



July 19, 2024

Submitted via Electronic Submission

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

Docket No. OP-1831

RE: Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours

Dear Ms. Misback,

UMACHA is a non-profit Payments Association and a direct member of Nacha. We serve hundreds of financial institution members, including both banks and credit unions, as well as corporate members, by providing electronic payments education and compliance services.

UMACHA is pleased to have been offered the opportunity to comment on the Federal Reserve Board's proposal to expand the operating days of the Federal Reserve Banks' two large-value payments services, Fedwire Funds Service and the National Settlement Service.

The Federal Reserve Board requested comment on a series of specific questions, and UMACHA has provided responses to select questions.

1. What are the primary benefits to the banking industry, financial markets, and broader economy from an expansion to 22x7x365 Fedwire Funds Service and NSS operating hours? What are the primary benefits to your institution?

- The National Settlement Service (NSS) is currently utilized by the banking industry for a range of settlement services, which may include the settlement of obligations by private sector operators of clearing houses that support the processing and settlement of Automated Clearing House (ACH) and check transactions. The ACH Network is at the core of the nation's electronic payment system. In 2023, the ACH Network processed approximately 31.5 billion payments valued at approximately \$80.1 trillion. The current limitations imposed by the operating hours of the NSS mean that ACH transactions cannot be settled on weekends or federal holidays. The banking industry, and particularly the broader economy, may benefit from additional payment processing days where transactions processed over the ACH Network and other systems relying on the NSS to support settlement functions could occur every day of the year. The expansion of the Fedwire Funds Service would allow the banking industry to have additional methods of managing liquidity and capital allocation during periods that are not considered traditional banking days. Similarly, the broader economy may benefit from organizations having additional capability to process high-value wire transfers that currently cannot be

supported by other payment systems, including instant payment systems, due to transaction limits and other reasons.

2. What will be the primary sources of demand for expanded hours for the Fedwire Funds Service and NSS, from 22x5 to 22x7x365? What types of transactions or institutions are most likely to generate demand for the ability to make payments during weekend hours? What additional use cases could be satisfied with the expansion to full 24x7x365 operating hours? Would they represent sources of new and additional volume that could flow over the Fedwire Funds Service, a shift of existing volume over the service, or both?

- Given the wide-ranging array of financial institutions in the United States, from small community banks and credit unions to the nation's largest commercial banks, it seems likely that the expanded hours of the Fedwire Funds Service would be most utilized by larger corporations that tend to be served by large commercial banks. That said, opportunities would exist for all types of financial institutions to gain a competitive advantage by offering this service beyond traditional banking days. Nacha, the steward and rulemaking body for the ACH Network, has publicly expressed a desire to enable greater availability of settlement for ACH transactions beyond the current capabilities, which are limited to the days the NSS is operating. If the ACH Network were to implement ACH processing and settlement seven days per week, and if processing and settlement on weekends and holidays were made mandatory, virtually all financial institutions in the nation would be impacted. It's important to note that no such rulemaking to expand ACH settlement has been proposed. Consideration would need to be given to the impact of such changes, and Nacha's voting membership would need to approve such a change.

3. How might expanded operating hours of the Fedwire Funds Service and NSS support private-sector innovation?

- The expansion of operating hours for both the Fedwire Funds Service and the NSS would enable private sector operators, working in concert with the Federal Reserve Banks, to support additional processing and settlement opportunities for various payment rails, including the ACH Network. Various payment use cases, including but not limited to earned wage access, payment on receipt, and other cases where there is a quicker need for payment, could be satisfied through the expansion Fedwire Funds Service and NSS. Much like innovation is occurring with the introduction of instant payments, natural private sector innovation would likely occur over time with the development of use cases not being best served through other means today.

4. How does the existence of the FedNow Service affect your views of the benefits of expanded hours for the Fedwire Funds Service and NSS? How do you anticipate using these services in the future?

- The FedNow Service enables the sending and receipt of instant payments (credit-push) on a 24/7/365 basis. While instant payment services include functionality to send a request for payment, the ACH Network fills a unique gap by enabling the sending of debit transactions. Additionally, other payment systems, including the ACH Network and the Fedwire Funds Service, are not limited by the current transaction limits of the FedNow Service (or subsequently lower limits imposed by financial institutions that have implemented the service). It is very likely that the FedNow Service and private sector instant payment services will continue to evolve and gain more widespread adoption over time, but this will take time.

5. Do you prefer an interim expansion of operating hours before moving to 22x7x365? If so, what operating hours for the Fedwire Funds Service and NSS would be most useful for your institution? What considerations factor into your preference?

- Given that participation in the proposed 22x7x365 operating hours for the Fedwire Funds Service and NSS would be optional, an interim expansion may be unnecessary. Furthermore, if an interim expansion were pursued, the implementation of 22x7x365 operations would likely be delayed beyond the expected implementation period of no earlier than 2027.

6. What is your preferred timeline for a potential expansion of Fedwire Funds Service and NSS operating hours to 22x7x365? What considerations factor into your preference (for example, demand, time to implement changes, adjustments to staffing and internal systems, other major industry milestones or payment system improvements)?

- The Federal Reserve Banks should collaborate with the nation's largest third-party service providers, including but not limited to Fiserv, Jack Henry, FIS, Finastra, and CSI, which provide banking services and connect to the services offered by the Federal Reserve Banks, to determine a realistic implementation period. Furthermore, the Federal Reserve Banks, having knowledge of which financial institutions connect directly to its Fedwire solutions, should directly consult with these institutions to determine a viable implementation date. In no case should the implementation date be earlier than the proposed implementation of no sooner than March 2027.

7. Are you interested in full 24x7x365 operating hours for Fedwire Funds Service and NSS? If so, what is your preferred time frame for such an expansion of operating hours? What considerations factor into your preference?

- Expanding the Fedwire Funds Service and NSS operating hours to 24x7x365 would not only enable greater utilization by financial institutions but also likely benefit the broader economy and help the United States remain competitive with other global markets and economies by bolstering the role of the U.S. dollar as the global settlement currency.

8. What costs and risks would arise for the banking industry, financial markets, and broader economy from an expansion to 22x7x365 of Fedwire Funds Service and NSS operating hours? What are the costs and risks to your institution? What is the estimated incremental cost on a percentage basis to support 22x7x365 operating hours for the Fedwire Funds Service and NSS? What are the implications for competitiveness?

- The expansion of Fedwire Funds Service and NSS operating hours to 22x7x365, or potentially to 24x7x365, could pose significant costs and risks. Aside from the nation's largest commercial banks, many financial institutions have minimal or no staffing on weekends and federal holidays. While participation in the expanded operating hours for the Fedwire Funds Service would be optional, financial institutions would face competitive pressure to remain staffed and capable of processing wire transfers every day of the week.

Additionally, if the NSS expands and other payment systems, such as the ACH Network, also expand processing and settlement, there may be significant impacts on financial institutions and required staffing. This includes extended customer support, operations staff to process incoming and returned ACH transactions, and staff with the authority to make pay or return decisions on debits where the account holder has insufficient funds. This would depend on whether revisions to the Nacha Operating Rules are approved related to additional ACH processing and settlement periods.

12 CFR § 229.10 (Regulation CC) sets forth funds availability requirements for electronic payments (which means a wire transfer or an ACH credit transfer). Consideration would need to be given to whether any revisions would need to be made to a financial institution's regulatory obligations under Regulation CC. Similar operational considerations would need to be made if check processing also moved to everyday settlement, which could be possible with expanded NSS hours.

Furthermore, virtually all non-consumer customers of any financial institution in the nation may be impacted regarding their obligation to report unauthorized transactions, depending on the terms of their account agreement with their financial institution. This could require non-consumer customers to staff their businesses, corporations, non-profits, and other organizations every day of the year, including holidays, to monitor for any unauthorized activity so that it could be reported timely to their financial institution.

These considerations are likely dependent on whether revisions would be made to terms such as "Banking Day" and "Business Day," as those terms are defined in various federal regulations and private rules, including but not limited to Regulation CC, Uniform Commercial Code Article 4, and the Nacha Operating Rules. Finally, virtually all sectors, including the banking industry and broader economy, may be subject to additional risk regarding their obligations for adequate liquidity management during nights and weekends, particularly as less staff will be available to support this function. Fraud risk would also be

elevated during periods where staffing levels are reduced for both financial institutions and corporations.

9. What are the ways in which benefits, costs, or risks of 22x7x365 Fedwire Funds Service and NSS could vary for different types of market participants (for example, for smaller institutions, non-traditional participants, or participants in particular time zones)?

- As alluded to in the previous question, many of the nation's largest commercial banks are already staffed on a 24x7 basis. This contrasts with many smaller community banks and credit unions, where staffing levels are either reduced or non-existent on weekends and holidays. Smaller community banks and credit unions would be subject to competitive pressures to increase staffing and the ability to process wire transfers every day of the week, in addition to other types of payment processing obligations that could follow the expansion of the NSS. Due to reduced staffing levels, smaller financial institutions may also be subject to greater risk regarding liquidity management and would need to commit financial resources to tools available to assist with automated liquidity management and/or require additional staffing.

11. The Federal Reserve plans to maintain the ability to opt out of expanded hours. How would the optionality with respect to participating in a 22x7x365 operating hours environment of the Fedwire Funds Service and NSS, as described in this notice, benefit or challenge your institution or the broader industry? What steps might the Federal Reserve take to augment potential benefits? What steps might the Federal Reserve take to mitigate potential costs and risks?

- Maintaining the ability to opt in or out of extended operating hours for the Fedwire Funds Service and NSS could result in inconsistent experiences for account holders of banks and credit unions. If some financial institutions provide availability of funds from wire transfers at different dates and times than others, it could lead to discrepancies, even though funds availability from wire transfers is not completely consistent across financial institutions today. Furthermore, maintaining optionality could prevent the expansion of other payment system processing and settlement, such as the ACH Network, from implementing mandatory settlement on weekends and holidays for all financial institutions.

14. Describe any other enhancements or initiatives that the Reserve Banks should consider in addition to, or in the context of, expanded hours for the Fedwire Funds Service and NSS. How would such potential enhancements be used in the context of expanded hours? Are there any potential service enhancements that should be prioritized ahead of expanded hours?

- The Federal Reserve Banks should consider developing tools designed to assist financial institutions in actively monitoring and managing the balances maintained in their Federal Reserve Bank Master Accounts. These tools should include liquidity management aids to help manage an institution's cash position during non-traditional banking days and



evenings, which may include alerts notifying financial institution employees when action is needed. Such alerts should be available without requiring employees to sign into FedLine, enabling simplified communication during nights, weekends, and holidays.

15. Please describe any other consideration that you believe should be taken into account as the Board contemplates expansion of operating hours for the Fedwire Funds Service and NSS.

- Smaller community banks and credit unions will likely face competitive pressures regarding their participation in the potential expansion of operating hours for the Fedwire Funds Service. In addition to these competitive pressures, these institutions will likely incur additional costs associated with managing liquidity, whether through manual or automated processes. Although not directly controlled by the Federal Reserve Banks, subsequent changes to payment system rules due to the expansion of the NSS, which could mandate additional settlement windows on non-traditional banking days, would likely also demand resources from smaller community banks and credit unions.

UMACHA is appreciative of this opportunity to provide feedback on the Federal Reserve Board's request for comment and applauds for the Federal Reserve Board for its ongoing efforts to improve the efficiency and effectiveness of the nation's payments infrastructure.

Sincerely,

Angi Farren
President and CEO
UMACHA

Jennifer Miller
Senior Director of Services
UMACHA

Eric Wester
Associate Director of Education Services
UMACHA