

July 15, 2019

Via Electronic Delivery

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

Dear Ms. Misback:

Thank you for the opportunity to provide the Board of Governors of the Federal Reserve System our feedback in response to the request for comments regarding 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.

Please see our comments below and I appreciate your consideration of our feedback. If you have any questions or would like to discuss this response, please do not hesitate to contact me using the contact information provided below.

Sincerely,



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Comment:

1. How might institutions and their customers use a later same-day ACH window?

Bank of America agrees with the Federal Reserve Board of Governors' proposal (OP-1664) that the third same-day ACH window will offer public benefits. Financial Institutions will have the opportunity to originate same-day ACH transactions later in the day, benefiting ACH originators, particularly those located on the west coast. Same-day ACH origination is especially beneficial for time-sensitive payments, such as emergency payroll, insurance claim payments and late bill payments.

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?

At this time, Bank of America has not decided on other uses of the expanded hours of NSS and Fedwire Funds Service.

3. What increased risks and costs might your institution and customers incur as a result of reduced time between the closing of NSS, the Fedwire Funds third-party cutoff, and the closing of the Fedwire Funds Service as outlined in Tables 1 and 2?

Table 1

	Current closing / cutoffs	Proposed closing / cutoffs
NSS closing	5:30 p.m. ET	6:30 p.m. ET
Fedwire Funds third-party cutoff	6:00 p.m. ET	6:45 p.m. ET
Fedwire Funds Service closing	6:30 p.m. ET	7:00 p.m. ET

Table 2

	Current time between closings / cutoffs	Proposed time between closings / cutoffs
Time between closing of NSS and Fedwire Funds third-party cutoff	30 minutes	15 minutes
Time between Fedwire Funds third-party cutoff and closing of Fedwire Funds Service	30 minutes	15 minutes
Time between closing of NSS and Fedwire Funds Service	60 minutes	30 minutes

- The proposed closings will only provide 15 minutes between Fedwire Funds third-party cutoff and the closing of Fedwire Funds Service, providing less time to perform required end-of-day tasks. Our ability to complete the processing of these activities in a shorter window may be limited, especially on high volume days. While we could support a 15 minute window, we would prefer to maintain a 30 minute window between Fedwire Funds third-party cutoff and the closing of Fedwire Funds Service.
- Later NSS deadlines may introduce later funds movement that could create unexpected changes to our FRB account position.
- As a result of unexpected Fed or bank delays, there may be less time to complete current day processing before the Fed opens for the next day, assuming there will continue to be extensions to the close of Fedwire Funds service and the current 9:00pm ET opening remains the same.
- The FRB's willingness to grant extensions of Fedwire close may be reduced, which may impact the timely processing of transactions for clients.

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?

- We will need to make modifications to our systems and applications that process wire transfer transactional data. We also expect staffing changes to accommodate reduced windows and a later closing time.
- We anticipate being able to implement any necessary changes before March 2021.

5. If your institution typically makes payments during the first hour of the Fedwire Funds Service business day, what would be the consequences of delaying the reopening of the Fedwire Funds Service? Are the consequences more significant for certain types of payments? Are there steps your institution, the Reserve Banks, or others could take to reduce those consequences?

- Delayed Fedwire opening may postpone the opening of CHIPS, as CHIPS participants would not be able to send payments until they have prefunded their ledger positions.
- Delayed Fedwire opening would specifically impact those CHIPS participants that need to send CHIPS payments at the opening of the CHIPS operating day, such as commercial payment activity in Asia that needs to meet Asian financial market cutoff times.
- The proposed changes will impact clients in the regions outside the US that rely on the wire system for end-of-day statements and processing liquidity transfers for USD clearing.

6. How might the proposed compressed end-of-day timeline increase the frequency with which institutions request that the Reserve Banks extend the operating hours of the Fedwire Funds Service?

Bank of America does not anticipate an increased frequency of requests for extending the operating hours as a result of the compressed end-of-day timeline.

7. Should the Reserve Banks update their criteria for extending the closing time of the Fedwire Funds Service to include a higher value threshold? If so, would a \$5 billion threshold be appropriate? Would your institution need to make any operational changes to adjust to a \$5 billion threshold?

We believe that the threshold should remain at \$1 billion, as this benefits both sending and receiving financial institutions and their respective clients. Further, raising the threshold may result in more wire transfers being delayed.

8. Should the Reserve Banks update their criteria for extending the closing time of the Fedwire Funds Service to reduce the targeted two-hour window between the closing and reopening of the Fedwire Funds Service? Why or why not? Would a window of 90 minutes (or some other period) between the closing and reopening of the Fedwire Funds Service provide sufficient time to perform end-of-day processes at your institution? What operational or technical changes would your institution need to make (if any) to adjust to a reduced window?

- Yes, we are supportive of the Reserve Banks' proposal to update their criteria for extending the closing time of the Fedwire Funds Service to reduce the targeted two-hour window between the closing and reopening of the Fedwire Funds Service.
- A window of 90 minutes provides sufficient time to perform end-of-day processes at Bank of America. However, a window of 90 minutes will be the minimum time required, especially for high volume days. Shortening this window any further than 90 minutes will not allow

sufficient time to process and reconcile all transactions on high volume days, as well as potentially the need to recover from unexpected events.

- We do not anticipate any material changes to our operational processes or systems to accommodate the later Fedwire close times and the reduced window.

9. Given the risks of more-frequent delays to the reopening of the Fedwire Funds Service, should the Federal Reserve simultaneously raise the value threshold for extensions to \$5 billion and reduce the window between the closing and reopening of the Fedwire Funds service? Why or why not?

We are not supportive of both raising the value threshold for extensions to \$5 billion and reducing the time window simultaneously. We are, however, supportive of the proposal to reduce the window between the closing and opening of the Fedwire Funds Service.

10. If your institution would need to implement changes to adjust to a \$5 billion threshold or a reduced window between the closing and reopening of the Fedwire Funds Service, when would your institution be ready to implement those changes? If your institution is not ready to implement any required changes by March 2021, which is NACHA's current effective date for implementing the later same-day ACH window, should the Federal Reserve delay implementation of the proposed changes to NSS and the Fedwire Funds Service? Why or why not?

We do not anticipate any material changes to our operational or technical systems to accommodate the adjusted threshold and/or reduced window. Therefore, we will be prepared for the March 2021 target effective date.

11. Are there any other potential benefits, consequences, risks, or costs that the Federal Reserve should consider when evaluating the adoption of the proposed changes to NSS and the Fedwire Funds Service, including potential risks to financial stability? If so, please provide a description.

In addition to what we have presented above, the timing of these proposed changes coincides with the upcoming conversion to ISO 20022 formats for Fedwire, CHIPS, and SWIFT.

Comments to the proposed revision of the "Federal Reserve Policy on Payment System Risk":

Bank of America is supportive of the proposed revisions to the Federal Reserve Policy on Payment System Risk.