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Submitted via email to regs.comments@federalreserve.gov

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Ann Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue., N.W.
Washington, D.C. 20551

RE: Public Comment on Expansion of Fedwire Funds Service and National Settlement Service Operating Hours; Docket No. OP-1831

Dear Ms. Misback;

Western Payments Alliance (Wespay) values the opportunity to submit this comment letter to the Board of Governors of the Federal Reserve System in response to Docket No. OP-1831 regarding the expansion of Fedwire Funds and Net Settlement Services (“the Proposal”).

Introduction

Wespay is the oldest and one of the largest payments associations in the United States, providing education, information, advocacy, and advisory services to over 800 member organizations. Our team partners with financial institutions, third-party payment providers, and organizations that supply payment services related to operations and compliance, risk management, fraud, and payment strategies. In 2024, Wespay celebrates its 52nd anniversary of engaging with and advocating on behalf of its members.

Wespay’s Response Method

The comments in this letter represent a compilation of feedback collected through an online Wespay member survey, a discussion with our Rules Advisory Council and Board of Directors, and direct member conversations on the topic.

Expanded Processing Hours

The Federal Reserve Board proposes expanding the current 22-hour weekday operating hours for the NSS and Fedwire Funds Service to seven days per week, every day of the year, with after-hours, weekend, and holiday processing being optional.

Wespay has long supported expanded processing hours for the NSS service, dating back to the Federal Reserve's 2015 report, "Strategies for Improving the U.S. Payments System." We anticipated the expansion of NSS operating hours as a standalone action by the Federal Reserve that would enable private sector improvements to a range of payment services, enabling consumers and small businesses to effectively manage their cash flow.

This proposal couples the expansion of NSS operating hours with equivalent hours for the Fedwire Funds Service, which has resulted in a mixed response from Wespay members. In our survey, Wespay members were split in their support of this proposed feature, with 54% of financial institutions with assets greater than \$1 billion supporting the proposal. Only 29% of smaller FI members support the proposal as presented.

Wespay members' concerns focus on the challenges of providing Fedwire Funds Service during the weekend and holiday hours. Smaller community institutions state they do not believe there is a sufficient business case for seven-day wire operations, and they anticipate low client/member demand for services outside of traditional business hours. They have additional concerns that this change will create a more significant competitive advantage for large financial institutions with the staffing resources needed to support 22x7x365 operations. Faith-based organizations are also opposed to Sunday operations.

Wespay's largest members generally support both aspects of the proposal. We believe many of these institutions currently participate in after-hours processing of the Fedwire Funds Service to support international business operations and commercial clients' needs. Many large institutions also have weekend staffing to support other payment operations functions.

Perception of Optional Service

The Federal Reserve Board has proposed making the weekend and holiday operating hours of the NSS and Fedwire Funds Service optional for financial institutions.

While 74% of Wespay members prefer that weekend and holiday participation be optional, smaller financial institutions are concerned that, over time, participation would become a de facto requirement to compete against larger participating institutions that can more readily absorb the economic impact of supporting weekend and holiday processing. Members have quoted a broad range of incremental investments needed to comply with the expanded operating hours: staffing in operations and call centers, new processing capabilities within their core, settlement and accounting systems, and expanded functionality in risk management, AML/sanctions, funds management, and technology controls.

A common and compelling concern of Wespay's smaller financial institution members is that the competitive threat to participate will increase over time, and they will lack the scale, volume, and demand to recover the cost of offering the service.

Interim Expansion Recommendation

The Federal Reserve Board has asked for preferences relating to expanded hours before transitioning to 22x7x365.

Wespay's community financial institution members are interested in an interim solution provided during weekend and holiday business hours (i.e., 9:00 a.m. to 5:00 p.m.). This would reduce staffing and system costs for participants while still providing clients/members with weekend payment capabilities, especially since most businesses do not operate on a 22-hour schedule, especially on weekends.

We have shared this expansion concept with various Wespay members and colleagues in the payments industry, and it has received extensive support.

Current Processing Schedule Limitations

Although this was not included in the Federal Reserve Board's proposal, Wespay members are seeking an option to continue Fedwire Funds Service operations throughout their Monday through Friday business day. Wespay members are primarily based in the West and must cut off wire instructions midday, typically between 1:00-2:00 p.m. PT. These institutions want to extend uninterrupted operating hours throughout our business day until 8:00 p.m. PT/11:00 p.m. ET. The current closure of NSS at 3:30 p.m. PT/6:30 p.m. ET negatively impacts Western financial institutions' ability to service afternoon client requests in the Mountain, Pacific, Alaska, and Hawaii-Aleutian time zones.

As the Federal Reserve continues to seek improvements to payment systems capabilities, the ability to process throughout the business day, regardless of the U.S. time zone, is a high-priority request of financial institutions in the Western U.S.

Liquidity Management Concerns

The expanded hours of the NSS and Fedwire Funds Service would require financial institutions to maintain higher balances in their Federal Reserve Accounts through weekends and holidays to accommodate settlement. Wespay members anticipate an increased need for funding. Possible funding options include correspondent relationships and the Federal Reserve's discount window. Wespay members expressed interest in the Federal Reserve offering a liquidity management tool similar to the one supporting the FedNow Service to support FIs participating in extended hours.

Definition of Banking Days

Wespay members anticipate that the Proposal will require the Federal Reserve and payment systems participants to update their definition of business, settlement, and banking days. Currently, all NSS and Fedwire Funds Service participants share the same business/settlement/banking day schedule. Wespay members anticipate potential impacts on the timing of funds availability, exception processing, and return timeframes as defined by Regulation E and Regulation CC.

Currently, payment systems participants operate on a common understanding that a banking day is considered a day that a financial institution is open for settlement. Optional participation in these services will result in institutions referencing different business days, increase complexity, and make the resolution of operational issues more contentious.

Wespay does not immediately have a proposal to address this concern. We are bringing up an issue that has been raised by members and is suitable for the Federal Reserve Board to consider and clarify if the proposal moves forward.

Timeline for Proposal

The Federal Reserve Board has suggested an implementation date could be achieved two years after implementing the ISO 20022 message format for the Fedwire Funds Service, no sooner than 2027.

Wespay members suggest an implementation date no sooner than two years after the Federal Reserve Board's final ruling on this proposal. As mentioned previously in our response, implementing this proposal will necessitate significant adjustments for financial institutions interested in participating.

Wespay appreciates the opportunity to share our thoughts and would be pleased to discuss our members' comments in more detail.

Regards,



William Schoch
President & CEO

cc: Wespay Board of Directors and Wespay Rules Advisory Council