

Proposal: 1664 - Potential Modifications to National Settlement Service Support of Same-Day ACH Service

Description:

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From: Comerica Bank, Michael Jurcisin

Proposal: 1664 - Potential Modifications to National Settlement Service Support of Same-Day ACH Service

Subject: Potential Modifications to the Federal Reserve Banks' National Settlement Service and Fedwire Funds

Comments:

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Proposal: Potential Modifications to the Federal Reserve Banks' National Settlement Service and Fedwire® Funds Service to Support Enhancements to the Same-Day ACH Service and Corresponding Changes to the Federal Reserve Policy on Payment System Risk [OP-1664]

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First name: Michael

Middle initial: R

Last name: Jurcisin

Affiliation (if any): Comerica Bank

Affiliation Type: Other (Oth)

Address line 1: 39200 W. Six Mile Rd.

Address line 2:

City: Livonia

State: Michigan

Zip: 48152

Country: UNITED STATES

Postal (if outside the U.S.):

Your comment: Comerica Bank supports all three modifications to the NSS and FedWire Funds Service, as they present clear benefits to the payments industry. Limited Operational changes would be necessary to support, and updates needed to core, and interfacing applications appear to be nominal. Below, Comerica Bank has responded to each question posed in Federal Reserve System Docket No. OP-1664.

Same Day ACH Rule Change

1. How might institutions and their customers use a later Same Day ACH window?

Comerica Response:

ACH origination deadlines would be extended, providing clear benefits to customers in the Pacific Time Zone.

2. Would institutions and their customers use expanded hours of NSS and the Fedwire Funds Service for purposes unrelated to the later same-day ACH window? If so, how?

Comerica Response:

Yes, Comerica's wire transfer customers, particularly Pacific Time Zone customers, would likely take advantage of the expanded hours.

Risk Considerations

End of Day Compression

3. What increased risks and costs might your institution and customers incur as a result of reduced time between the closing of NSS, the Fedwire Funds third-party cutoff, and the closing of the Fedwire Funds Service as outlined in Tables 1 and 2?

Comerica Response:

Comerica does not anticipate any significant risks or costs associated with reduced time between the referenced deadlines.

4. What changes to internal processes or technologies (if any) would your institution need to make to adjust to any of the reduced windows outlined in Tables 1 and 2? Approximately how long would it take for your institution to implement any necessary changes?

Comerica Response:

Changes would be made to core wire systems and customer facing channels. Although changes are not anticipated to be extensive, at least one-year is required to ensure proper planning and customer communication.

Delayed Reopening of Fedwire Funds Service

5. If your institution typically makes payments during the first hour of the Fedwire Funds Service business day, what would be the consequences of delaying the reopening of the Fedwire Funds Service? Are the consequences more significant for certain types of payments? Are there steps your institution, the Reserve Banks, or others could take to reduce those consequences?

Comerica Response:

Not applicable, as Comerica Bank does not presently make payments during the first hour.

6. How might the proposed compressed end-of-day timeline increase the frequency with which institutions request that the Reserve Banks extend the operating hours of the Fedwire Funds Service?

Comerica Response:

Comerica Bank does not anticipate an increase in requests for extensions resulting from the compressed end-of-day.

7. Should the Reserve Banks update their criteria for extending the closing time of the Fedwire Funds Service to include a higher value threshold? If so, would a \$5 billion threshold be appropriate? Would your institution need to make any operational changes to adjust to a \$5 billion threshold?

Comerica Response:

Comerica Bank does not support an increase of the \$1 billion threshold to \$5 billion. Although extensions are rare, \$1 billion is a material value to Fedwire participants and therefore should be maintained as the threshold for an extension.

8. Should the Reserve Banks update their criteria for extending the closing time of the Fedwire Funds Service to reduce the targeted two-hour window between the closing and reopening of the Fedwire Funds Service? Why or why not? Would a window of 90 minutes (or some other period) between the closing and reopening of the Fedwire Funds Service provide sufficient time to perform end-of-day processes at your institution? What operational or technical changes would your institution need to make (if any) to adjust to a reduced window?

Comerica Response:

Not applicable, as Comerica Bank does not presently make payments during the first hour.

9. Given the risks of more-frequent delays to the reopening of the Fedwire Funds Service, should the Federal Reserve simultaneously raise the value threshold for extensions to \$5 billion and reduce the window between the closing and reopening of the Fedwire Funds service? Why or why not?

Comerica Response:

Comerica Bank does not support an increase of the \$1 billion threshold to \$5 billion. Although extensions are rare, \$1 billion is a material value to Fedwire participants and therefore should be maintained as the threshold for an extension.

10. If your institution would need to implement changes to adjust to a \$5 billion threshold or a reduced window between the closing and reopening of the Fedwire Funds Service, when would your institution be ready to implement those changes? If your institution is not ready to implement any required changes by March 2021, which is NACHA's current effective date for implementing the later same-day ACH window, should the Federal Reserve delay implementation of the proposed changes to NSS and the Fedwire Funds Service? Why or why not?

Comerica Response:

Comerica Bank would not need to make material changes to adjust to a higher threshold or a reduced window. At least one-year prior notice would be required for core wire system changes and proper customer notification.

11. Are there any other potential benefits, consequences, risks, or costs that the Federal Reserve should consider when evaluating the adoption of the proposed changes to NSS and the Fedwire Funds Service, including potential risks to financial stability? If so, please provide a description.

Comerica Response:

The risk of increasing the \$1 billion Fedwire extension threshold to \$5 billion may result in unprocessed wire transfers that negatively impacts time critical payments. The \$1 billion threshold should therefore be maintained. There are no additional risks or benefits beyond what the Federal Reserve cited in the RFC.