



July 15, 2019

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Docket No. OP-1664

Dear Ms. Misback;

The Upper Midwest Automated Clearing House Association, UMACHA, appreciates the opportunity to comment on the Potential Modifications to the Federal Reserve Banks' National Settlement Service (NSS) 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. UMACHA represents over 700 members, most of which are financial institutions in the 9th Federal Reserve District. UMACHA's Rules & Technology Committee had a discussion on the topic and it's their views that are expressed below.

The Request for Comment asks eleven questions, some of which our committee had no comments on. The comments on the questions they did have thoughts on follow:

1. *How might institutions and their customers use a later same-day ACH window?* It would increase the amount of time a Financial Institution and their customer would have in an emergency payroll situation. Clearly it's also a great benefit for those institutions on the west coast or for institutions that have west coast customers that find the current deadlines too early to effectively use Same-Day ACH.
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? UMACHA's smaller members don't foresee using the later deadline for services other than Same-Day ACH however UMACHA's larger members commented that they might use it for image exchange and potentially for RTP processing at some point. Depending on what the Fed decides to do with the RTGS process, that could have an impact.
3. *What increased risks and costs might your institution and customers incur as a result of reducing time between the closing of NSS, the Fedwire Funds third-party cut-off, and the closing of the Fedwire Funds Service as outlined in Tables 1 and 2?* Again, for the majority of UMACHA's members, being smaller financial institutions, see no increased risk or costs tied to the reduction in time between the closing and subsequent re-opening of NSS. Even UMACHA's larger institutions had no comment on this topic.

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 only cost brought up was the possibility of labor costs but they would be minimal.

5-11. All of these questions deal with the delayed closing of Fedwire and the issues that may present themselves because of the later closing. UMACHA's Rules and Technology Committee had no comments on these seven items other than the expansion of the window will be positive for all as long as the implementation of the process is managed appropriately.

UMACHA and its members fully support the modifications to the NSS. Clearly the payments business, whether ACH, check image, and card are all moving toward faster payments. Allowing a later deadline to originate ACH entries is just one more step in that direction. As noted above it also enables west coast institutions and companies greater access to Same-Day ACH, something they've complained about since Same-Day ACH began.

We understand there are implication to the NSS but the vast majority of financial institutions will not be impacted by those. It would seem reasonable that the Federal Reserve would work with those that might be affected on a more individual basis to mitigate those risks.

The financial services industry, as represented as part of the Faster Payments Task Force, had as one of their recommendations that the Federal Reserve should move toward 24/7/365 settlement at some point in the near future. This current proposal to modify the NSS, though relatively minor, should be considered a stepping stone as the industry moves toward near real-time and real-time payments.

UMACHA recommends that the Federal Reserve move quickly on this proposal and approves the modifications so that there can be a smooth implementation of the new Same-Day ACH window by the March 19, 2021 date. Thank you for the opportunity to comment on the proposal.

Sincerely,

Fred Laing, II
President Emeritus

CC: UMACHA Board of Directors
UMACHA Rules & Technology Committee