

September 4, 2024

Via electronic submission

Ann Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Subject: Expansion of Fedwire® Funds Service and National Settlement Service
Operating Hours (Docket No. OP-1831)

Dear Ms. Misback:

The Clearing House Payments Company L.L.C. (“TCH”)¹ appreciates the opportunity to provide comments to the Board of Governors of the Federal Reserve System (“Board”) on the proposal to expand the operating hours of the Fedwire® Funds Service and National Settlement Service (“NSS”) to weekends and holidays.² As the operator of several payment networks and as a user of the Fedwire Funds Service, TCH supports the Board’s proposal to expand the operating hours of the Fedwire Funds Service to 22 hours a day, seven days a week. TCH does not currently see a reason to expand NSS’s operating hours to weekends and holidays, however. The Board proposed implementing expanded hours “no sooner than two years after the migration of the Fedwire Funds Service to the ISO 20022 standard,” which is scheduled for March 2025.³ Informed by feedback from its members, TCH agrees with the Board that Fedwire hours should be expanded no earlier than March 2027. Moreover, given the optional nature of the proposed expansion, TCH and its members would expect the Board to establish a go-live date based at least in part on the willingness and readiness of a critical mass of Fedwire participants to opt in.

¹ TCH owns and operates core payments system infrastructure in the United States, clearing and settling more than \$2 trillion each business day. See TCH’s website at www.theclearinghouse.org.

² [Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours](#), 89 Fed. Reg. 39613 (May 9, 2024) (hereinafter “Request for Comment”). “Fedwire” is a registered service mark of the Federal Reserve Banks.

³*Id.* at 39614.

Expanded Fedwire Hours Would Support Liquidity Management for TCH Payment Networks

TCH has been supportive of expansion of Fedwire Funds Service operating hours since at least 2018.⁴ TCH has emphasized that expanded Fedwire hours would be “the most useful means of providing a new liquidity management tool to transfer liquidity between Federal Reserve accounts outside of current standard business hours....”⁵ Expanded Fedwire hours would make prefunding for TCH’s RTP payment network more efficient and enable better liquidity management for RTP participants.⁶ Currently, RTP participants must preposition prefunding in the RTP Prefunded Balance Account at the Federal Reserve Bank of New York (“FRBNY”) for transactions they anticipate sending over weekends and holidays as prefunding transfers into that account (or from that account) cannot take place when the Fedwire Funds Service is not open. If Fedwire hours are extended into weekends and holidays, however, RTP participants would be able to add or remove liquidity more flexibly, depending on their need for liquidity to make RTP payments.⁷ Indeed, as the RTP network continues to grow in volume, value, and participants, TCH and its members believe that having access to the Fedwire Funds Service as a liquidity management tool will become increasingly important to RTP participants for the optimal functioning of the network and the network’s competitive equality with the FedNow[®] service.⁸

⁴ See, e.g., [TCH Comment Letter to Board Relating to Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments](#) 3–4 (Docket No. OP–1625) (Dec. 14, 2018).

⁵ [TCH Comment Letter to Board Relating to Potential Modifications to the Federal Reserve Banks’ National Settlement Service and Fedwire Funds Service to Support Enhancements to the Same-Day ACH Service and Corresponding Changes to the Federal Reserve Policy on Payment System Risk](#) 5 (Docket No. OP–1664) (July 15, 2019).

⁶ Launched in 2017, the RTP network was the nation’s first instant-payment service. It operates 24 hours a day, seven days a week.

⁷ TCH reiterated its call to expand Fedwire operating hours to support liquidity management for the RTP network nearly five years ago. See [TCH Comment Letter to Board Relating to Federal Reserve Actions to Support Interbank Settlement of Faster Payments](#) 2 (Docket No. OP–1670) (Nov. 1, 2019).

⁸ TCH previously raised liquidity-management and competitive-equality concerns and called on the Board to expand Fedwire Funds Service operating hours. See, e.g., *id.* Among other things, TCH observed that, since TCH had built the RTP network to interact with the Fedwire Funds Service, implementing a liquidity management tool through a means other than expanding the Fedwire Funds Service would require technical changes to the RTP network and result in unnecessary cost and operational complexity. TCH Comment Letter, *supra* note 4, at 3. Despite this comment, the Board ultimately chose to permit the Federal Reserve Banks to implement a liquidity management tool that operates through the FedNow service. See [Service Details on Federal Reserve Actions to Support Interbank Settlement of Instant Payments](#), 85 Fed. Reg. 48522, 48532–33 (Aug. 11, 2020). Even though the Board has stated that RTP participants would be able to access the FedNow liquidity management functionality without becoming full FedNow participants (*see id.*), the FedNow liquidity management tool is not compatible with how RTP prefunding is effected and therefore does not constitute a viable liquidity management tool for RTP participants. TCH and its members are therefore pleased to see the Board now proposing the expansion of Fedwire Funds Service operating hours, which will help redress this competitive inequality between the RTP network and the FedNow service. “FedNow” is a registered service mark of the Federal Reserve Banks.

Expanded Fedwire hours could also help facilitate further expansion of CHIPS operating hours to weekends and holidays.⁹ Like RTP payments, CHIPS payment transactions must be prefunded. That is, CHIPS participants must transfer a predetermined amount to the CHIPS Prefunded Balance Account (“CHIPS Account”) at FRBNY before they may send any CHIPS payments for a given business day. Once the Fedwire Funds Service is operating 22x7, CHIPS participants would be able to send their prefunding to the CHIPS Account for weekends and holidays in the same manner they do today for nonholiday weekdays. Similarly, CHIPS participants could use the Fedwire Funds Service to send supplemental funding to the CHIPS Account as such funding was needed. Conversely, TCH could use the Fedwire Funds Service to return excess liquidity to CHIPS participants and to make payouts of closing positions to CHIPS participants at the end of the CHIPS operating day. While carrying a balance in the CHIPS Account over weekends and holidays could make CHIPS expanded hours feasible,¹⁰ it would be preferable for TCH and CHIPS participants that Fedwire hours be expanded to weekends and holidays.

TCH and Its Members Do Not Support Expanding NSS Hours at This Time

TCH and its members do not currently see a need for expanded NSS hours. Although TCH is aware that some have publicly called for expanding NSS hours in support of weekend and holiday settlement of noninstant retail payments,¹¹ TCH prefers to focus further investments in its longstanding retail payment services on security, resiliency, and fraud mitigation—and not to try to transform those services into around-the-clock operations, for which the instant-payment rails were designed. If, nevertheless, the Board expanded NSS’s hours to weekends and holidays, TCH could foresee using NSS in a limited way to support resiliency for the CHIPS network if that network were to begin to operate during those periods. By way of background, working with the Federal Reserve Banks, TCH established an NSS contingency arrangement to fund and disburse funds from the CHIPS Account if the normal method for doing so—using the Fedwire Funds Service—was unavailable for extended periods or at critical times.¹² If the CHIPS network were to extend its hours to weekends and holidays and if NSS operating hours were also expanded to weekends and holidays, TCH anticipates relying on NSS in support of

⁹ The CHIPS network processes approximately \$1.8 trillion of funds transfers every business day using a highly efficient liquidity-saving algorithm. It operates 21 hours a day, five days a week, opening at 9 p.m. ET the day before a nonholiday weekday and closing at 6 p.m. ET the following day.

¹⁰ TCH and its members therefore disagree with the Board’s suggestion that the CHIPS network would “likely not be able to effectively expand its operating hours without a similar expansion in the operating hours of the Fedwire Funds Service.” Request for Comment, *supra* note 2, at 39618. While the alternative of having CHIPS participants add and leave prefunding in the CHIPS account over weekends or holidays is less optimal than having ready access to the Fedwire Funds Service over those times, TCH’s initial analytical simulations, which were based on estimates of anticipated transaction volumes for a possible Sunday operating session of the CHIPS network, demonstrate that the CHIPS payment-release algorithms would perform effectively. Carrying a balance in the CHIPS Account into weekends and holidays would require Federal Reserve action, however.

¹¹ See, e.g., Press Release, Nacha, [Nacha Statement on the Federal Reserve’s Requesting Comments to Expand the Operating Days of the National Settlement Service to Include Weekends and Holidays](#) (May 3, 2024).

¹² TCH, [CHIPS® PUBLIC DISCLOSURE OF LEGAL, GOVERNANCE, RISK MANAGEMENT, AND OPERATING FRAMEWORK](#) 39 (June 2022). This could be the case if either the Fedwire Funds Service itself or the electronic network used to access that service, FedLine® solutions, or both were disrupted. “FedLine” is a registered service mark of the Federal Reserve Banks.

expanded CHIPS operating hours in those contingency situations in which the Fedwire Funds Service proved to be unavailable (as it would do today during weekday operations). Apart from this potential resiliency benefit, TCH and its members do not currently see a need to expand NSS hours.

Benefits of Expanded Fedwire Funds Service Hours

TCH and its members generally agree with the nature of the potential benefits of expanded hours as outlined by the Payments Risk Committee (“PRC”) and others, including the Board. As the PRC observed in its April 2021 white paper on the expansion of Fedwire Funds Service operating hours, “round-the-clock availability of real-time gross settlement systems (RTGS) provides the foundation to deliver extended flexibility to consumers and businesses for effecting all types of payments transactions, whether domestic or cross-border.”¹³ Many U.S. businesses are open on holidays observed by the Federal Reserve, such as Presidents’ Day or Columbus Day. If the Fedwire Funds Service operated on such holidays, financial institutions would be able to execute funds transfers for those customers. The PRC also noted such an expansion would enable the introduction of additional settlement cycles in ancillary payment systems and could serve “as the bedrock” for foreign exchange, debt, and equity markets to ope

¹⁴ It also touted the potential for greater innovation across the economy.¹⁵ TCH and its members generally concur with these views, while we also recognize the challenges in implementing full 24x7 operations—or even 22x7—in the shorter term. As the Board noted, expansion to 22x7 would give participants time “to gradually adapt to seven-day operations for wholesale payments” and would provide lessons learned that “could be applied to potential future development of full 24x7x365 operations for the Fedwire Funds Service and NSS.”¹⁶

TCH and its members also agree with the PRC that expanding Fedwire Funds Service operating hours to weekends and holidays would help ensure the U.S. dollar remains “the settlement currency of choice within the global digital economy as institutional transactions move towards becoming 24x7.”¹⁷ Expanding Fedwire operating hours could have a number of benefits, including enabling U.S. financial institutions to support clients located outside the United States where business is often transacted on days during which the Fedwire Funds

¹³ PAYMENTS RISK COMMITTEE, [FEDWIRE EXPANDED HOURS WHITE PAPER](#) 1 (Apr. 8, 2021) (hereinafter “PRC White Paper”).

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Request for Comment, *supra* note 2, at 39616. To minimize complexity, cost, and operational changes for Fedwire participants, we urge the Federal Reserve Banks to follow their current operational practices as much as possible on weekends and holidays if Fedwire hours are expanded. This would include, for instance, maintaining the same cutoff times for each type code of Fedwire messages and handling extensions of operating hours in the same manner as during weekday operations.

¹⁷ *See id.*

Service is currently closed (e.g., on U.S.-only holidays such as Thanksgiving and on Sundays in certain Middle East and African countries).¹⁸

The Board inquired whether the existence of the FedNow service would affect views of the benefits of expanded hours for the Fedwire Funds Service. TCH and its members do not believe the instant-payment systems—the RTP network and the FedNow service—are substitutes for high-value payment systems (“HVPS”) like the Fedwire Funds Service and the CHIPS network. Although the HVPS effect certain smaller-dollar consumer and small-business transfers, they frequently handle much larger payments, even multi-billion-dollar transactions. In 2023, for instance, the average Fedwire funds transfer was \$5.62 million, and the average CHIPS funds transfer was \$3.31 million.¹⁹ RTP payments are currently capped at \$1 million, while F²⁰ In addition, neither the RTP network nor FedNow service can be used for cross-border funds transfers. Consequently, TCH and its members support the introduction of 22x7 Fedwire hours notwithstanding 24x7 operations of the two instant-payment systems.

While supporting the introduction of 22x7 hours for the Fedwire Funds Service, TCH and its members believe implementation should be driven by when the anticipated benefits of expansion are likely to be achieved—namely, when there is a critical mass of participants that are willing and ready to opt in. In this regard, we are cognizant that many of our members are currently managing other key initiatives, such as ISO[®] 20022 and instant-payment service implementations, and that other preparations would need to precede their participation in expanded Fedwire hours.²¹ Naturally, financial institutions would need sufficient notice in advance of a go-live date so they can incorporate expanded Fedwire hours into their investment plans and technology roadmaps. Financial institutions would also likely need to revisit staffing, operational procedures, and risk controls in advance of expansion.

We believe obtaining a critical mass of participation in expanded hours is necessary to achieve the benefits of 22x7 hours outlined above. Larger financial institutions would need to participate to contribute meaningful transaction volumes and values; at the same time, enough smaller-sized institutions would need to participate to ensure payments can reach the beneficiaries originators desire to pay. We anticipate that, over time, market forces will encourage institutions to participate in expanded hours, though the Federal Reserve may wish to consider steps it can take to help ensure that a critical mass of institutions will participate in expanded hours at the outset.

¹⁸ See COMMITTEE ON PAYMENTS AND MARKET INFRASTRUCTURES, [EXTENDING AND ALIGNING PAYMENT SYSTEM OPERATING HOURS FOR CROSS-BORDER PAYMENTS](#) 6 (May 2022); see also PRC White Paper, *supra* note 13, at 29. The Board has acknowledged this industry feedback too. See Request for Comment, *supra* note 2, at 39615.

¹⁹ Board, [Fedwire[®] Funds Service – Annual Statistics](#) (last updated Jan. 26, 2024); TCH, [CHIPS Annual Statistics from 1970 to 2024](#).

²⁰ TCH, [RTP[®] System Operating Rules](#) § II(C)(2) (Mar. 19, 2023); Federal Reserve Banks, [FedNow[®] Service Operating Procedures](#) 120 (v. 2.0, June 2024).

²¹ “ISO” is a registered trademark of the International Organization for Standardization.

Undesirable outcomes if participation in expanded hours is too limited could include, as the Board noted, trapped liquidity.²² Another potential pitfall of limited participation is suboptimal customer experience. For instance, if an originator is able to send a Fedwire funds transfer on a Saturday, but the account of the beneficiary of that funds transfer is not credited (because its bank does not participate in the expanded hours), both the originator and beneficiary may be disappointed—the originator because its account was debited for the wire, and the beneficiary because it did not receive the funds.

To help avoid liquidity traps and mitigate impacts to customer experience, TCH members encourage the Federal Reserve to incorporate into the Fedwire Funds Service features that enable participants to know which financial institutions have opted into expanded hours.²³ This sort of transparency would allow a Fedwire sender, for example, to decide whether to send a Fedwire funds transfer to a particular participant over the weekend. Although the Board observes that Fedwire participants face a similar issue today (because some participants are not active for the full period during which the Fedwire Funds Service is operating), we note that a weekend or holiday is a much longer period than the roughly 12 hours certain Fedwire participants are not active on the Fedwire Funds Service today.²⁴

TCH members also expressed a strong preference that financial institutions' participation in the expanded operating hours be predictable rather than ad hoc. Having predictable schedules could help avoid or mitigate the trapped liquidity and customer experience issues just described. At the same time, we recognize there could be isolated circumstances in which an institution might be unable to participate, such as when it is conducting a major systems implementation. We believe the Federal Reserve Banks should provide a framework that permits such exceptions.

The Board suggested that a means for institutions to track payments from originator to beneficiary might be introduced to the Fedwire Funds Service.²⁵ We would support the addition of such functionality, though we do not view it as essential prior to expanding operating hours. We recognize that such a feature would not inherently result in faster credit of funds transfers to beneficiaries, but we believe the additional transparency would help address originators' desire for more information about the status of their transfers. We would therefore encourage the Federal Reserve to collaborate with stakeholders, including financial institutions and their clients, in the development of such functionality to help ensure it is both useful and likely to be widely adopted by the industry.

²² See Request for Comment, *supra* note 2, at 39619.

²³ TCH notes that the PRC discussed the importance of transparency in its white paper and offered several options for consideration. See PRC White Paper, *supra* note 13, at 19.

²⁴ See Request for Comment, *supra* note 2, at 39619, n.33 (“However, participants face this same challenge in the current operating environment of the Fedwire Funds Service and NSS, which provides similar optionality in participation”). Even though the Fedwire Funds Service currently opens at 9 p.m. ET, some Fedwire participants, particularly smaller institutions, do not begin acting on the funds transfers they have received (or to send funds transfers) until the following morning ET.

²⁵ See *id.* at 39619.

In sum, we believe transparency relating to institutions' participation in expanded hours will help build stakeholder confidence that the Fedwire Funds Service will operate efficiently and effectively on weekends and holidays. That confidence, in turn, may make participation in expanded hours more attractive to financial institutions and their customers, leading to a virtuous circle.

Importance of Discount Window Availability and Other Liquidity Considerations

TCH members believe it is important that the discount window be available for potential financial institution liquidity needs during weekends and holidays if Fedwire Funds Service hours are expanded to weekends and holidays.²⁶ TCH and its members agree with the Board that expansion of Fedwire hours to weekends and holidays could result in liquidity demands that are fundamentally different in terms of magnitude than those present in the market today during those times.²⁷ Furthermore, TCH members noted that the existing wholesale funding markets do not operate on weekends and holidays, and they do not anticipate this changing for the foreseeable future, especially if operating hours for the Fedwire Securities Service do not change.²⁸ Moreover, as the Board pointed out, expanding Fedwire Funds Service operating hours to weekends and holidays raises the prospect of potentially rapid deposit outflows during those periods, especially for institutions in crisis, which could increase liquidity demands or exacerbate liquidity issues.²⁹ This means that the discount window would be a critical source of liquidity for institutions operating over the weekend or on holidays.³⁰ As such, TCH members believe the discount window should be open on weekends and holidays if the Fedwire Funds Service is operating. Indeed, many TCH members believe that, in light of the potential for rapid deposit outflows, as well as the lack of alternative sources of liquidity, discount window hours should be longer over weekends and holidays than standard weekday hours.³¹

We also believe it would be prudent for the Federal Reserve to have the authority to suspend all its weekend/holiday services in acute situations of financial stress. Such a suspension might provide parties time to resolve a failed institution or serve as a sort of “circuit breaker” for the industry more generally if the situation resulted in a broader crisis of confidence.

²⁶ As noted above, we do not support expansion of NSS hours at this time. If the Federal Reserve were nevertheless to move ahead with expanding NSS hours, the same considerations we raise here relating to Fedwire expanded hours would apply.

²⁷ See Request for Comment, *supra* note 2, at 39619. See also PRC White Paper, *supra* note 13, at 10.

²⁸ See Request for Comment, *supra* note 2, at 39620.

²⁹ See *id.* at 39617.

³⁰ TCH notes that the Board made clear that institutions currently eligible for intraday Federal Reserve credit would have access to such credit during the expanded Fedwire (or NSS) hours. See *id.* at 39619. We anticipate that, if the discount window is open on weekends and holidays, the Federal Reserve Banks' Collateral Management System would also be open but ask that the Board clarify that point.

³¹ Certain members noted their reluctance to rely on the discount window as the sole source of “business-as-usual” liquidity during weekends and holidays. They would prefer that the Federal Reserve consider offering financial institutions a broader range of credit and market operation facilities to support liquidity needs when the wholesale funding markets to which they typically turn are unavailable.

Understanding Approach to Federal Reserve Testing, Hardware/Software/Network Maintenance, and Onboarding and Participant Maintenance

If the Fedwire Funds Service operates every day, it will be important to understand how the Federal Reserve Banks intend to handle matters such as testing (for business resiliency, protracted outage, and software releases); hardware, software, and network maintenance; and c³² Are the Federal Reserve Banks considering maintenance windows for upgrades, patching, and enhancement testing?³³ Understanding how the Federal Reserve Banks intend to address such issues would help Fedwire participants assess the implications for their own organizations.

In considering its plans, the Federal Reserve should also take into account that participants will need to perform maintenance from time to time. The Federal Reserve should explore whether it makes sense to have a designated period during which institutions would generally perform scheduled maintenance. Such an approach would be similar to one TCH uses for its RTP network. Naturally, beyond scheduled maintenance activities, institutions may from time to time have unscheduled maintenance. Consistent with our comments above regarding transparency, we encourage the Federal Reserve to consider how information about institutions' status on the Fedwire Funds Service can be communicated to other Fedwire participants.

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Thank you for your consideration of these comments. If you have any questions or wish to discuss this letter, please do not hesitate to contact me at (212) 613-0174 or greg.cavanagh@theclearinghouse.org.

Sincerely,



Greg Cavanagh
Senior Vice President, Assistant General
Counsel, and Corporate Secretary

³² To the extent the Federal Reserve moves ahead with expanded NSS hours, considerations similar to those outlined here would apply.

³³ The Federal Reserve might consider whether scheduling periodic (e.g., quarterly) days on which the Fedwire Funds Service would not operate would facilitate both Federal Reserve and financial institution maintenance activities.