



By electronic delivery to regs.comments@federalreserve.gov

September 6, 2024

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.

Ladies and Gentlemen:

Visa appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (Board) proposal to expand the operating hours of the Fedwire Funds Service and the National Settlement Service (NSS). The Board proposes to expand the operating hours of the Fedwire Funds Service to 22 hours per day, 7 days per week, every day of the year (22x7x365) and to correspondingly expand the operating hours of NSS, with NSS closing 30 minutes earlier than the Fedwire Funds Service. The Board requests comments on the potential benefits, risks, and implementation considerations of the proposal. In addition to providing responses to the Board's questions posed in the request for comment, we provide a number of high-level considerations for the Board's consideration.

Visa Inc. ("Visa") is a global payments technology company that connects consumers, businesses, financial institutions, and governments in more than 200 countries and territories, enabling each of them to use digital payments and participate in a global marketplace. Visa operates a state of the art, innovative, reliable, and secure payment network around the globe. Our advanced global processing network, VisaNet, is capable of handling more 65,000 transaction messages a second. Visa provides payment services to over 14,500 financial institutions and other members worldwide, so that their customers may safely, securely, and reliably transact at more than 130 million merchant locations across the globe. Visa's network facilitates the clearing and settlement of payment transactions and provides numerous security and risk services, such as fraud monitoring, that help our clients and partners ensure the integrity of payments and broader use of the financial system.

Visa generally supports the Board's proposal to expand the operating hours of both services, which could provide Visa's settlement banks and clients to more flexibility in effectuating settlement as customer demand warrants. The safety, reliability, and efficiency of Visa's wholesale settlement functions are fundamental to our operations. Ultimately, Visa believes the overall benefits of expanded hours would need to exceed the higher operational costs for the industry to voluntarily adopt it.



We provide six high-level recommendations regarding the Board's proposal below:

- **Liquidity Management:** Ensure clarity on measures available for participants to maintain adequate liquidity, especially for those without direct access to the Fed's discount window or intraday credit facilities.
- **Settlement Failures:** Establish robust framework to manage potential settlement failures or insufficient funds during the expanded hours with transparent communication regarding any penalties or consequences.
- **Interoperability with Other Systems:** Prioritize coordination efforts to align cut-off times and settlement cycles, for seamless integration of all payment systems and settlement agents.
- **Voluntary Participation:** Provide detailed guidelines on the operational handling of transactions when financial institutions selectively participate in the expanded hours and the implications for non-participating financial institutions.
- **Operational Costs:** Address the operational costs associated with the expanded weekend hours and provide insight into the expected volumes to assist potential participants with its business case.
- **Advance Notice for Implementation:** Propose a minimum advance notice of two years before implementing the extended hours to allow for the necessary operational adjustments and maintain service continuity.

We anticipate that the Board's specific implementation decisions will influence how and whether the industry participates in the expanded settlement windows. We provide more detailed responses to specific questions in the proposal below.

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?

Visa clients that use Federal Reserve services to support their Visa settlement obligations and that are in a net receivable position will be able to receive settlement funds faster and certain financial institutions (FIs) may benefit from a reduction of collateral requirements. Settlement volumes and forecasting can be more normalized when performing analysis daily versus adjusting for weekend or holidays. Aligning holiday calendars and managing liquidity positions to cover for weekend and holidays may be easier to manage for FIs.

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?

Visa clients in a net receivable position may want to receive settlement daily and potentially more frequently throughout the day. Demand will come from acquiring banks (“Acquirers”) since their activity is primarily processing purchase transactions. Ultimately, Visa believes the overall benefits of expanded hours would need to exceed the higher operational costs for the industry to utilize the enhanced service.

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

--

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?

Fedwire and NSS serve different purposes from FedNow. Visa does not anticipate that it would use FedNow for effectuating VisaNet settlement. Expanded Fedwire and NSS hours may help some FIs with liquidity management over weekends and holidays related to FedNow because they will be able to top up their FedNow settlement account whenever necessary rather than only on business days.

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?

--

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)?

Our preference regarding a phased in approach and preferred timeline for expansion will be dependent on client sentiment and whether there is a want/need to deploy the expansion. Further, in determining the best solution for implementing change, we will need to design a solution, secure technical resources, develop automation and enhancements, and provide operational training and support.



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?

Similar to response above (#6), our interest in the expanded service will be dependent on client demand. Visa will need system enhancements to be implemented to accommodate the expansion but until a solution is architected, it is difficult to ascertain our preferences.

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?

Today, Visa settles all client activity by netting their settlement positions for each window achieving a net zero position. If clients are not prepared for the change in operating hours, they may not have sufficient funds to cover their daily settlement position when wires are initiated. Visa would continue to settle all positions in the window, and this may increase the potential risks that Visa's bank account balance could be overdrawn resulting in overdraft charges for Visa, which would have to be managed. In these cases, fees could be imposed on the clients for late settlement. Depending on how frequently funds transfers are initiated for settlement and client availability to respond to the wire initiation, additional costs could be incurred.

There may also be a need for increased access for short term liquidity for the ecosystem where some parties may not be able to settle on a timely basis, which would necessitate access to ideally all, but at least some combination of the following: demand deposit accounts, money market funds, Treasury and Agency investment market and revolving credit facilities during the extended hours.

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)?

For Visa, we continually process activity but may need to execute wires multiple times a day and implement additional windows to provide clients with additional information and reporting to support the change. Smaller institutions may not have the capacity to implement the changes, and traditional participants will also have to make enhancements. Non-traditional participants may benefit from the extension of operating hours as they can access USD at a time when it is normally not available. For clients settling USD in a different geography and time zone, the expansion could help overseas clients obtain settlement faster.



10. Are there infrastructure-related market conditions or barriers (for example, the availability of short-term funding markets over the weekend) that may prevent or reduce your firm's ability to fully achieve the potential benefits of 22x7x365 operating hours for the Fedwire Funds Service and NSS? If so, what are they? What steps might the industry and/or Federal Reserve take to remove such barriers?

As previously mentioned, there may be a need for increased access to short-term liquidity within the ecosystem, particularly for parties that may face challenges in settling on a timely basis. The markets from which the ecosystem sources its liquidity should also align with this operational expansion.

To the extent that participation in extended hours is voluntary (as further discussed below), it is likely that the introduction of the expanded service will be accompanied by heightened risk and increased barriers to utilization. Instituting mandatory adoption of the expanded hours would serve as a better guarantee for the potential benefits. Absent a mandate and anticipating an unpredictable participation rate from FIs, the expanded windows present considerable challenges.

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?

Given Visa's current net settlement model described above, Visa believes that voluntary participation in the proposed expanded hours would introduce complexity. For example, allowing clients the ability to opt out will make it more difficult to segregate activity of clients that are part of the expansion versus those that are not part of the expansion. Visa will likely need to enhance current settlement windows, reports, systems and educate clients of the changes and accommodate any settlement bank changes. One option for the Board to consider is to provide intra-day liquidity for those participating in the expanded hours or provide other incentives for opting in.

12. How does your institution anticipate managing liquidity needs in an expanded hours environment? Is the availability of discount window loan originations on weekends and holidays a prerequisite for expanded operating hours for the Fedwire Funds Service and NSS? If so, should the discount window be available 22x7x365, or alternatively, during certain defined hours on weekends and holidays? During what hours should discount window loan originations be available?

Access to additional liquidity may be necessary in instances where the client is unable to settle and there are insufficient funds in Visa settlement accounts readily available to cover other



client settlement positions. Aligning the availability of funds to the expansion of operating hours assures the industry that there are fallback measures in place that banks can utilize when a failure occurs.

13. What effects, if any, on funding market activity should be taken into account when considering the expansion of operating hours for the Fedwire Funds Service and NSS? Would the expansion of operating hours for the Fedwire Funds Service and NSS affect existing wholesale funding markets, including the repurchase market? Do you expect wholesale funding market activity to occur on weekends and holidays?

See responses to Questions 8 & 10. Visa primarily uses demand deposit accounts and money market funds to fund liquidity shortfalls, however in extreme circumstances would also utilize our investment portfolio (primarily Treasuries and Agencies) along with our revolving credit facility. Continued availability of these funds will be necessary to support the expansion to mitigate settlement risk.

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 Board could consider implementing a new time-bound draw-down wire type as a flexible solution for managing liquidity and settlement risks across the Fedwire ecosystem. For example, a time-bound drawdown request could help to make receipt of funds timing more predictable when using a drawdown wire and potentially open opportunities for Visa and other entities to perform multiple settlement with its clients intra-day. This approach could provide faster settlement while guaranteeing funds are received within a pre-defined time period, even if multiple settlements are not conducted.

* * *

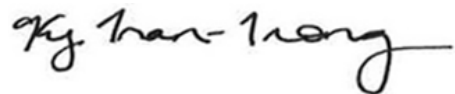


September 6, 2024

Page 7

Visa appreciates the opportunity to comment on the Board's proposal. If you have questions about any of the foregoing or would like to further discuss our comments, please do not hesitate to contact me at (202) 419-4109 or ktrantro@visa.com.

Sincerely,

A handwritten signature in black ink, reading "Ky Tran-Trong", enclosed in a thin black rectangular border.

Ky Tran-Trong
Vice President and Associate General Counsel
Global Risk and Regulatory Affairs
Visa Inc.

