

August 19, 2024

Via Electronic Submission

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

Docket No. OP-1831

Dear Ms. Misback,

Nacha and the undersigned Payments Association members appreciate the opportunity to provide comments on the Federal Reserve Board's (the "Fed") proposal (the "Proposal") to extend the operating days of Fedwire and the National Settlement Service ("NSS") to seven days a week, including holidays.

Currently, both Fedwire and NSS operate Monday through Friday,¹ excluding holidays. Under the proposal, both services would operate every day of the year, including holidays. The operating hours each day would remain the same as current operating hours, with Fedwire open 22 hours per day (9:00 pm–7:00 pm ET) and NSS open 21.5 hours per day (9:00 pm–6:30 pm ET).

The Federal Reserve's 2015 report, "Strategies for Improving the U.S. Payment System," included weekend and/or 24/7 operating hours for NSS as an objective the Fed should support. Since 2015, banking and payments industry participants and organizations have generally and broadly supported the expansion of Fedwire and NSS operating hours through numerous comment opportunities to the Fed.

Nacha governs the thriving ACH Network, the payment system that drives safe, smart, and fast Direct Deposits and Direct Payments in the U.S. In 2023, there were more than 31 billion ACH Network payments made, transferring more than \$80 trillion.

Nacha supports the Proposal. In addition to providing general comments, Nacha is also providing comments on the opportunities and impact of the Proposal on the use of ACH payments in the U.S.

General Comments

According to the Fed, the benefits of extending the operating days of Fedwire and NSS are to:

- Enhance the safety and efficiency of the U.S. payment system by extending the hours in which settlement in risk-free central bank money can occur;
- Help preserve the status of the U.S. dollar as the preferred currency for global settlement;
- Enhance the ability of cross-border payments and international commerce to be conducted in U.S. dollars;
- Align the operating hours of existing payment infrastructures and arrangements, particularly RTGS systems, across G20 jurisdictions;

¹ Fedwire and NSS open at 9:00 pm ET on Sundays, though the Fed defines this as the opening for Monday.

- Provide increased flexibility in operating hours among West Coast banks or to expand days available to recover from an operational issue;
- Support commerce that is increasingly being conducted outside traditional business hours; and
- Help to position the nation's payment and settlement infrastructure for the future.

Nacha agrees with these stated benefits. We also note that the Fed has obtained feedback from a range of stakeholders on the benefits of expanding the operating days for each service. Indeed, there is a large volume of comments in the public record from previous comment opportunities supporting and encouraging the Fed to move in this direction. In addition to Nacha's own extensive comments on the topic,² other statements of support and encouragement over the years have come from the Federal Reserve Bank of New York's Payments Risk Committee, National Consumer Law Center, Independent Community Bankers of America, American Bankers Association, The Clearing House, National Association of Federal Credit Unions, JPMorgan Chase, Citibank, Bank of America, Cato Institute, Brookings Institution, National Retail Federation, Merchant Advisory Group, several Members of Congress, and many others.

The Proposal would allow a receiving financial institution to opt out from acting on Fedwire transfers that are received during the extended operating days. Nacha thinks this is reasonable in the near-term. Over time, competitive pressures would make opting out less viable; and ongoing institution enrollment and participation in FedNow, Real-Time Payments, Zelle and other systems makes the claim of "we're closed" less tenable and less true.

The Fed also is correct to differentiate opting out of acting on Fedwire transfers from opting out with respect to participation in settlement arrangements that use NSS. As the Fed notes, whether an institution can opt out of settlement arrangements may be governed by the rules of that clearing and settlement arrangement that the participating FI has agreed to follow. In such a case, the rules of the clearing and settlement arrangement should be permitted to govern and not be overridden by this Proposal.

While the Proposal did not state a specific effective date, it said that the effective date would be no sooner than two years after the completion of the conversion of Fedwire to the ISO 20022 message format. Nacha thinks that this target effective date is reasonable and encourages the Fed to adopt a timeline that is two years after the completion of the conversion rather than merely setting a floor "no sooner than" the end of that period. Should additional significant delays occur in the Fedwire ISO conversion, the Fed should reconsider whether a full two-year gap remains necessary prior to the implementation of the Proposal.

While not part of the Proposal, Nacha recommends that the Fed explore aligning the hours of the Fedwire day with the calendar day. Organizations' payment operations and accounting, as well as overall industry understanding, might be improved with a Fedwire day that runs from midnight-to-midnight (presumably on Eastern Time).

Opportunities for ACH

At the outset, Nacha notes that the Proposal would not make or necessitate any changes to either the Fed's FedACH service or to the whole of the ACH Network. Nevertheless, Nacha believes that the Proposal provides opportunities for the participants in the ACH system to decide to make changes to the ACH Network through the Nacha rulemaking process.

² See a listing in the Appendix.

Nacha has worked over the past 12 years to expand ACH processing hours and days, and clearing and settlement speed, for ACH payments. Nacha and the two ACH Operators introduced Same Day ACH (“SDA”) in September 2016, and Nacha estimates that in 2024 there will be more than 1 billion SDA payments made. The Fed has twice incrementally extended the end of the NSS processing day to accommodate access for The Clearing House (“TCH”) to settle its intra-TCH SDA activity; and SDA schedules and dollar limits have been expanded several times.

In September 2022, Nacha and the two ACH Operators introduced a late-night ACH file distribution to all receiving financial institutions in the ACH Network by 11:30 pm ET on business days, accelerating the delivery of ACH payments that otherwise would be received during the morning of the next business day. Nacha estimates that an average of nearly 10 million ACH payments per day are delivered in these files on Monday through Thursday, and that the average volume on Friday nights is more than 50 million ACH payments. Receiving institutions can use this accelerated payment information to better reflect customer account balances for pending payment activity. This can be especially impactful on Friday nights in advance of a weekend or even a holiday weekend.

These experiences demonstrate that over time, the expansion of operating days and hours generates new transaction volume and therefore benefits the users of the ACH system.

Currently, though, TCH as a private-sector ACH Operator cannot settle ACH payments when NSS is closed. This constrains the ongoing improvement of the ACH Network with respect to processing times and speeds.³

The following two examples illustrate how the expansion of NSS operating days can enable the additional expansion of ACH Network processing capabilities and speed.

Additional SDA Opportunity

Many ACH participants would like an additional SDA processing opportunity aligned with the close of the business day in the Pacific time zone. While existing NSS operating hours could support this SDA expansion on Monday through Thursday, NSS is closed on Friday at 6:30 pm ET / 3:30 pm PT and does not reopen until Sunday at 9:00 pm ET / 6:00 pm PT. TCH as a private-sector ACH Operator would not be able to settle its intra-TCH payments in such an SDA window on Fridays at the close of the business day in Pacific time, increasing settlement risk for ACH participants sending and receiving payments in this window. Expanding NSS operating days by re-opening on Friday at 9:00 pm ET / 6:00 pm PT would enable such settlement.

Settling Next-Day ACH Payments on Saturdays

As noted above, on an average week 50 million ACH payments are distributed to receiving financial institutions late on Friday nights at approximately 11:30 pm ET. These payments do not settle until Monday morning. Additional volumes of ACH payments are cleared at other times during Friday and also settle on Monday morning. The availability of NSS on Saturdays would enable the settlement of these payments on Saturdays. For example, payroll Direct Deposits for hourly or shift workers who work on Friday could be sent, settled and made available in the workers’ accounts on Saturday. Making funds available over the weekend also means that consumers could transfer such funds between their own accounts and cover debit card transactions made over the weekend. Businesses could get faster access to funds from card-based sales, as funding for card transactions often settle to merchants via ACH. Faster access may be particularly important to small businesses that need to manage cash flow over weekends and holidays.

³ While this does not technically constrain the Fed as ACH Operator because the Fed ACH does not use NSS for settlement, in practice both ACH Operators move in tandem on common ACH infrastructure improvements. Accordingly, extension of NSS hours would benefit the entire ACH Network.

There likely are many other ways in which the ACH Network and other payment systems can utilize expanded NSS operating days, and for participants in those systems to utilize Fedwires for liquidity management purposes during expanded operating days.

Thank you for the opportunity to provide comments. If Nacha can be of any assistance or answer any questions, please do not hesitate to contact me at mherd@nacha.org or 703-561-1100.

Sincerely,



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/s/
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Appendix

Prior Nacha Comment Letters on Expanding NSS Operating Days and Hours

1. December 2013 – Nacha [response](#) to the Fed’s Consultation Paper.
2. February 2014 – Nacha [comments](#) on Federal Reserve Policy on Payment System Risk; Procedures for Measuring Daylight Overdrafts.
3. December 2018 – Nacha [comments](#) on improvements to the payment system to support faster payments.
4. June 2019 – Nacha [comments](#) on NSS expansion to support another Same Day ACH window.
5. September 2019 – Nacha Statement for the Record to [House Financial Services](#) (page 84) and [Senate Banking](#) (page 110) Committees.
6. October 2019 – Nacha [comments](#) on FedNow.
7. August 2021 – Nacha [comments](#) on Policy on Payments System Risk.
8. May 2022 – Nacha [comments](#) on Central Bank Digital Currency.