

Treasury and Trade Solutions



July 15, 2019

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

Dear Ms. Misback,

Citibank, National Association (Citibank) appreciates the opportunity to provide comments to the Board of Governors of the Federal Reserve System in response to its request for comment (FR RFC) on modifications to the National Settlement Service (NSS) and Fedwire Funds Service to support Same Day ACH. Citibank supports the Federal Reserve Board of Governors' proposal to extend its settlement services to support Same Day ACH enhancements with later settlement hours and we fully appreciate the public benefits it will provide for businesses and consumers that use the ACH Network.

Citibank has been a leader in promoting payment modernization related activities occurring around the world and in the US, including the development of TCH RTP (early adopter status), Same Day ACH and Zelle platforms. Additionally, we participate in Real Time systems globally and have consistently promoted faster payment settlement.

Our commentary includes direct responses to the following questions raised in the RFC:

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

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 cut-off, and the closing of the Fedwire Funds Service?**
4. **What changes to internal process or technologies (if any) would your institution need to make to adjust to any of the reduced windows? Approximately how long would it take your institution to implement any necessary changes?**
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?**
6. **To reduce the risk of frequent delays to the reopening of Fedwire, should the Reserve Banks update their criteria for extending the closing time of the Fedwire Funds Service to:**
 - a. **Include a higher value threshold? If so, would a \$5 billion threshold be appropriate?**
 - b. **Reduce the targeted two-hour window between the closing and reopening of the Fedwire Funds Service? If so, would a window of 90 minutes between the closing and the reopening of the Fedwire Funds Service provide sufficient time to perform end of day processes at your institution?**
 - c. **Simultaneously raise the value threshold for extensions to \$5 billion and reduce the window between the closing and reopening of the Fedwire Funds Service?**

In summary, we feel that the Federal Reserve Board should move forward with the proposed extension to the National Settlement Service and Fedwire Funds Service as a tangible step towards broader availability of these systems. Moreover, we continue to believe that a 24x7x365 Fedwire Funds Service should be viewed as the ultimate goal and future proof solution.

We appreciate the opportunity to comment on the FR RFC and welcome a direct dialogue with the Board to ultimately advance the interests of the payments industry in the United States.

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

We believe clients would leverage this extended window to support payroll or other time-sensitive payments, as well as business-to-business payments, consumer bill payments, and account-to-account transfers. This action will further expand the availability of this service, particularly to West Coast clients that are currently challenged in meeting very early windows (some FI's have cut-off's for Same Day ACH processing as early as 9am PST or earlier). We anticipate allowing all eligible ACH transactions to leverage this later window for Same Day ACH Originations. Clients may also choose to leverage Same Day ACH as an alternative to wire transfers for transactions originated later in the day.

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?

Yes. Citi would continue processing all wire transfer activity for our clients until the new cut-off. We also envision the later window will be used in support of Real Time Payment network funding. Third party payments sent during the existing settlement period (6-6:30pm EST) will receive same day processing; this will be particularly beneficial for clients located in central and western regions of the country.

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 cut-off, and the closing of the Fedwire Funds Service?

We do foresee some challenges with end of day compression between NSS closing, the third party cutoff and Fedwire closing, but anticipate that most banks will be able to make the changes necessary to mitigate the risk. Additionally, staffing models will need to be adjusted across Service, Operations, Technology and Treasury functions to account for the later close. Ultimately, it is worth the effort to implement these changes to achieve the benefits of both the later Same Day ACH window and later client availability of Fedwire. In addition to the client benefit, we also see an opportunity to reduce credit, settlement, operational and return risk related to ACH processing.

4. What changes to internal process or technologies (if any) would your institution need to make to adjust to any of the reduced windows? Approximately how long would it take your institution to implement any necessary changes?

The turnaround time to close the systems and clear processing queues will be reduced, necessitating staff to continue to be diligent in clearing volumes timely. Automated tasks and systems will need to be updated to account for the timing adjustments. We anticipate being able to make all necessary changes in time to meet NACHA's proposed implementation date of March, 2021 for the later Same Day ACH processing window.

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?

Delaying the reopening of the Fedwire Funds Service could impact clients in international markets (most significantly those in the Asia Pacific region) who leverage the Fedwire system for large value funds movement in support of their start of day.

6. To reduce the risk of frequent delays to the reopening of Fedwire, should the Reserve Banks update their criteria for extending the closing time of the Fedwire Funds Service to:

- a. Include a higher value threshold? If so, would a \$5 billion threshold be appropriate?**
- b. Reduce the targeted two-hour window between the closing and reopening of the Fedwire Funds Service? If so, would a window of 90 minutes between the closing and the reopening of the Fedwire Funds Service provide sufficient time to perform end of day processes at your institution?**
- c. Simultaneously raise the value threshold for extensions to \$5 billion and reduce the window between the closing and reopening of the Fedwire Funds Service?**

Citibank supports reducing the targeted two-hour window between the closing and reopening of the Fedwire Funds Service and agrees that a window of 90 minutes between the closing and reopening

of the Fedwire Funds Service should provide sufficient time to perform end of day processes. As far as the value threshold is concerned, our preference is to leave the threshold unchanged for the first 2-15 minute extension requests and to increase the threshold to \$5 billion for subsequent extensions.

We support the Fed simultaneously reducing the window between closing and reopening and raising the value threshold for any extension request that goes beyond two fifteen-minute extensions. The two actions taken together will mitigate the risk of a delayed Fedwire re-opening without having a significant impact on our ability to request short-term extensions for extreme circumstances that may have client impact.

Conclusion

As highlighted in our response to the Board's October, 2018 Request for Comment on Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments, Citibank supports the expansion of NSS and Fedwire operating hours, including developing a future proof 24/7 Fedwire solution to:

- Support liquidity management objectives laid out in the FR RFC
- Strengthen the position of the USD around the world
- Support global customers in other time-zones

We welcome this action as a step towards this ultimate goal and recommend that the Board move swiftly to approve this change so that the industry can make the changes necessary to achieve the March 2021 scheduled implementation of the later Same Day ACH processing window.

Sincerely,

Alberto Casas
Managing Director
Treasury & Trade Solutions