

Proposal: 1831 Expansion of Fedwire Funds Service and National Settlement Service Operating Hours

Description:

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From: First Hawaiian Bank, Shirley Durham

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Comments:

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Your comment: Subject: OP-1831 Expansion of Fedwire Funds Service and National Settlement Service Operating Hours Dear Members of the Board, We are writing to oppose the proposed expansion of the operating hours of the Fedwire Funds Service and the National Settlement Service (NSS) to 22 hours a day, 7 days per week, every day of the year, based on several key concerns:

- Operational and Security Risks: Extending operating hours increases the window for potential cyberattacks and operational disruptions. The current downtime allows for necessary maintenance and security checks, ensuring the system's integrity and resilience. A 22x7x365 schedule reduces this

buffer, potentially compromising the system's reliability. • Cost Implications: The expansion would require significant investment in infrastructure, personnel, and technology to ensure seamless operation. These costs might outweigh the benefits, especially if the additional operating hours are underutilized. Smaller institutions might struggle to afford the necessary upgrades, creating disparities in the financial system. The higher operational costs may put regional banks at a competitive disadvantage if they are unable to implement the service. • Staffing Challenges: Ensuring round-the-clock operations would necessitate hiring at least four additional full-time staff or imposing extended hours on current employees, potentially leading to burnout and reduced efficiency. The quality of service and employee well-being might be adversely affected by such demands. The inability to staff the operations could prevent regional banks from implementing the service, leading to a competitive disadvantage. • Diminishing Returns: The current operating hours are already extensive and meet the needs of most users. Extending these hours might not lead to a proportional increase in transaction volume or economic activity. The marginal benefits of additional operating hours may not justify the substantial efforts and resources required for implementation. Market Impact and Volatility: Longer operating hours could lead to increased market volatility, as traders and financial institutions adjust to the new schedule. The constant availability might encourage riskier behavior and rapid reactions to global events, potentially destabilizing markets. Regional and Global Coordination and Competition: While extending operating hours might seem advantageous for global coordination, it could create competitive pressures among international payment systems. Other countries might feel compelled to follow suit, leading to a race to the bottom in terms of operating hours, further straining global financial infrastructures. Regional Banks that cannot afford the increased operational costs may face a competitive disadvantage globally. Given these concerns, it may be more prudent to focus on optimizing the current system and addressing specific needs without a blanket expansion of operating hours. Conducting a thorough cost-benefit analysis and considering alternative solutions to improve efficiency and accessibility could provide a more balanced approach. Thank you for considering our perspective on this matter. We remain committed to working constructively with the Board to ensure the continued efficiency and stability of the financial services industry.

Sincerely,
Shirley Durham SVP
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First Hawaiian Bank
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