



August 29, 2024

Federal Reserve Board
Comment Intake – Fedwire Funds and National Settlement Services Expansion of Hours
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Docket No. OP-1831-Comment Letter Regarding Fedwire Funds and National Settlement Services Expansion of Hours

To Whom it May Concern:

This comment letter is submitted on behalf of First Bank & Trust (“FBT” or the “Bank”), a four-billion-dollar bank headquartered in Brookings, SD, and regulated by the Federal Deposit Insurance Corporation (“FDIC”). First Bank & Trust has 22 bank branches located in 17 communities in South Dakota and Minnesota. FBT prides itself on its community presence and offers a variety of deposit and lending products (ex. wire transfers) designed to meet the banking needs within the communities it serves.

FBT appreciates having the opportunity to offer feedback on the Federal Reserve’s (the “Board’s”) Fedwire Funds and National Settlement Services Expansion of Hours. FBT has responded below, in response to the questions posed in the Federal Reserve’s request for comment.

Community Bank Impacts

The proposal to extend the operating hours of Fedwire Funds Service and NSS to 22x7x365, or possibly 24x7x365 in the future, presents considerable costs and risks. Many financial institutions, especially smaller community banks, typically operate minimally or not at all on weekends and federal holidays due to the nature of the customers they serve which are not typically large corporates looking to operate 24x7x365. Although opting in to the extended hours of the Fedwire Funds Service is voluntary, financial institutions of all sizes may feel obligated to operate under the new framework in order to remain competitive with processing wire transfers and maintaining customer relationships.

Should the NSS and other payment systems (such as the ACH Network) enhance their processing times, it could greatly affect staffing requirements at financial institutions. This situation would necessitate additional customer service representatives, operations personnel to handle incoming and outgoing ACH transactions, and authorized staff to make decisions on insufficient funds transactions. Revisions may be needed to the Nacha Operating Rules to align



with the timing for funds availability and returns processing on non-business days. Regulation CC may also require adjustments to maintain compliance with regulatory responsibilities regarding funds availability for electronic payments. If check processing moves to daily settlement alongside an expanded NSS schedule, similar operational changes would be needed. These considerations hinge on potential revisions to definitions of "Banking Day" and "Business Day" within various regulations and rules, including but not limited to Regulation CC, Uniform Commercial Code Article 4, and the Nacha Operating Rules.

Another consideration would be the potential for an increase in or impact to reporting requirements for fraudulent activity for both the financial institutions and corporate entities. Ex. Non-consumer banking clients' obligations to report fraudulent activity, contingent upon account agreements with their banks, may result in business customers having year-round daily monitoring for unauthorized actions to ensure timely reporting. FBT has serious reservations about these potential implications, particularly for those non-consumer clients who would need to vigilantly watch their accounts daily for fraudulent or unauthorized activities and avoid overdrafts, creating a considerable burden on businesses and organizations dependent on our services.

Lastly, all sectors (encompassing the banking sector and the wider economy) may confront added risk associated with fulfilling liquidity management obligations outside conventional business hours, in particular, funding large outflows of cash, ensuring proper collateralization of public dollars over FDIC limits, and having adequate staffing available. With almost no respite from transaction flows, maintaining liquidity levels for banks and customers will now be a potential risk every day of the year without the built in cooling off periods that occur naturally during weekends and holidays in today's operating model.

Conclusion

As a small community bank, we express the above-mentioned concerns regarding the suggested expansion of Fedwire Funds Service and NSS operating hours to either 22x7x365 or potentially 24x7x365. This industry shift would bring about substantial costs and inadvertent risks for FBT, the customers we serve, and the banking sector as a whole. Unlike large commercial banks, our resources do not permit 22x7x365 nor 24x7x365 staffing nor operating. Nonetheless, FBT would still sense the need to adapt to these extended hours across various payment systems like the ACH Network and others that may follow suit in order to remain competitive in the market. These types of adaptations would require additional staffing, technological investment, security measures, and potential regulatory compliance updates, all of which may impact our capacity to effectively serve our customers and communities.

FBT prides itself on its community presence and providing the best quality products and services to its customers. Community banks like FBT play a vital role in the financial health and well-being of local economies and beyond. It is imperative that the changes recognize the value of community banks and support the integrity of community banks, while considering the overall landscape of payment processing across the banking industry. We recommend the Federal



Reserve thoroughly assess the merits and drawbacks of this proposal and consider its impact on all parties involved particularly smaller community banks and their clientele. We are grateful for the chance to voice our perspective on the Fedwire Funds and National Settlement Services Expansion of Hours.

Sincerely,

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