

Commerce Bank  
1000 Walnut St  
Kansas City, MO 64106

Ms Ann E. Misback  
Secretary, Board of Governors  
Federal Reserve System  
20<sup>th</sup> St and Constitution Ave, NW  
Washington, DC 20551

RE: 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, Request for Comments  
Docket Number OP-1664

Dear Sir or Madam,

Commerce Bancshares, Inc. ("CBI") is a regional bank holding company with one bank subsidiary, Commerce Bank, ("Commerce"), and total assets of \$25.0 billion as of March 2019. Commerce is a full-service bank with 168 branches in Missouri, Illinois, Kansas, Oklahoma, and Colorado offering a diversified line of financial services including business and personal banking, wealth management and estate planning, and investments through its affiliated companies. A full suite of banking services, including electronic payments, investment management, and securities brokerage, are also offered. CBI has operating subsidiaries involved in mortgage banking, credit related insurance, venture capital and real estate activities.

We appreciate the opportunity to comment on the proposed plans to support a later Same-Day ACH window and the enhancements to the National Settlement Service and Fedwire Funds Service that would need to be made to accommodate. The following are the questions from the request for comment and our corresponding responses:

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

Commerce expects that a later same-day ACH window would be valued by all types of participants that have a need to make payments later in the business day. We believe this would be beneficial for commercial and consumer customers who would use the later same-day window for all types of ACH payments, and that it would be exceedingly beneficial for participants in the Pacific and Mountain time zones. Due to current deadlines, Same-Day ACH origination is only available to our clients for half of the business day. Offering a later time frame for Same-Day ACH would align with Commerce Bank's strategy to offer services consistently throughout the day and with our strategies for real time payments.

*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?*

Commerce Bank believes there is substantial benefit to expanding the operating hours of the Fedwire Funds service for all Fedwire transfers. If the Fedwire Funds processing hours were expanded, we would permit our customers to utilize our wire transfer services for any payment purpose until the appropriate cutoff time. Many customers, especially those in western time zones, have expressed a desire to send and receive wire transfers later in the business day and would likely utilize and appreciate a later Fedwire Funds cutoff for their regular wire transfer needs.

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?*

A reduced amount of time between NSS cutoff, the Fedwire Funds third-party cutoff, and the closing of the Fedwire Funds Service may place additional strain on our cash management and wire operations teams, but, with the technological capabilities available to us, we believe that the risks associated with this will be minimal and should be fairly easy to adjust. Extending the length of time that these operations teams need to be adequately staffed will also increase our operating costs, but we believe that the additional cost will be offset and justified by the expanded payment processing cutoffs that we will be able to offer our customers.

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?*

The major changes that we would need to undertake to adjust to a reduced window would be the scheduling of operational tasks and staff to adequately manage our fed funds balances and wire transfer system. Additionally, several applications, including cash management and core ACH processing systems, will require adjustments to extend their operations. The changes would require up to six months to accommodate the changes and provide adequate communication to affected parties.

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 in your institution, the Reserve Banks, or others could take to reduce those consequences?*

Our institution does not typically make payments during the first several hours of the Fedwire Funds Service business day, so delaying the reopening for a reasonable amount of time would be of little or no consequence to our institution.

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?*

We are concerned that the compressed end-of-day timeline may increase the frequency with which Fedwire Funds extensions are requested due to the decreased amount of time institutions would

have to rectify internal issues preventing them from settling with the network at end of day. Fedwire Funds extensions can be a strain on our normally scheduled operations, and we would like to see the number of granted extensions kept to a minimum.

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?*

Commerce Bank supports the proposal to raise the value threshold for a Fedwire Funds extension to at least \$5 billion to reduce the number of granted extensions. At this time, no operational changes would be necessary for Commerce Bank to accommodate the increase of this threshold.

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?*

Reducing the window between closing and reopening of the Fedwire Funds Services would have no impact to the current operations at our institution. Ninety minutes between opening and closing is sufficient for our needs and would require no operational or technical changes to accommodate. To minimize overall impact to other Fedwire participants that utilize the first hour of the Fedwire Funds business day, Commerce Bank is in support of reducing the window between closing and reopening to 90 minutes.

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?*

Commerce Bank supports simultaneously raising the value threshold for extensions and reducing the window between closing and reopening. This approach should limit the number of extensions that are granted while minimizing impact across all network participants.

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 institution would not need to implement any changes to support the proposed changes.

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 the NSS and the Fedwire Funds Service, including potential risks to financial stability? If so, please provide a description.*

One potential risk regards whether sufficient federal funds liquidity will be available to financial institutions during the proposed extended Fedwire Funds operating hours. A later same-day ACH window means that participants may require additional federal funds to meet balance requirements at the Federal Reserve, but these funds are usually scarce towards the end of today's Fedwire Funds cutoff.

Thank you for the opportunity to provide our thoughts and feedback on the proposed modifications to the National Settlement Service and Fedwire Funds Service to support an additional Same-Day ACH window. Overall, we support the initiative and believe that any costs incurred to provide this enhancement would be outweighed by the benefits provided to the ACH and Fedwire networks.

Sincerely,

Logan Beets  
Product Manager  
Electronic Payments  
Commerce Bancshares, Inc.