

July 2, 2015

Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Enhancements to Federal Reserve Same Day ACH Service – Docket No. OP-1515

Dear Mr. Frierson:

The Indiana Credit Union League (ICUL) appreciates the opportunity to submit comments on the Federal Reserve's proposal to enhance the Federal Reserve Same Day ACH Service by requiring mandatory receipt of same day ACH payments by Receiving Depository Financial Institutions (RDFIs). The ICUL member credit unions represent 96% of assets and members of Indiana's credit unions, with those memberships totaling more than two million consumers.

The ICUL supports in general the goal of improving the payments system by developing methods for faster payments and funds availability, and recognizes the potential benefits to the general public of faster payment options and funds availability. However, we do have concerns related to the proposal requiring mandatory participation by RDFIs.

The proposal implements the changes made by NACHA amending the Operating Rules requiring Same Day processing of virtually any ACH payment (for credits and debits). Under the new NACHA rules, all RDFIs would be required to receive Same Day ACH payments. The stated reason is to provide certainty to Originators desiring Same Day processing and settlement. Additionally, the rule establishes a Same Day Entry fee as for RDFIs to recover some of their costs for mandatory receipt of Same Day ACH transactions. Currently, most ACH payments are settled on the next business day and current ACH schedules and capabilities would continue to apply to transactions that are not designated as Same Day ACH.

This proposal changes the current optional Fed ACH Same Day Service to conform to NACHA's new rule for Same Day ACH. This includes requiring mandatory participation by RDFIs and an interbank fee paid by the Originating Depository Financial Institution (ODFI) to the RDFI for each Same Day ACH forward transaction. We have concerns with the requirement that all receiving financial institutions must have the ability to receive and post Same Day ACH payments. We do not believe that the cost to RDFIs to implement this requirement, particularly small RDFIs that would receive very few Same Day ACH transactions, was reasonably addressed in the NACHA rules or the proposal. We believe that additional analysis should be completed to determine a better approach to assist RDFIs to recoup the expense that is being forced on them by this proposal. We support the proposal to implement an interbank fee payable to the RDFI for each Same Day ACH transaction. We do not believe the 5.2 cents in the final NACHA rule is even close to sufficient. The original NACHA proposed fee of 8.2 cents was insufficient. In its own analysis, NACHA estimated it would take RDFIs an average of 11.5 years to recover associated costs. Lowering it an additional 3 cents will add years to this recovery timeframe.

We urge both the Federal Reserve and NACHA to continue to evaluate alternatives that could reduce costs associated with Same Day ACH for small financial institutions. Requiring participation when not adequately allowing sufficient revenue for offsetting expense results in a shift of the cost of the service from the large ODFIs to the RDFIs. ODFIs will be in a position to charge fees upfront well in excess of the proposed interbank fee to originate Same Day ACH transactions. These upfront fees will recoup any added expense for the ODFIs in a much shorter period of time. RDFIs would not be able to refuse receipt of Same Day ACH transactions under a mandatory participation requirement and may incur Same Day settlement costs that they are unable to fully offset through incremental revenue. This results in an unfair advantage for ODFIs over RDFIs. This unfair advantage is not going to be addressed by NACHA based on NACHA stating that the fee will "never" exceed 5.2 cents; however, based on a review NACHA will

conduct once the rule has been in effect for ten years, NACHA will assess whether the fee should be reduced based on costs and volume. We urge the Federal Reserve and NACHA to evaluate further whether a higher interbank fee such as the one originally considered by NACHA is appropriate.

While we support the objective to provide a faster payments option on the ACH network, we have concerns about the cost and impact the proposal could have on credit unions and we appreciate your consideration of these concerns. The Federal Reserve and NACHA must continue to evaluate and be mindful of the costs that credit unions, as well as corporate credit unions and other processors, will incur to implement, operate, and comply with these proposed changes.

Thank you for the opportunity to comment on this proposal. If you have any questions concerning our letter, please feel free to contact me at (317) 594-5320.

Sincerely,
John McKenzie
President
Indiana Credit Union League