



William J. Schoch
President & CEO

July 15, 2019

Via Email to: reqs.comments@federalreserve.gov

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

RE: Potential Modifications to the Federal Reserve Banks' National Settlement and Fedwire Funds Services to Support Same-Day ACH Enhancements; Docket No. OP-1664

Dear Ms. Misback,

WesPay appreciates the opportunity to comment on potential modifications to the National Settlement Service (NSS) and the Fedwire Funds Service (Fedwire) to support enhancements to Same Day ACH Services. WesPay and our members are very supportive of the industry's continued evolution of payments services to better serve and meet the expectations of our business and consumer clients. Extending the closing of NSS and Fedwire are critical changes needed to support the evolution of payment services in the United States.

WesPay has been a consistent advocate of extending the closing of NSS, a position expressed in the following comment letters to Federal Reserve Banks and the Board of Governors:

- December 2013 – Payment System Improvement Public Consultation Paper
- July 2015 – Enhancements to Same Day ACH Service (Docket #OP-1515)
- September 2017 – Petition to Extend NSS Hours
- December 2018 – Interbank Settlement of Faster Payments (Docket #OP-1625)

WesPay's membership is enthusiastic for the addition of a third Same Day ACH window, which we believe is a critical element to create a level playing field for payments providers across the country.

Introduction

WesPay has a proud payments legacy commencing with the establishment of SCOPE and a 47-year history that includes development of the original Automated Clearing House Rules. Today, WesPay is the oldest and one of the largest payments associations in the United States. With nearly 1,100 members, WesPay's mission is to build and share knowledge to guide members throughout their payments journey. The expansion of Same Day ACH services is of particular interest to our members, which are principally financial institutions in the Western U.S. operating in the Mountain, Pacific, Alaska and Hawaii Time Zones. The region represented by WesPay is home to 25 percent of the nation's population and a corresponding volume of payments.

The comments in this letter represent a compilation of feedback collected in one-on-one discussions with financial institution members, input provided by volunteers participating in WesPay's Rules Advisory Council, and responses received from 63 attendees in a June 20, 2019 online Town Hall and interactive survey to evaluate these proposed actions.

Comments on the Proposed Actions

WesPay has a diverse membership in terms of asset size, charter type, geographic location and business focus. We received a wide range of comments from our members, which we have organized into the resulting three categories.

WesPay Members Universally Support Extending the Closing Times of NSS and Fedwire

WesPay members support the proposal to extend the NSS daily closing to 6:30 p.m. ET, the Fedwire third-party closing to 6:45 p.m. ET, and the Fedwire closing to 7:00 p.m. ET. In our June 2019 Town Hall meeting, 100% of respondents indicate that they support condensing the time between closing NSS, Fedwire third-party cutoff, and closing Fedwire. 41% of respondents to our survey indicate that the extended closing hours will not require technical, operational or procedural changes at their financial institution. Notably, 65% of all WesPay members are less than \$500 Million in deposits, and the condensed processing window is a lesser concern to smaller financial institutions.

In contrast, 20% of WesPay members are greater than \$1 Billion in deposits and 5% of members are greater than \$10 Billion in deposits. WesPay reached out directly to some of these larger financial institutions to solicit their feedback on the impact of the condensed end-of-day processing windows. While the feedback we received from large institutions varied in regard to the work needed to support the changes, all financial institutions to which we spoke are supportive and believe that the Fed's implementation of service changes is prudent to enable the third Same Day ACH processing window.

By allowing ODFIs to submit same-day ACH transactions later in the business day, the third same-day ACH window could encourage more ODFIs (particularly those in the Pacific and mountain time zones) to offer same-day ACH to their customers, potentially increasing usage more broadly and resulting in increased adoption of same-day ACH payments.

Source: Docket No. OP-1664, page 8

The above-stated quote from the request for public comment is a tentative statement associating a third Same Day ACH window and the potential for increased adoption. Surveys conducted by WesPay with our members show a much stronger correlation between the introduction of a third Same Day ACH window and potential growth of the Same Day ACH Service:

- In a September 2017 survey, WesPay asked members to share their thoughts on Same Day ACH and the possibility of a new, later submission window. With 100 unique financial institutions responding, we learned that 93% operate as Originating Depository Financial Institutions (ODFIs), however, only 31% of respondents offered Same Day ACH origination to their clients and members. Two-thirds of responding ODFIs had not expanded their service offering to include Same Day ACH origination services. In response to a subsequent question, 66% of respondents claimed that a later ACH submission deadline would provide the necessary justification to consider offering Same Day ACH origination services. Payroll, account-to-account transfers, and processing returns were frequently mentioned use cases identified by members.
- Similar questions were presented to WesPay members attending our June 2019 online Town Hall and interactive survey. 96% of survey respondents indicated that they operate as ODFIs. Additionally, 61% of respondents indicated their intent to utilize the third Same Day ACH window to originate Same Day ACH entries. The numbers are strikingly similar to our 2017 survey findings and indicate WesPay members' continued enthusiasm for the later Same Day ACH window.

Why is the third Same Day ACH window so important to financial institutions in the Mountain, Pacific, Alaska and Hawaii Time zones?

The current NSS closing at 2:30 p.m. PT occurs in the middle of the business day. Many WesPay ODFIs feel disadvantaged because the ACH Operator's submission deadlines for Same Day transactions are early in the day: the first Same Day ACH submission window closes at 7:30 a.m. PT and the second Same Day ACH submission window closes at 11:45 a.m. PT. These Same Day ACH windows do not present similar challenges to financial institutions on the East Coast. By extending the NSS operating hours to facilitate a third Same Day ACH window, ODFIs in the Western U.S. are provided with a viable second processing window to service clients and members later in the day. We believe this will also help financial institutions to better compete with FinTech payment solution providers.

Risk Considerations are of Greatest Concern to a Limited Number of Institutions

The Fed's assessment of increased risk due to the end-of-day timeline compression is well-stated. Of the members participating in WesPay's June 2019 online Town Hall and interactive survey, 59% indicate a reduced time between closing of NSS and Fedwire would require technical, operational and/or procedural changes, but those members still support the proposed modifications. No members participating in our survey indicated they could not support the proposed end-of-day processing schedule.

However, the risks associated with end-of-day processing compression, limited extensions to NSS and Fedwire closings, and a potential delayed reopening of Fedwire seem to be of greatest concern to less than 20 of the largest financial institutions in this country. Of these risks, the potentially delayed reopening of Fedwire is of greatest concern to the large financial institution members to which we spoke. This apprehension is not limited to their own customers or reputation; the greater concern is to the U.S. payment system and potential implications of market attractiveness or instability.

Of the three options proposed in the request for public comment about limiting extension requests to NSS and Fedwire, WesPay members responding to our Town Hall survey prefer the reduction of the window between the closing of Fedwire and its reopening for the next business day from two hours to 90 minutes. 46% of WesPay respondents support this approach followed by 8% of respondents that support an increased dollar threshold. In conversations with larger WesPay members, several mentioned plans already underway to reengineer processes and systems to further compress internal end-of-day processing.

WesPay Members Support Prompt Adoption of Outlined Service Modifications

Given WesPay members' overwhelming support for the proposed service modifications, we urge the Board of Governors to issue a final ruling and adopt the changes outlined in the request for public comment. This action demonstrates a commitment to further enhance the U.S. payments system and enable implementation of a third Same Day ACH window in March 2021. This provides financial institutions with sufficient lead-time to prepare the necessary technical, operational and procedural changes.

WesPay appreciates the opportunity to share our thoughts and would be pleased to discuss our members' feedback in more detail.

Sincerely,



William Schoch
President & CEO