



September 6, 2024

Via Email

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:

Citigroup Inc. (“Citi”)¹ appreciates the opportunity to comment on the above-referenced request for comment (the “RFC”) issued by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) on a proposal to expand the operating hours of the Fedwire Funds Service (the “Proposal”).²

As a U.S.-based banking organization that has a global network of financial services that stretches across nearly 180 countries, we consider the Proposal to be an appropriate step to enable seamless U.S. dollar (“USD”) payments processing in response to rapidly changing market conditions and demand expressed by U.S. and international customers, including multi-national corporates and financial institutions. The Proposal would strengthen the role of the USD as the preferred currency for the settlement of global trade obligations and mitigate the risk of disintermediation of the USD as the main currency of choice for the execution of international settlements, especially as other payment schemes are expanding their operating hours in numerous jurisdictions across the world.

Benefits of Expanded Fedwire Funds Service Operating Hours

We agree with the RFC’s characterization of the business opportunities presented by, and sources of demand for, expanded operating hours for the Fedwire Funds Service. We anticipate demand for expanded operating hours to originate from both U.S.-domiciled and international clients. Domestically, U.S.-domiciled companies already operate during the hours the Proposal contemplates for expanded Fedwire Funds Service operation (*e.g.*, U.S. holidays) and would

¹ Citi is a diversified global financial services holding company whose businesses provide a broad range of financial services to consumer and corporate clients as well as governments and other institutions.

² Expansion of Fedwire Funds Service and National Settlement Service Operating Hours, 89 Fed. Reg. 39,613 (proposed May 9, 2024).

therefore benefit from accelerated payments execution. Internationally, we anticipate demand for expanded Fedwire Funds Service operating hours from corporate customers, international financial institutions that facilitate the execution of payments associated with global trade, and consumers. As many major foreign markets operate during U.S. holidays and during the evening hours in U.S. time zones, expanded operating hours for the Fedwire Funds Service would enable more effective settlement of payments. Further, the availability of USD payments execution on a continuous basis would allow for the settlement of transactions on weekends (*e.g.*, for financial institutions in the Middle East and others operating on Saturdays and Sundays).

Phased Implementation of Expanded Operating Hours

Considering the importance of the Proposal, we recommend that the project of expanding the operating hours of the Fedwire Funds Service to 22x7 be initiated after the Fedwire Funds Service migration to the ISO 20022 standard.

The introduction of 24x7 operating hours should be the ultimate goal for USD wholesale payments in order to address increasing national and international demand. The decision to expand operating hours to 24x7 should consider industry readiness as well as the incremental benefits for USD payments processing.

In the meantime, expanding the current operating hours to 22x7 represents a balanced approach to delivering material improvements to Fedwire Funds Service availability. These expanded operating hours would enable numerous business-to-business, consumer, and eCommerce use cases nationally and internationally.

Participant Resiliency

The implementation of expanded operating hours would reduce the amount of service downtime currently available for the maintenance of the Fedwire Funds Service and for participating banks. Such a reduction in service downtime would also result in there being less time available to address any potential operational or technical issues experienced by the Fedwire Funds Service or participating banks. Expanded operating hours would therefore present a major change for the industry that would require a material evolution of the incumbent operating model, investment into technology to accommodate continuous operations, and potential changes to processes that support liquidity management. Given these factors, it would be essential to review and define enhanced resiliency policies that could adequately address the expanded operating model.

Need for Transparency

Under the Proposal, banks that choose not to participate in the expanded Fedwire Funds Service operating hours, and that receive payments during the expanded hours, would not be required to take action on any received payments. Given that participation in a 22x7 operating environment for the Fedwire Funds Service would be optional, we recommend taking a different approach: The Federal Reserve should introduce a transparency mechanism that would allow banks—before payments are executed—to determine which other banks participate in the expanded operating hours and are available to receive the funds. This approach would increase

the confidence in a 22x7 operating environment and that the ultimate objective of end-to-end payments processing (from ordering party to receiving party) will be achieved. The absence of such a transparency mechanism may reduce the adoption of payment processing during the expanded Fedwire Funds Service operating hours.

Addressing Adverse Market Events

Though expanded Fedwire Funds Service operating hours would enhance the client experience, payments processing, and liquidity management, it could also result in unintended consequences in the event of an unforeseen adverse market event. For example, if a bank in the expanded operating hours experiences rapid liquidity outflows due to financial distress, the availability of the expanded operating hours may amplify the event's effects due to the loss of the natural circuit breaker maintained by the prior model's more limited hours. To address potential adverse market events, the Federal Reserve should consider a mechanism to suspend the processing of payments using the Fedwire Funds Service during the expanded operating hours for a participant bank that is facing challenges, or otherwise reserve the right to suspend the expanded operating hours process for all Fedwire Funds Service participants.

Liquidity Management

In order to promote sound liquidity management to support the expanded Fedwire Funds Service operation, the Federal Reserve should consider the following measures:

- a) Extending discount window hours and operations to match the expanded availability of the Fedwire Funds Service. This would be a key component to ensure adequate measures are in place to support liquidity as and when needed, especially during times when other funding sources are scarce.
- b) Promoting the fungibility of various payment scheme accounts. For example, if participating banks' master accounts are running low, funding from Real-Time Payments (RTP) accounts should be allowed if they have adequate liquidity. Tools such as automated, rule-based sweeps across payment scheme accounts would reduce risk and increase operational efficiency.
- c) Implementing an "early warning system" to alert a participant if liquidity is running below predefined thresholds in order to enable it to take timely action to preserve adequate liquidity.

Definition of Business Day

Upon implementation of the expanded Fedwire Funds Service operating hours, we recommend that the value date for payments processed on a weekend or holiday be the calendar date of that weekend or holiday. However, for reporting purposes, weekends and holidays should be regarded as an early opening of the subsequent non-weekend, non-holiday business day, as opposed to being regarded as business days themselves. Otherwise, the significant impacts on accounting cycles and regulatory reporting requirements would necessitate major staffing, operational, and technological changes to support a 22x7 operating environment.

We appreciate the opportunity to comment on the RFC. If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in blue ink, appearing to read "Debopama Sen".

Debopama Sen
Head of Payments, Citi Services