July 9, 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:

ePayResources appreciates the opportunity to submit this comment letter to the Board of Governors of the Federal Reserve System regarding the proposed extension of daily operating hours for the National Settlement Service and corresponding extension of daily operating hours for the Fedwire® Funds Service.

ePayResources strongly supports these proposals as critical and immediately achievable steps in the Fed's facilitation of faster payments in the U.S., particularly in the ability of the industry to expeditiously implement a later window for same-day settlement of entries within the Automated Clearing House Network. 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 proposals.

Our responses to the individual questions posed in the request for comment are based on discussions with member financial institutions and are as follows:

1. **How might institutions and their customers use a later same-day ACH window?**

   A later same-day ACH window may benefit consumers by providing extended payroll capability for originating companies that submit an erroneous payroll file or experience a processing delay.

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?**

   Companies may take advantage of expanded Fedwire Funds Service hours by pushing their wire activity later in the day.

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?**

   The compression of the windows could necessitate an increase in limits for extension requests, and/or lead to an increased rate of denial of extension requests.

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?**

   Our members anticipate manageable changes to procedures and staffing for ACH and wire processing, settlement, and position management. They believe these changes can be accomplished by the postponed rule implementation date established by Nacha of March 19, 2021, assuming the Fed acts promptly following the close of the public comment period to adopt the proposals.

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 could take to reduce those consequences?**

   Payments aligning with the opening of Asia markets could experience the greatest impact from a delay in the reopening of Fedwire. Payments on the CHIPS network could also be impacted by a delay in the reopening of Fedwire.

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?**

   The compression of the windows could necessitate an increase in limits for extension requests, and/or lead to an increased rate of denial of extension requests.

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?**

    To protect the reopening time by reducing the number of extension requests, our members believe the Reserve Banks should update their criteria for extending the closing time of the Fedwire to include a higher value threshold, and that a $5 billion threshold is appropriate.

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?**

    To protect the reopening time, our members believe the criteria for extending the closing time should be updated to reduce the window between closing and reopening to 90 minutes. They believe 90 minutes will provide sufficient time to perform end-of-day processes.

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?**

    Our members believe the Fed should simultaneously raise the value threshold for extensions to $5 billion and reduce the window between the closing and reopening of Fedwire. They believe the reopening time must be protected to prevent a domino effect of negative impacts from compounded delays.

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?**
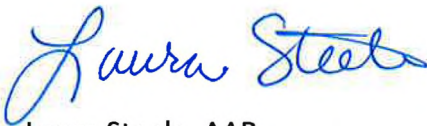
    Our members believe the March 2021 effective date is manageable assuming that the Fed acts promptly following the close the public comment period to adopt the proposals.

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.**

Despite the potential risks presented by a shift in transaction volume to later in the day, our members believe the proposed extension of daily operating hours for the National Settlement Service and corresponding extension of daily operating hours for the Fedwire® Funds Service are critical steps in the Fed's facilitation of faster payments in the U.S., particularly in the ability of the industry to expeditiously implement a later window for same-day settlement of entries within the Automated Clearing House Network. The proposed extension provides significant net benefits to financial institutions, end users, and the payment system as a whole. There are aspects of the proposed extension that both decrease and increase risk; however, the balance of risk and reward weighs heavily in favor implementing the extension, including changes to mitigate those risks that might otherwise increase.

ePayResources appreciates the opportunity to provide comments on behalf of our member financial institutions.

Sincerely,

Laura Steele, AAP
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