



Office of the President

15 July 2019

Via e-mail: regs.comments@federalreserve.gov

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

Re: Request for Comments Regarding 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,

Navy Federal Credit Union ("Navy Federal" or "we") appreciates the opportunity to provide our response to the Request for Comments issued by the Federal Reserve Board of Governors ("Federal Reserve") regarding potential modifications to the Federal Reserve's payment services to facilitate adoption of a later same-day automated clearinghouse (ACH) processing and settlement window. Navy Federal is the nation's largest natural person credit union, with more than \$100 billion in assets and over 8 million members, and is committed to serving the financial needs and improving the financial condition of our members. In addition, Navy Federal shares NACHA's vision for the expansion of same-day ACHs, and supports the Federal Reserve as it works to implement the necessary operational changes.

Navy Federal's mission is to serve military service personnel and their families. In doing so, we understand that demand for Faster Payments within the ACH network has increased, and that the payment systems must be modified to accommodate existing volume and new use cases. Moreover, we also recognize that the Federal Reserve must make changes to its National Settlement Service (NSS) and Fedwire Funds Service (Fedwire) to implement the third same-day ACH window already approved by NACHA. While the NACHA amendments are contingent upon the Federal Reserve's actions, we examined this Notice on its own merits. As these changes will ultimately benefit our members and the entire payments industry, Navy Federal supports the Federal Reserve's proposals.

A. Modification of Daily Operating Hours of the Fedwire Funds Service

Navy Federal believes that use cases for same-day ACH will continue to proliferate as it becomes more ubiquitous and convenient for participants. Many financial institutions are using the current same day windows for both consumer and business transactions. The changes in the Federal Reserve's Notice will not only enable more parties to use the later same-day ACH window, but could also support other business activities that use the Fedwire system. Navy Federal supports the extension of daily operating hours to allow for the later same-day ACH window and would also use that extension to expand the hours provided to our members for wire remittance services.

While Navy Federal does anticipate that the extended hours would require a change to staffing, internal processes, and technologies, the cost of doing so would be offset by benefits to our membership and internal operations. Furthermore, we believe that these changes are beneficial to Navy Federal and the financial industry as a whole, especially for those on the West Coast and elsewhere around the world.

B. Risk Considerations

Examining the potential increased risks that Navy Federal may incur as a result of the proposed changes, it is conceivable that in an unusual circumstance of an extremely large debit amount could result in a negative balance that may require that funds be borrowed from the Federal Reserve. Navy Federal does not expect this to have a significant impact on us because we generally do not avail ourselves of the provision of credit by the Federal Reserve. Regarding the section on daylight overdrafts, Navy Federal does not anticipate it necessitating major changes to our procedures.

C. Requests for Extension and Delayed Opening

Although some system and procedural changes may be necessary to prepare for the compressed end-of-day timeline outlined in this notice, Navy Federal does not anticipate having to enlist significant additional resources or taking longer than March 2021 to do so. Navy Federal, historically, has not had the need for an extension that meets the current \$1 billion criteria; therefore, the increased threshold should not impact us. However, we urge the Federal Reserve to be mindful of the impact on other financial institutions. Navy Federal is in strong support of raising the criteria for extending the closing time of the Fedwire Funds Service to include a threshold of \$5 billion. This should serve to mitigate the possibility of increased frequency of extension requests and consequent delayed openings of the Fedwire Funds Service. For those occasions when a delayed opening is necessary, the Federal Reserve should create a mechanism by which it notifies financial institutions.

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CONCLUSION

Navy Federal believes that the addition of a third window for same-day ACHs will prove beneficial to participants and the payments industry as a whole. Navy Federal therefore supports any changes to the NSS and the Fedwire that are narrowly tailored to make the new window viable. While some revisions to our internal policies and procedures would be necessary, they would not require a significant overlay of time or resources, and the improvements to the ACH and wire payment channels would more than justify the changes.

Navy Federal appreciates the opportunity to give feedback to this Request for Comments. We hope that our comments are given careful consideration and will be useful to the Federal Reserve. If you have any questions, please contact Tynika Wilson, SVP, Debit Card and Funds Services by phone at 703-255-8151 or by email at tynika_wilson@navyfederal.org.

Sincerely,



Mary McDuffie
President/CEO

MM/rtm