



Treasury Services
240 Greenwich St.
13th Floor
New York, NY 10286

July 15, 2019

BY ELECTRONIC SUBMISSION

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; 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, Request for Comments

Dear Ms. Misback:

The Bank of New York Mellon Corporation ("BNY Mellon")¹ respectfully responds to the Request for Comment from the Board of Governors of the Federal Reserve System ("Board") on *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, Request for Comments* ("Request for Comment").²

The Request for Comment addresses the changes needed for Fedwire® Funds and National Settlement Service ("NSS") to support a third Same-Day ACH processing and settlement window approved by NACHA voting membership in September 2018. This new window would have an afternoon submission deadline of 4:45 p.m. (ET), with settlement occurring at 6:00 p.m. (ET). The NACHA rule changes are contingent on the Federal Reserve Banks ("Reserve Banks") making the changes to NSS and Fedwire Funds operating hours described below.

The Board has proposed extending NSS operating hours from 5:30 p.m. to 6:30 p.m. (ET) to account for the 6:00 p.m. (ET) settlement of the ACH transactions processed in the new window. In addition, the Board has proposed to extend Fedwire Funds closing by 30 minutes, from 6:30 p.m. to 7:00 p.m. (ET) and extend the cut off for Fedwire Funds Service accountholders to make transfers on behalf of third parties via Fedwire Funds (the "third-party cutoff") by 45 minutes, from 6:00 p.m. (ET) to 6:45 p.m. (ET).

The Board requests comments on the above proposed extended hours of NSS and Fedwire Funds as well as corresponding changes to the Federal Reserve Policy on Payment System Risk related to a new posting time and an increase to the daylight overdraft fee rate.

BNY Mellon supports the changes needed to NSS and Fedwire Funds to facilitate Same-Day ACH expansion and the Federal Reserve's ongoing objective to improve the safety and efficiency of payment systems in the United States. We believe that the enhancement of the payment system infrastructure is a base for offering innovative faster payment services that benefit the public and markets.³ Our comments below focus on ways to address end-of-day compression and re-opening delays to further facilitate the proposed changes.

¹ BNY Mellon is a global company that manages and services assets for financial institutions, corporations and individual investors in 35 countries. As of March 31, 2019, BNY Mellon had \$34.5 trillion in assets under custody and/or administration and \$1.8 trillion in assets under management.

² 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, Request for Comments, 84 Fed. Reg. 22132 (May 16, 2019).

³ Our commitment to advance the quality of the payment services provided to our clients is demonstrated with the leadership role BNY Mellon took in the newest payment system offered in the United States, Real-Time Payments (RTP®). BNY Mellon was the first bank to join The Clearing House (TCH) Real-Time Payments (RTP®) network and to send the country's first real-time payment.

A. End-of-Day Compression

The Board has proposed extending NSS operating hours from 5:30 p.m. to 6:30 p.m. (ET). In addition, the Board has proposed to extend Fedwire closing by 30 minutes, from 6:30 p.m. to 7:00 p.m. (ET) and extend the cut off for Fedwire Funds Service accountholders to make transfers on behalf of third parties via Fedwire by 45 minutes, from 6:00 p.m. (ET) to 6:45 p.m. (ET).

These changes compress the timeframe between third-party cutoff and Fedwire closing from 30 minutes to 15 minutes. Although this compressed timeframe should not present significant challenges in today's environment and we believe the industry is adequately equipped to handle a reduced settlement window, this compression may increase risks to the payment system in different liquidity or market environments. It is important to maintain the flexibility to extend Fedwire hours to account for these potential macro changes.

B. Fedwire Re-Opening Delays

The Board also seeks comment on potential options to mitigate the risk for more-frequent delays to re-opening of Fedwire and offers three options to reduce the risk:

1. changing the practice of maintaining a 2-hour window between the closing and re-opening of Fedwire to ninety minutes,
2. increasing the current \$1 billion value threshold for providing Fedwire extensions to \$5 billion, and
3. reducing the two-hour window between the closing and re-opening of Fedwire to ninety minutes and implementing a \$5 billion threshold for extensions.

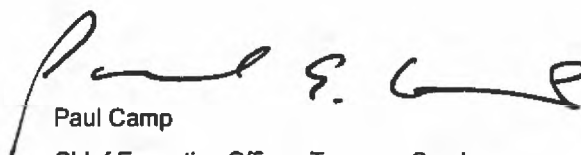
BNY Mellon supports the first option. BNY Mellon recognizes the need to modify the current practices in place to limit the number of delayed re-openings of Fedwire Funds in light of the proposed extended operating hours of NSS and Fedwire Funds. At the same time, preserving the ability of the Fedwire Funds Service to begin clearing at 9:00 p.m. is essential to support USD clearing services for Asian markets during their business hours and preserve the competitiveness of US payment systems.

BNY Mellon therefore supports changing the 2-hour window between Fedwire Funds close and re-open to 90 minutes as an effective measure to decrease the number of Fedwire Funds delayed re-openings yet maintain the flexibility for Fedwire extensions should unexpected events occur.

* * * *

BNY Mellon appreciates this opportunity to respond to the Board's Request for Comment. We welcome an opportunity to discuss and review these comments further with representatives from the Federal Reserve.

Respectfully Submitted,



Paul Camp
Chief Executive Officer, Treasury Services
BNY Mellon