

July 12, 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 the California and Nevada Credit Union Leagues (Leagues), one of the largest state trade associations for credit unions in the United States, representing the interests of more than 250 credit unions and their more than 11 million members.

The Leagues appreciate the opportunity to submit comments to the Board of Governors of the Federal Reserve System regarding potential modifications to the Federal Reserve Banks' payment services to facilitate adoption of a later same-day automated clearinghouse (ACH) processing and settlement window.

Specifically, the Reserve Banks would extend the daily operating hours of the National Settlement Service (NSS) to allow the private-sector ACH operator to settle its in-network transactions resulting from the later same-day ACH window. To support these new NSS operating hours, the Reserve Banks would also extend the daily operating hours of the Fedwire Funds Service.

### **Support the Proposed Modifications**

The Leagues are supportive of the proposed modifications to the NSS and Fedwire operating hours in order to enable the addition of a third daily ACH processing window. 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 2:45 p.m. ET for all financial institutions regardless of location. This results in a cutoff time before noon for financial institutions in the Pacific time zone, including credit unions in California and Nevada. This early cutoff time limits the value and usefulness of same-day ACH for a large portion of the population.

Clearly the addition of a third window with a 4:45 p.m. ET submission deadline will be particularly valuable for California and Nevada credit unions, as well as for all west coast financial institutions. It would also 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 west coast 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 the proposed NSS and Fedwire timing changes may increase certain risks and costs for Reserve Bank accountholders and their customers, including risks and costs related to compression of end-of-day processing activities, decreased availability of extensions to operating hours, and more-frequent delays to the reopening of the Fedwire Funds Service. 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.

## **Conclusion**

The Leagues support the proposed modifications to the NSS and Fedwire operating hours in order to enable the addition of a third daily ACH processing window. The changes proposed are necessary for the implementation of a third ACH settlement window which will improve the efficiency and speed of the US payment system. The addition of a later third window will be especially useful for west coast financial institutions.

The Leagues thank the Board of Governors for the opportunity to comment on the proposed modifications and for considering our views. If you have any questions regarding our comments, please contact me.

Sincerely,

Diana R. Dykstra  
President and CEO  
California and Nevada Credit Union Leagues

cc: CCUL