



July 26, 2024

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

**Re: Expansion of Fedwire Funds Service and National Settlement Service Operating Hours**  
(Docket No. OP–1831)

The Financial Technology Association (FTA) appreciates the opportunity to respond to this request for comment regarding the proposal to expand the operating hours of the Fedwire Funds Service and the National Settlement Service (NSS) issued by the Board of Governors of the Federal Reserve System (FRB). FTA commends the FRB’s proactive efforts to enhance and modernize the U.S. payment system to foster innovation, efficiency, and competitiveness in the financial services industry.

FTA is a nonprofit trade organization representing leading technology-centered financial services (fintech) companies. The proposal to extend the operating hours of Fedwire and NSS reflects a commitment to maintaining competitiveness on a global scale and better serving end-users. In particular, given the role of Fedwire in cross-border transactions, this change could positively impact consumers. We welcome the opportunity to engage with the FRB on this matter.

The FRB has proposed expanding the operating days of Fedwire and NSS to include weekends and holidays, enabling operations every day of the year. The proposal retains the opening time of 9:00 PM Eastern Time (ET) of the preceding calendar day and closing times of 7:00 PM ET for Fedwire and 6:30 PM ET for NSS, respectively. According to the FRB, expanding operating days will support the safety and efficiency of the U.S. payment system and position the nation’s payment and settlement infrastructure for future needs.<sup>1</sup>

FTA strongly supports the expansion in operating hours, as it will bring substantial benefits, fostering innovation and providing significant advantages for consumers, businesses, the role of the U.S. Dollar, and the broader economy. Enhanced settlement efficiency will facilitate quicker transactions, better liquidity management, and more reliable financial services. This innovation is

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<sup>1</sup> See Board of Governors of the Federal Reserve System, Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours, 89 Fed. Reg. 39613 (May 9, 2024), available at <https://www.govinfo.gov/content/pkg/FR-2024-05-09/pdf/2024-10117.pdf>



essential for addressing the evolving needs of consumers and businesses, promoting a more responsive and resilient financial ecosystem.

FTA accordingly provides the following feedback and recommendations:

- First, expanding the operating hours of Fedwire and NSS will benefit consumers and businesses, and enhance cross-border payments, global competitiveness, and business and payments innovation.
- Second, as with past operational improvements in the FRB’s provision of payments services, the industry is well-positioned to address the necessary operational and technical adjustments.
- Third, direct transition to 24x7x365 operations is preferable to interim steps.

***I. Expanding operating hours will benefit consumers and businesses, and enhance cross-border payments, global competitiveness, and business and payments innovation.***

***A. Expanding Operating Hours will Empower Consumers and Enhance Operational Efficiency for Businesses.***

Expanding the operating hours of Fedwire and NSS will significantly benefit consumers and businesses by facilitating faster and more timely payment systems. For those living paycheck to paycheck, receiving payments in real time can prevent overdraft fees, bounced checks, or collection fees, thus enhancing financial stability. This improvement is crucial for expanding access, inclusion, and equity for underserved individuals, households, and small businesses that may deal in larger-value payments. As former Federal Reserve Governor Lael Brainard noted, the Fed has “a role and, potentially, a responsibility to help create an infrastructure that facilitates safe, innovative, and ubiquitous faster payment services.”<sup>2</sup>

Additionally, expanding the operating hours of Fedwire and NSS, alongside the implementation of the FedNow Service, will support the evolving needs of commerce that increasingly occurs outside traditional business hours. To enhance the flexibility and efficiency of the overall payment system, implementing on-demand interbank liquidity management for nonbanks will be essential. With the advent of new rails such as FedNow, funds must be available at all times, requiring close management of liquidity positions over weekends and holidays. This approach will ensure that all participants can meet their liquidity needs in real-time, even during non-traditional hours. This will also further benefit large-value, wholesale payments, such as multimillion-dollar business invoices, real estate transactions, and insurance payouts. Near round-the-clock payments will

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<sup>2</sup> *Speech by Governor Brainard on fintech and the search for full stack financial inclusion (2018) Board of Governors of the Federal Reserve System.* Available at: <https://www.federalreserve.gov/newsevents/speech/brainard20181017a.htm> (Accessed: June 12, 2024).



ensure that the evolution of commerce is supported across both retail and wholesale payment infrastructures.

*B. Extended Operating Hours will Enhance Cross-Border Payments and Global Competitiveness.*

Expanding the operating hours of Fedwire and NSS will reduce gaps between their operating hours and those of key large-value payment services in other jurisdictions. This supports more efficient cross-border payments through faster and more timely settlement, and improved liquidity management. Increased overlap in operating hours can provide more opportunities to settle cross-currency payments simultaneously, reducing settlement risk and potentially allowing for greater transparency in global foreign exchange (FX) markets. Reductions in settlement times reduces counterparty risk and can also free-up capital.

Additionally, expanded hours will enhance the ability of cross-border payments and international commerce to be conducted in U.S. Dollars, helping to preserve the status of the U.S. Dollar as the primary currency for global settlements. This also aligns with the G20 Roadmap for Enhancing Cross-Border Payments, which emphasizes extending and aligning the operating hours of payment infrastructures across jurisdictions to improve liquidity management and reduce settlement risk.<sup>3</sup>

*C. Enhanced Operating Hours will Foster Business and Payments Innovation.*

Expanding operating hours will drive business and payments innovation by providing significant benefits across various sectors. It is worth noting that much of this innovation is driven by digitization and increased use of leading technologies—for this reason, as FTA has previously advocated, policymakers should grant well-regulated fintech payment companies direct access to payment systems in order to maximize modernization and innovation benefits.<sup>4</sup> Nevertheless, expanded FedWire and NSS operating hours will:

- **Enhance credit risk management:** By reducing the time gap between instructions and settlement, expanded operating hours will improve credit risk management and operational efficiency for financial market utilities and private-sector retail payment arrangements.
- **Support Small and Medium-Sized Enterprises (MSMEs):** Bolstered liquidity and capital ratios for small business loan programs will enable financial institutions to better

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<sup>3</sup> Financial Stability Board (FSB) (2022) *G20 Roadmap for Enhancing Cross-border Payments*. Available at: <https://www.fsb.org/wp-content/uploads/P101022-2.pdf> (Accessed: June 18, 2024).

<sup>4</sup> Margowsky, M. (2022) *FTA calls for broader entity access to instant payments as FedNow rule takes effect*, Financial Technology Association. Financial Technology Association (FTA). Available at: <https://www.ftassociation.org/fta-calls-for-broader-entity-access-to-instant-payments-as-fednow-rule-takes-effect>.

support micro, small and medium sized enterprises (MSMEs), fostering economic growth and resilience.

- **Increase Efficiencies in Cross-Border Payments:** Expanding operating hours will streamline cross-border transactions, allowing for faster settlement and improved liquidity management. This will reduce settlement risk and enhance the transparency of global foreign exchange (FX) markets.

The proposed expansion will also benefit various business units:

- **Merchant Services:** Enhanced capabilities for settlement, payout, payroll, and bill payment will streamline operations and improve cash flow for merchants.
- **Consumer Services:** Faster funding, balance withdrawals, and payments will provide consumers with more timely access to their funds, improving their financial flexibility and security.
- **Loan Origination:** Improved funding, sales settlement, and repayment processes will enhance the efficiency of loan origination and management.
- **Improved Digital Asset Delivery v. Payment Capabilities:** Allows for the settlement of USD with digital asset liquidity partners over the weekend, enhancing financial operations and flexibility for businesses involved in digital currencies.

## *II. Industry is Well-Positioned to Address the Operational and Technical Elements of Expanded Operating Hours.*

The industry has consistently demonstrated its ability to adapt to operational improvements in the FRB’s provision of payment and settlement services. Although technical and operational adjustments will be needed, the industry has successfully managed similar transitions, which provides confidence in its readiness. Historical improvements, such as the transition to a virtually all-electronic check-processing environment and the establishment of a real-time interbank funds transfer system, highlight the industry's capability to manage similar expansions effectively.<sup>5</sup>

Technological advancements now enable Federal Reserve services to support 24x7x365 real-time capabilities, aligning with global trends<sup>6</sup> where central banks support faster payments. The U.S. Treasury has recommended that the Federal Reserve quickly facilitate a faster retail payments

<sup>5</sup> See Board of Governors of the Federal Reserve System, Federal Reserve Actions to Support Interbank Settlement of Faster Payments, 84 Fed. Reg. 39297 (Aug. 9, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-08-09/pdf/2019-17027.pdf>

<sup>6</sup> See Committee on Payments and Market Infrastructures, Bank for International Settlements, “Fast payments—Enhancing the speed and availability of retail payments,” (November 2016). Available at <https://www.bis.org/cpmi/publ/d154.pdf>.



system through real-time settlement services, ensuring efficient and widespread access to innovative payment capabilities.<sup>7</sup>

To this end, as noted above, payments-focused companies are well-positioned to create, support, and administer these advanced systems, driving innovation and ensuring that faster, safer financial solutions are available to all market participants. Policymakers should look for opportunities to allow well-regulated payment companies to participate directly in Fed payment systems, as is the case in many other leading jurisdictions.

Some businesses, such as payment facilitators, may need to review their flow of funds and receive appropriate confirmations from partners to ensure their settlement processes align. For example, if funds are sent out on weekends, a payment facilitator could face new liquidity risks from a mismatch of settlement times between the merchant acquirer and the relevant merchant, necessitating steps to align or otherwise manage this risk. Ensuring that all institutions adopt changes on similar schedules should alleviate these concerns.

The 'optionality' element of the proposal, which would notably allow a receiving financial institution to opt-out of acting on Fedwire transfers received during extended operating days, is reasonable for some institutions, at least initially. This opt-out option is most appropriate for smaller institutions, as their wire volume may be minimal during these periods. However, we hope that, over time, all institutions will adopt extended processing. For larger institutions, it is important for extended processing to be implemented sooner rather than later. As such, we suggest that the Fed consider a sunset period for the ability of receiving financial institutions to opt-out, potentially applying a shorter sunset for larger institutions and a longer sunset on an opt-out for smaller institutions.

Additionally, FTA notes the potential for operational and end-user friction if banks, particularly larger ones, opt-out of the expanded hours. It is crucial to have a comprehensive, regularly updated, and easily accessible industry-wide participant directory. This will allow participants to adjust their operations and ensure stakeholders are aware of the operating statuses of their counterparts, supporting smoother transactions across the network.

These questions are resolvable with appropriate planning and consideration. Given the extended period proposed for implementation, these issues should be manageable within that timeframe. By addressing these challenges proactively, the industry can ensure a seamless transition to expanded operating hours, maintaining high levels of service and reliability for all end-users. This approach

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<sup>7</sup> U.S. Department of the Treasury (2022) *The Future of Money and Payments: Report Pursuant to Section 4(b) of Executive Order 14067*. Available at: <https://home.treasury.gov/system/files/136/Future-of-Money-and-Payments.pdf>.



not only enhances operational efficiency but also reinforces the industry's commitment to delivering innovative and effective payment solutions.

With the above in mind, while the proposal did not specify an exact effective date, it indicated that implementation would be no sooner than two years after the completion of the Fedwire conversion to the ISO 20022 message format. FTA believes this target is reasonable and encourages the Fed to set a firm timeline of two years after the conversion, rather than a flexible "no sooner than" timeframe. If significant delays occur in the Fedwire ISO conversion, the Fed should reassess whether a full two-year gap is still necessary before implementing the proposal.

***III. Implementing a Direct Transition to 24x7x365 Operations Is Preferable to Interim Steps.***

The FRB has requested feedback on an implementation timeline for 24x7x365 operating hours and whether an interim step short of 24x7x365 would be desirable. While we understand the consideration of an interim step short of 24x7x365, we believe it is more advantageous to move directly to full 24x7x365 operations as quickly as possible. Implementing a direct transition to 24x7x365 operations would provide immediate and comprehensive benefits without the disruptions and inefficiencies associated with a phased approach. Participants will need to adjust their staffing, internal systems, and processes under either scenario, but these adjustments are essential for a complete transition, as well, and need not be postponed by incremental measures.

While we support moving directly to 24x7x365 operations, we acknowledge that this approach would also bring implementation challenges for regulators. The FRB will need time to close out the day and reset their systems.<sup>8</sup> This necessity underscores the importance of careful planning and consideration to ensure a smooth transition.

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FTA appreciates the opportunity to provide feedback on the proposed expansion of Fedwire and NSS operating hours. We share the FRB's goal of enhancing the efficiency and competitiveness of the U.S. payment system. We look forward to continuing our collaboration with the FRB and other stakeholders to support the successful implementation of these improvements.

Sincerely,

Penny Lee  
President and Chief Executive Officer  
Financial Technology Association

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<sup>8</sup> For example, the FRB has had specific technical requirements and limitations in the past, such as the recent requirement of Internet Explorer as the web platform for FedLine Advantage and currently the lack of support for Mac access.