

Commerce Bancshares, Inc.
Compliance Department, TB12-1
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Kansas City, MO 64199-3686

August 21, 2006

RIN 1506 – AA86
Docket No. R-1258

FinCEN
P.O. Box 39
Vienna, VA 22183

via e-mail:
regcomments@fincen.treas.gov

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

regs.comments@federalreserve.gov

Dear Sir or Madam:

Commerce Bancshares, Inc. is a registered bank holding company with total assets of \$14.3 billion at June 30, 2006, and three bank subsidiaries. Two of these banks are full-service banks, with approximately 200 branch locations in Missouri, Kansas, and Illinois. The other bank is a limited-purpose bank, with one office in Omaha, Nebraska. All of the banks are national banks. A full line of banking services, including investment management and securities brokerage are offered. The Company also has operating subsidiaries involved in mortgage banking, credit related insurance, venture capital and real estate activities.

Thank you for allowing us the opportunity to comment on the advance notice of proposed rulemaking regarding the “Threshold for the Requirement to Collect, Retain, and Transmit Information on Funds Transfers and Transmittals of Funds” as published in the Federal Register on June 21, 2006.

The Agencies requested comment on the burden to the financial system that would result from lowering or eliminating the threshold for the requirement to collect, retain, and transmit information on funds transfers. While we cannot speak for others, we do not anticipate an increased burden for our bank. If there is to be a change, we recommend elimination of the threshold rather than reduction.

Specifically, the Agencies asked the following questions:

1. What proportion of funds transfers do we process as an originator's bank involving amounts less than \$3,000? Less than \$2,000? Less than \$1,000?

On an average day, we process approximately 1,400 wires. Of those, 26% are below \$3,000; 21 % are below \$2,000; and 15% are below \$1,000.

2. Several questions were asked about funds transfers for originators and beneficiaries that do not qualify as "established customers".

It is our policy not to send or receive wire transfers for any individuals or businesses that are not established customers of our bank.

3. Do our recordkeeping practices for funds transfers involving amounts below \$3,000 differ from those for funds transfers involving amounts above the threshold?

No. We collect and retain all required information, and attempt to gather the full beneficiary information, even on wires below \$3,000. Our wire customers are aware of the threshold, and are not always willing or able to provide the additional information on small wires.

4. Does the information included in payment orders for funds transfers below \$3,000 differ from the information included in payment orders for funds transfers involving amounts above the threshold?

No. All information that is collected is included in the payment order, regardless of the size of the wire.

5. How would reducing or eliminating the threshold affect the price and type of the services that we provide in connection with domestic and cross-border funds transfers?

It would not affect the price or type of services we provide.

6. How would reducing or eliminating the threshold affect the cost and efficiency of payment operations at our bank and the payments system in general?

We do not anticipate any increases in cost, other than re-training staff. If any change were to be made, we would prefer that the threshold be eliminated entirely, rather than reduced. We would actually expect an increase in operational efficiencies if the threshold is eliminated, because staff and customers would have a single documentation rule to follow, with no exceptions based on the size of the funds transfer. Reducing the threshold would not increase efficiency and would require training on the new threshold.

Regarding the efficiency of the payments system in general: Simple enhancements to the Federal Reserve Bank's Fedwire funds transfer system could greatly impact the efficiency of the payment system. There is a need for the Federal Reserve Bank to expand its "account number" field to accommodate the IBAN and CLABE numbers for U.S. Dollar International wires. The IBAN, required for wires to European countries, is an alphanumeric code that varies in length up to 32 characters. The CLABE is a 20-digit number required for wires to Mexican banks. Currently, the Fedwire "account number" field does not accommodate these additional digits, and banks must use the "detail of payment" field for the full account number. Because the information is in the wrong field, the intermediary banks in New York often return these wires. Expanding the "account number" field would greatly reduce the number of returned wires. More importantly, this change would reduce cost, improve operational efficiencies and prevent delays on customer payment orders.

Thank you for the opportunity to comment on this topic.

Sincerely,

Sherri M. Beam
Commerce Bancshares, Inc.
Compliance Officer