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**National Association of Federally-Insured Credit Unions**

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: Potential Modifications to the Federal Reserve Banks' National Settlement Service  
and Fedwire Funds Service  
Docket No. OP-1664

Dear Ms. Misback:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing in response to the proposal issued by the Board of Governors of the Federal Reserve System (Board) regarding potential modifications to the National Settlement Service (NSS) and Fedwire Funds Service operating hours and cutoff times. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 117 million consumers with personal and small business financial service products. NAFCU supports the proposed changes, which would accommodate credit unions' ability to take advantage of a later window for same-day settlement of automated clearinghouse (ACH) entries and allow credit union members to send and receive faster ACH payments.

The Board has proposed extending the daily operating hours of the NSS by one hour to allow the private-sector ACH operator—The Clearing House (TCH), through the Electronic Payments Network—to settle in-network transactions resulting from NACHA's adoption of a third same-day ACH window in September 2018. To support later same-day settlement, the Reserve Banks would also extend the daily operating hours of the Fedwire Funds Service. NAFCU supports these changes, which are necessary to allow the third settlement window to become effective, and believes that the potential risks addressed in the proposal are minimal and do not detract from the benefits associated with later clearing of ACH transactions.

The proposal indicates that extending the closing time of the Fedwire Funds Service could affect the fees an institution pays for daylight overdrafts; however, any increase is unlikely to have a material impact on credit unions. After accounting for changes to both the fee rate and average uncollateralized daylight overdraft calculation, the Board acknowledges that gross fees before application of fee waivers would increase by less than one-tenth of one percent.

The proposal also notes that the Reserve Banks' current windows between service closings and cutoffs would be reduced by 50 percent, which would limit the time available to reposition balances and manage liquidity after the processing and settlement of an NSS file or third-party-

initiated Fedwire Funds transactions. As a result, credit unions may need to make technical and operational changes to adjust to the proposed end-of-day timeline. NAFCU anticipates that credit unions will need to expand staffing hours and coverage to accommodate the later settlement window and “end-of-day compression” described in the proposal. While these adjustments will have some costs, extension of the NSS and Fedwire operating hours will make it easier for originating depository financial institutions (ODFIs) outside the eastern time zone to take advantage of same-day ACH and provide broader enhancements that could help reduce certain types of risk.

The potential for delayed reopenings of the Fedwire Funds Service is an issue that should be addressed separately by revisiting the Reserve Banks’ underlying policy for granting Fedwire extensions and providing a two-hour window between closing and reopening of the service. As the Board considers ways to minimize disruption to the reopening of Fedwire, it should devote attention to how more restrictive criteria for extensions or a shortened window between closing and reopening might impact credit unions. However, these considerations should not frustrate timely adoption of a final rule. In general, improving the speed of payments will introduce new challenges that must be weighed against the benefits of increased convenience and efficiency.

As described in the Federal Reserve’s 2015 paper, *Strategies for Improving the U.S. Payment System*, expansion of the operating hours and capabilities of the NSS will help facilitate broader modernization and innovation within the payments system. While the proposed service enhancements fulfill that goal with respect to same-day ACH settlement, NAFCU encourages the Board to proceed with a proposal for a new, real-time capability that builds upon the October 2018 request for comment regarding interbank settlement of faster payments. NAFCU also asks that the Board continue to engage closely with credit unions and other financial institution stakeholders as it explores different approaches for managing payment system risks in a faster settlement environment.

NAFCU appreciates the opportunity to provide comments on the Board’s proposal. If you have any questions or concerns, please do not hesitate to contact me at [amorris@nafcuh.org](mailto:amorris@nafcuh.org) or 703-842-2266.

Sincerely,

A handwritten signature in cursive script that reads "Andrew Morris".

Andrew Morris  
Senior Counsel for Research and Policy