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Via Electronic Submission

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

Re: Docket No. OP-1664; 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

Dear Ms. Misback:

Citizens Bank, N.A. (Citizens) appreciates the opportunity to provide input in response to the request for comment issued by the Board of Governors of the Federal Reserve System (Board) regarding potential modifications to the Federal Reserve Banks' (Reserve Banks) National Settlement Service (NSS) and Fedwire[®] Funds Service (Fedwire) operating hours. Citizens strongly supports the changes required for a third same-day automated clearing house (ACH) processing and settlement window, which will provide customers of all financial institutions extended same-day ACH capabilities.

Overview of the Modifications

In September 2018, NACHA's Voting Members approved an additional third same-day ACH processing and settlement window. This new window would have an afternoon submission deadline of 4:45 PM ET, with settlement at 6:00 PM ET.

The Board has proposed to extend the Federal Reserve Bank's NSS and Fedwire operating hours to support the 6:00 PM ET settlement of ACH transactions processed during this third same-day window. The proposal will extend the NSS operating hours by moving the closing from 5:30 PM ET to 6:30 PM ET. In addition, the proposal will extend the Fedwire closing by 30 minutes from 6:30 PM ET to 7:00 PM ET. The Board proposes to extend the Fedwire Funds Third Party cutoff by 45 minutes, from 6:00 PM ET to 6:45 PM ET.

The Board has asked for comment on two potential modifications to the Reserve Bank's NSS and Fedwire, along with corresponding changes to the Federal Reserve Policy on Payment System Risk, to support the 6:00 PM ET settlement of ACH transactions that are processed during the third same-day window. As more fully discussed below, Citizens:

- Believes that this is an important capability for the Federal Reserve to support faster payments in the U.S. by providing an expansion of NSS and Fedwire operating hours to facilitate the 6:00 PM ET settlement of same-day ACH transactions processed during a third same-day window.
- Believes the proposed changes will enhance the utilization of same-day ACH transactions for emergency payroll, urgent bill payments, account-to-account and person-to-person as well as business-to-business payments, especially when the limit is increased to \$100,000, effective March 20, 2020.
- Believes the third same-day ACH window will also be beneficial to Pacific Time Zone originators as it extends the submission deadline from 2:45 PM ET/11:45 AM PT to 4:45 PM ET/1:45 PM PT. The current submission deadline makes it unfeasible for west coast originators to take advantage of same-day ACH.
- Believes the current dollar threshold of \$1 billion should be maintained by the Federal Reserve Banks for permitting deadline extensions.

To address the modifications, Citizens supports the proposed corresponding changes to the Payment System Risk (PSR) Policy and adjustment to the fee that an institution pays for daylight overdrafts. The proposed third same-day ACH processing window would require modifying the PSR Policy to include a 6:00 PM ET posting time for settlement. Additionally, extending the closing time would affect the fee a financial institution pays for daylight overdrafts. The operating hours of the Fedwire day will increase by 30 minutes; therefore, the annual rate would be $(22/24)$ multiplied by 50 basis points, or approximately 0.004583, and the effective daily rate would increase by about 2.4 percent to 0.0000127.

With respect to our on-going commitment for faster payments, Citizens understands this is not addressing the request for comments on Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments.

Citizens respectfully submits these comments for consideration and appreciates the opportunity to comment on the potential changes to the NSS and Fedwire Funds Service operating hours to support the third same-day ACH processing and settlement window.

Sincerely,



Michael Cummins
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Head of Treasury Solutions