated above, the Request has not been made in a vacuum. It is the culmination of years of effort, including multiple opportunities for comment on the concepts for extended NSS and Fedwire operating hours, if not the specific deadlines set forth in the Request, as well as delays in promulgating the Request while the Fed assessed relevant background materials. While the industry is well apprised of that impending deadline, financial institutions are loathe to commit resources in advance of assurance that the Request will be adopted. Thus, it is essential that the Fed act promptly on the Request in order to provide affected institutions as much time as possible to implement changes to their end-of-day processes.

* * * * *

WACHA appreciates the opportunity to provide comments in response to the Request. If you have any questions regarding our comments, please do not hesitate to call me at (262) 345-1245.

Sincerely,



Mary Gilmeister AAP, NCP

President & CEO

WACHA