



**International Bancshares
Corporation**

July 15, 2019

Via email: regs.comments@federalreserve.gov

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
Proposed 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

Dear Ms. Misback:

The following comments are submitted by International Bancshares Corporation ("IBC"), a multi-bank financial holding company headquartered in Laredo, Texas. IBC maintains over 189 facilities and more than 286 ATMs, serving 89 communities in Texas and Oklahoma. With over \$12.0 billion in total consolidated assets, IBC is one of the largest independent commercial bank holding companies headquartered in Texas. IBC is a publicly-traded financial holding company.

This letter responds to the Board of Governors' request for comment regarding potential modifications to the Reserve Banks' payment services to facilitate adoption of a later same-day ACH processing and settlement window. In particular, the Reserve Banks would extend the daily operating hours of the National Settlement Service ("NSS") by an hour, to 6:30 p.m. Eastern Time, and extend the daily operating hours of the Fedwire Funds Service by 30 minutes, to 7:00 p.m. Eastern Time, to support NACHA's third same-day payment window. In addition, the Board of Governors has requested comment regarding an increase to the daylight overdraft-fee rate due to the extended hours.

Use of later same-day ACH window (Question 1)

We do not anticipate particular use cases that will be common for the later same-day ACH window. In general, however, we expect both customers and banks to benefit from the additional time to process and settle same-day transactions under the increased operating hours.

Use of expanded hours for purposes unrelated to the later same-day ACH window (Question 2)

The expanded hours for NSS and the Fedwire Funds Service will benefit customers with transactions requiring additional time or attention by increasing the likelihood that their payments will be able to be completed by the end of the day.

Increased risks and costs to institutions and customers from reduced time between NSS closing, Fedwire Funds third-party cutoff, and Fedwire Funds Service closing (Question 3)

Banks will incur some initial costs adjusting to the changes by revising their processes and procedures, training staff, and communicating the changes to customers. We do not anticipate increased operating costs once the changes have been implemented, however.

Consequences of delayed reopening of the Fedwire Funds Service (Question 5)

In our experience, early use of Fedwire services is typically made by corporate users of banks' online treasury-management platforms. A delay in reopening the Fedwire Funds Service could result in problems for these customers due to delayed settlement and payment of their international wires.

Effect of proposed compressed end-of-day timeline on frequency of requests for extension of Fedwire Funds Service operating hours (Question 6)

We do not anticipate the compressed timeline to materially increase the frequency of requests by banks for extension of Fedwire operating hours.

Higher value threshold for extending closing time for Fedwire Funds Service (Question 7)

We support maintaining the current value threshold of \$1 billion worth of delayed transfers for extending the Fedwire closing time.

Reducing the two-hour target for the window between closing and reopening of the Fedwire Funds Service (Question 8)

We do not believe the Reserve Banks should reduce the two-hour window targeted for the time between closing and reopening of the Fedwire service. This current window affords institutions sufficient time to perform their end-of-day processes, and a shorter amount of time may not be adequate.

Implementation period for institutions if changes are made (Question 10)

If the value threshold for extending the Fedwire closing time was increased to \$5 billion, the change would not likely impact community banks such as IBC due to their typically lower transaction volume as compared to large national institutions. If the window between closing and reopening Fedwire was reduced, however, institutions of all sizes would have to account for the change by adjusting their processes. We believe a six-month implementation period should be sufficient for most institutions.

Other considerations (Question 11)

An extension to NSS and Fedwire operating hours will benefit customers and the banks that serve them. However, a later ACH window will introduce new liquidity demands for institutions and therefore impose additional costs. If, as we anticipate, sources of funding such as the Federal Home Loan Banks continue to maintain their current cut-off times for borrowing funds, institutions will have to find other ways to bridge the funding gap. To avoid overdrafts, they may have to maintain additional funds at the Federal Reserve. Routing additional funds to the Federal Reserve has a real economic impact on institutions, as it denies them of better opportunities to generate income on short-term funds.

In addition, the speed of same-day ACH increases the risk that transactions that are fraudulent or made in error will be completed. We renew our previous requests that the Federal Reserve introduce a rulemaking proposal to eliminate the requirement of beneficiary account authorization to reverse wires containing errors and to implement specific methods to assist sending financial institutions with obtaining the reversal of errant or fraudulent transactions.

Increase in daylight overdraft-fee rates

We believe it is appropriate to adjust the daylight overdraft-fee rate if the length of the Fedwire day is increased. This is a reasonable change because the rate is calculated based upon the length of the Fedwire operating day.

Thank you for this opportunity to share our views.

INTERNATIONAL BANCSHARES CORPORATION



Dennis E. Nixan
President & CEO