



July 12, 2019

Via Electronic Submission

Ms. Ann E. Misback
Secretary
Board of Governors
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Re: Request for Comment: 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. Docket No. OP-1664

Dear Ms. Misback:

Bankers' Bank based in Madison, Wisconsin (the "Bank"), a correspondent bank supporting community banks in primarily four states—Wisconsin, Iowa, Illinois and Indiana—respectfully submits the following comments on the Request for Comment on 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. Since our beginning in 1981, our product diversification has enabled us to meet the ever-changing needs of the Bank and its respondent bank customers. Central to our diversification and the diversification of payment options for community banks has been the role the Fed has played in allowing universal access to payment solutions. To such end we believe that the Federal Reserve needs to continue to modernize the payments systems they support today, which will in turn help pave the way for supporting new payment solutions in the future. There is no doubt in our minds that payments are heading towards 24/7. To ensure a level playing field these payment solutions should include current solutions as well as new options. To begin this move the changes that the Federal Reserve are proposing are good first steps.

For all banks to have equitable access in the future of payments, the Fed needs to continue to provide support for such through the delivery of updated and new services. Bankers' Bank supports and shares the Board of Governors' goal of a modern, secure, and innovative payments marketplace.

Specific to this Request for Comment we have the following thoughts to share:

- **How might institutions and their customers use a later same-day ACH window?:** The addition of a third window provides an opportunity for all types of ACH payments from financial institutions and

end users. We believe that all of these payment types—payroll, bill pay, just in time, business to business, consumer to business, business to consumer and consumer to consumer—will benefit from an additional window. Enhancing the speed and efficiency of ACH payments will provide for additional access to this proven payment solution in times when it is needed and currently not available.

- **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?** Bankers' Bank believes yes. This could be for the funding of accounts dependent on wire transactions. This could be for the general expansion of business hours across industries and the ability to move funds for any reason. As mentioned before we strongly believe that payments are moving to 24/7. Changes should be incremental. Adding a third window is a good start.
- **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? If so, how?** There will no doubt be technology enhancements and the associated costs of such with these moves. As an industry we are becoming more automated and efficient, both by necessity and to meet the growing demands of our customers. As a bankers' bank we have a responsibility to our community banks to provide tools and systems that will support their utilization of changes, including changes that impact timing. There is compression risk as more will need to be done in less time with equal accuracy. This is where the drive for innovation in solutions and continued improvements in technology come in to play. We are seeing these innovations today and they will continue to support the services provided to the financial industry. Providers like Bankers' Bank will make enhancements supporting the community banks we serve during these transitional times.
- **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?** The most immediate change to internal processes is the potential need to staff later hours. As we move to a 24/7 payments universe it is only a matter of time before solving for expanded hours for current payment solutions is necessary. As a bankers' bank we understand the concern of community banks around this issue. Our role, as an aggregator of services for community banks, will be to solve for these types of issues and reduce concerns around the need for expanded staffing for any individual community bank. Technology will play a major role in this solution. This will take collaboration between multiple parties and the ability to automate processes that, today, may require manual intervention. It is difficult to anticipate how long each party in the dependency circle of payments will take to complete their adjustments. From finalization of what the expectations will be to the implementation of a solution we anticipate that the Bank will meet them. Provided there are no big surprises or onerous implementation requirements we reasonably

expect to be able to complete necessary changes within 18-24 months. During this process of change a commitment to open communication, collaboration for the benefit of the payments industry and setting reasonable expectations will need to be made by all participants.

- **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 Services, including potential risks to financial stability? If so, please provide a description.** Inaction or delaying a decision may be the biggest risks. In order to plan and develop a strategy around technology, operations and procedures decisions must be made. Requirements must be set. There are enhancements to systems and procedures that will have to be determined, developed, tested and put into production. This takes time and uncertainty is a roadblock.

The questions around extensions, raising the threshold to \$5 billion, PSR policy changes; changes to daylight overdraft fees and potentially increasing the number of delays in reopening the Fedwire Funds Service are all legitimate concerns and items that need to be considered. The Bank, although not a requestor of extensions today nor a user of daylight overdraft today, believes that the third option, increasing to \$5 billion and reducing the window between close and open makes the most sense. Given that the \$1 billion was set in 1997 and that technology is continuing to promote greater efficiency, these moves seem reasonable.

We thank the Fed and appreciate the opportunity to provide comment on these important topics. If you have any questions regarding our comments, please do not hesitate to call me at (608) 829-5784.

Sincerely,



Matthew J. Sitkowski

Executive Vice President and Chief Financial Officer