

## Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours ACFCU Responses

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?

Beyond the benefits already outlined in the Federal Register Notice, the primary benefits to Alloya Corporate Federal Credit Union (Alloya) would include:

- Our cash management team would experience streamlined use of wires for replenishing liquidity in our Fed account over weekends and holidays as FedNow activity ramps up.
- To the extent that our credit union members participate in the expanded hours, Alloya could support them by offering existing and new services during these hours; however, the cost of offering these services would need to be weighed against the benefits.

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?

Alloya agrees with the statements included in the Federal Register Notice regarding demand being primarily from large, global financial institutions. Potential use cases for smaller financial institutions would overlap with those already identified for FedNow® Service. Initially, we would anticipate the expansion to shift existing volume, with the potential over time to expand as new solutions are created and adopted.

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

Expansion typically leads to more opportunities and solutions in the marketplace, and this is likely no exception.

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?

Expanding Fedwire Funds Services (FFS) could make FI's investment in and usage of FedNow less compelling. Especially since FedNow participation is still ramping up and anticipated to continue for several more years, the expansion of FFS could undermine FedNow adoption and activity. The Board may want to consider establishing a minimum dollar value per transaction for FFS during these expanded hours in order to encourage the use of FedNow for lower-dollar payments.

## Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours ACFCU Responses

How do you anticipate using these services in the future?

To the extent that our credit union members want to participate, Alloya could support them by offering additional services; however, the cost of participating would need to be weighed against the benefits.

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?

As long as the participation in the expanded hours is optional, we don't see a need for interim expansion.

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)?

As noted in the Federal Register Notice, we agree that anything prior to 2027 would be challenging for most FIs. The 2027 timeframe should provide adequate time to evaluate and implement for those who decide to participate from the start.

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?

Alloya is not interested in **24x7x365** at this time. As mentioned in the Federal Register Notice, having no downtime would increase costs further, make maintenance more challenging, and increase the window for potential cyber-attacks across the banking industry.

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?

The costs and risks to Alloya and to our member credit unions align with those mentioned in the Federal Register Notice. The level of impact would vary based on size of organization, but the costs associated with human resources, infrastructure, vendor support, member support would be significant. There would be a ripple effect to our vendors and members. Additionally, the fraud and compliance risks associated with expanded hours would need to be carefully considered.

## Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours ACFCU Responses

What is the estimated incremental cost on a percentage basis to support 22x7x365 operating hours for the Fedwire Funds Service and NSS?

Alloya estimates that if we were to expand services to 365 days, this would result in an incremental cost increase of between 20-25%.

While some infrastructure could be leveraged, there will be an initial investment in system and procedural changes as well as on-going costs associated with increased staffing, vendor expenses, and member support.

What are the implications for competitiveness?

Financial institutions that do not participate could be at a competitive disadvantage. If the larger institutions using this service primarily to benefit their global operations and customers also offer lower-value wire capabilities and faster settlement on weekend and holiday activities, account holders may redirect business away from smaller FIs not offering these services. This could accelerate the consolidation already occurring among small and mid-sized FIs.

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)?

Nothing further to add beyond what is already stated in the Federal Register Notice.

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?

No comment.

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?

As mentioned in a previous comment, in addition to the ability to opt out, potential benefits could be augmented by establishing a minimum dollar value per transaction for Fedwire Funds Service during these expanded hours. This would enable small to mid-sized institutions to better compete for customers as they could use the FedNow Service to satisfy weekend and holiday transaction activities.

## Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours ACFCU Responses

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?

No comment.

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?

No comment.

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?

Would like to see continued focus on expanding network-level fraud controls for the FedNow Service.

15. Please describe any other consideration that you believe should be taken into account as the Board contemplates expansion of operating hours for the Fedwire Funds Service and NSS.

No further comments.