



Sent via e-mail: regs.comments@federalreserve.gov

July 26, 2004

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.,
Washington, D.C. 20551

Dear Ms. Johnson:

The Credit Union National Association (CUNA) appreciates the opportunity to provide comments for the Federal Reserve Board (Board) on its proposed revisions to Part II of its Policy Statement on Payments System Risk. This policy is of interest to credit unions because how the Federal Reserve alters the PSR Policy to manage and prevent risks will safeguard those credit unions and other financial institutions that rely on the Federal Reserve for payment services. CUNA is a national trade association that represents approximately 90 percent of the nation's 9,400 state and federal credit unions, and this letter was prepared in conjunction with CUNA's Payment Systems Subcommittee, which is chaired by Lindsay Alexander, President and CEO of National Institutes of Health FCU, Rockville, Maryland

CUNA generally supports the proposed revisions to the policy, which would update the policy in light of current industry and supervisory risk management approaches and new international risk management standards for payments and securities settlement systems. These key revisions include an expansion of the Policy's scope to include those Federal Reserve Bank payments and securities settlement systems that meet the policy's application criteria, revised general risk management expectations for systems subject to the policy, and the incorporation of both the *Core Principles for Systemically Important Payment Systems* (Core Principles) and the *Recommendations for Securities Settlement Systems* (Recommendations).

CUNA generally supports the approach of the Federal Reserve, which proposes modifications that will provide more guidance and yet maintain the flexibility of the policy. For instance, the proposed policy clarifies the definition of a “system” and identifies three key characteristics, which can be used to identify a system. In addition, the proposed policy sets out revised risk-management expectations for all systems covered by the policy, including those deemed as systemically important, and unlike, the old policy sets out four key elements of a sound risk-management framework. The proposed policy also introduces six new characteristics that would be used by the Board, on a case-by-case basis, to identify systemically important systems; these six characteristics were not in the old policy. The usage of characteristics to define and find systemically important systems should provide clarity to the guidance, while maintaining its flexibility.

Conclusion

CUNA generally supports the attempts by the Federal Reserve to update its payments policy. If you have any further questions, please contact CUNA's Senior Vice President and Associate General Counsel Mary Dunn or me at (202) 638-5777.

Sincerely,

Michelle Profit

Michelle Q. Profit
Assistant General Counsel