

July 02, 2019

Federal Reserve Board
Secretary, Board of Governors
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Docket No. OP-1664

Dear Ann E. Misback,

I am writing on behalf of SAFE Credit Union (SAFE), which serves the communities of 13 Northern California counties. We have 235,000 members and \$3 billion in assets. SAFE appreciates the opportunity to provide comments 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”).

SAFE is supportive of the proposed modifications to the National Settlement Service (NSS) and Fedwire operating hours in order to enable the addition of a third daily Automated Clearing House (ACH) processing window. The changes proposed are necessary for the implementation of a third ACH settlement window. Adding a third ACH window will improve the efficiency and speed of the US payment system. Unfortunately, due to the complex and interdependent nature of multiple systems needed to process and clear ACH transactions, these changes cannot be made in a vacuum, which is why the proposed adjustments to infrastructure will be necessary to facilitate such necessary improvements.

The introduction of Same Day ACH processing has proven to be a valuable incremental enhancement to the payment system. At present, the later of the two daily windows requires submission of Same Day transactions by 2:45pm ET for all financial intuitions regardless of location. This limits the value to financial institutions operating in time zones to the west, for whom this cutoff time can occur before the halfway point of the business day. This limits the usefulness of same-day ACH for a wide swath of the population.

Clearly the addition of a third window with a 4:45pm ET submission deadline will be particularly valuable for west coast credit unions, and allow east coast institutions to offer expanded Same Day benefits to customers as well. Ideally, the third window would be set even later, to provide full day benefit to western institutions. However, we appreciate the associated tradeoff with the need for multi-national east coast financial institutions to close their books and prepare for the open of the next banking day in Asian markets. We believe

the proposed timing strikes an appropriate balance between these interests.

We also recognize that- at least in theory- the proposed NSS and Fedwire timing changes may introduce a modicum of risk to the system. To our knowledge, however, prior adjustments to operating hours have not resulted in material issues and we are unaware of reasons to expect this case to be any different. On the other hand, the addition of a later window will reduce several types of ACH risk, including credit risk, settlement risk and return risk. Moreover, ongoing holistic improvements to the US payments system will necessitate more efficient end-of-day processes. Therefore, any such process changes should not be viewed as a burden imposed by Same Day requirements, but rather an investment in a broader upgrade.

Thank you for the opportunity to comment on the Request and for considering our views.

Sincerely,

Dave Roughton
President/CEO
SAFE CU

cc: CCUL