

Proposal: 1831 Expansion of Fedwire Funds Service and National Settlement Service Operating Hours

Description:

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Comment ID: 160679

From: First Federal Bank, Stephanie Musgrave

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Subject: 1831 Expansion of Fedwire Funds Service and National Settlement Service Operating Hours

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Comments:

NONCONFIDENTIAL // EXTERNAL

To Whom it May Concern:

First Federal Savings Bank (First Federal) values the opportunity to submit remarks 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).

First Federal is a community bank located in Idaho with assets totaling over \$1.3 billion. Our institution is a member of the Western Payments Alliance (WesPay). WesPay submitted a comment letter to the Board of Governors of the Federal Reserve System on August 16, 2024. The letter represented a compilation of feedback collected from a WesPay member survey. First Federal is in support of this comment letter. Below is information and excerpts that were addressed in WesPay's comment letter, which highlight concerns of First Federal. This does not represent the document as a whole. Please refer to WesPay's comment letter in its entirety.

1. 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.

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

3. 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.

4. 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.

5. 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.

Thank you for your consideration.

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