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December 20, 2004

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. OP-1214;
Proposal to Withdraw from Noncash Collection Service

Dear Ms. Johnson:

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to comment on a proposal by the Board of Governors of the Federal Reserve System (Board) for Federal Reserve Banks to withdraw from the noncash collection service -- the collection and processing of definitive municipal bonds and coupons issued by state and local governments -- at year-end 2005.

The Board is proposing to exit from the noncash collection service due to declining definitive securities volume, anticipated failure to recover costs in future years as mandated by the Monetary Control Act (MCA) of 1980, and the availability of alternative service provides and substitutable services.

ICBA Position

ICBA appreciates the Board's and Reserve Banks' responsiveness to the dynamic definitive municipal securities marketplace. Since 1995, the Reserve Banks' noncash collection volume has decreased 85 percent. The Board and Reserve Banks have pursued efforts to preserve the noncash collection service by implementing cost savings through consolidation and improvements in

¹ *The Independent Community Bankers of America represents the largest constituency of community banks of all sizes and charter types in the nation, and is dedicated exclusively to promoting the interests of the community banking industry. With nearly 5,000 members, ICBA members employ more than 225,000 Americans and hold more than \$778 billion in total assets. For more information, visit ICBA's website at www.icba.org.*

processing efficiencies as the number of outstanding definitive municipal securities continues to decline. These efforts have served the community banking industry well.

ICBA has carefully reviewed the noncash collection service in the context of the Board's policy statement, "Factors for Evaluating Reserve Bank Requests to Withdraw from a Priced Service Line," and agrees with the Board's analysis that this service meets the prescribed withdrawal factors – sufficient alternative service options; availability of substitutable services; no material, adverse effect on the Federal Reserve's ability to provide an adequate level of other services or to discharge other responsibilities; and, the lack of compelling public benefits to continue providing the service.

If the Board deems it appropriate to proceed with plans to withdraw from the noncash collection service, ICBA strongly urges the Board and Reserve Banks to develop a comprehensive plan to transition noncash collection service customers to alternative providers. At a minimum, this plan should include information designed to assist banks in managing this transition, including a timeline and corresponding checklist, and a paying agents database. Additionally, ICBA encourages the Board to make a decision regarding its plan to withdraw from this service as soon as possible to afford existing customers adequate time to evaluate alternative service providers.

If you have questions or need any additional information, please do not hesitate to contact me via telephone at (202) 659-8111, ext 2414 or email at viveca.ware@icba.org.

Sincerely,



Viveca Y. Ware
Director, Payments Policy