



September 6, 2024

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

Email: regs.comments@federalreserve.gov

Re: Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours; Docket No. OP-1831

Dear Ms. Misback:

BAFT (Bankers Association for Finance and Trade) welcomes the opportunity to respond to the request for comment made by the Federal Reserve Board ('Board') "Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours [Docket No.OP-1831]" (the 'proposal').

BAFT is an international financial services industry association whose membership includes U.S. banks which range in asset size from G-SIBs to Regional Banks with less than \$200 billion in assets, as well as a broad range of other financial institutions throughout the global community, many of which also operate within the United States. As a worldwide forum for analysis, discussion, and advocacy in international financial services, BAFT member banks provide leadership to build consensus in preserving the safe and efficient conduct of the financial system worldwide. BAFT closely monitors the impact that new regulatory initiatives could have on the provision of payment services and trade finance that support real economic commerce.

BAFT is supportive of the Board's efforts to expand the hours of the Fedwire Funds Service (Fedwire) and the National Settlement Service (NSS) which is aligned to the priorities of the FSB/CPMI Cross-Border Payments Roadmap as endorsed by the G20 to make cross-border payments faster, cheaper, more transparent and more inclusive. BAFT appreciates the opt-in nature of the proposal allowing individual participants to decide whether processing during the extended hours makes sense for their customer base and business model.

BAFT's comments are primarily focused on the Fedwire Funds Service with due consideration to NSS in its role to enable resiliency for CHIPS processing. BAFT recommends further impacts to ACH processing enabled by NSS operating hours expansion be analyzed in more detail by that specific group of stakeholders in a separate consultation.

BAFT Response | Public Comment on Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours (Docket No. OP-1831)

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BAFT looks forward to further dialogue on these important issues. For further information, please contact Deepa Sinha, VP Payments and Financial Crimes <dsinha@baft.org>.

BAFT Comments to the Board's Questions

Q1. 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?

The global economy continues to progress towards an always-on, digital end state. The backbone of the global economy is the payments systems, and the Fedwire Funds Service and NSS are the foundation for delivering the ability to make payments at nearly all times for the corporate and public sectors, financial institutions and consumers, enabling innovation and efficiency for businesses of all sizes and consumers.

The Committee on Payments and Market Infrastructures (CPMI) "Extending and aligning payment system operating hours for cross-border payments" final report describes end state 2, "Expand operating hours into days without current operations (e.g. weekends and public holidays)." This expansion aligns to that end state with the opportunity to eventually reach end state 3, "Extend operating hours to 24/7 (or near 24/7)". As stated by the CPMI report "An extension of RTGS operating hours across jurisdictions could speed up cross-border payments, improve liquidity management, reduce settlement risk and enhance the performance of ancillary payment systems that may be used for cross-border payments." This proposal helps meet the G20's goals to increase payments processing speed, improving client experience.

The proposed expansion of Fedwire hours help meet corporate client demand and enable global USD settlement at times when other markets are open, particularly Sundays and US holidays. Other benefits include:

- Enhanced liquidity management for instant payment systems that operate weekends and holidays.
- Improved liquidity management options for Financial Institutions (FIs) and corporates.
- Necessary infrastructure investment to meet the demands of digital economy clients and make the traditional payment rails more competitive with the round the clock non-bank financial institution (NBFI) and blockchain offerings.
- Expanded operating hours potentially mitigate risk faced markets that transact at these times.
- Improved risk management – for banks and bank clients.
- Maintains the US Dollar's (USD) position as global settlement currency. The USD plays a critical role in the global economy. There are many reasons for this, including rule of law, depth of



capital markets and the convenience provided by a universally accepted medium of exchange. As the world considers what should be the global reserve currency in future, one factor that should not count against the USD is availability. As a result of innovations like Zelle, RTP and FedNow, it is increasingly possible to transact in USD instantly within the United States. This is not yet possible on a global basis, but it could and should be. Extending operating hours to 22x7x365 is an important step in this journey.

- Enhancing the function of the USD is needed for bank offerings to remain competitive with new offerings such as tokenized deposits, and projects such as Agora that emphasize speed and ubiquity.

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?

- Financial institutions and corporates in Middle East and Asia Pacific (APAC) markets.
- For US holidays, financial institutions and corporate clients globally in markets that are open on these days.
- US financial institutions and corporates open on weekends (Saturday or Sunday) and select holidays such as Columbus Day.
- Fintechs and other digital-focused clients that use the services of direct Fedwire participants and would like to offer 24x7 services to their clients.
- Private sector instant payment systems that can benefit from expanding the use of Fedwire Funds to fund within Fedwire Funds Service operating rules and hours which provides substantially more flexibility than the FedNow Liquidity Management Tool solution.
- Corporate treasury managers managing liquidity globally.
- 24x7x365 is likely to be used by US West Coast FIs/corporates and APAC markets that are open in the 7-9 PM ET window.

Initially, these sources of demand would represent a shift of existing volume over the service and an immediate benefit in customer experience, particularly over US holidays. The evolution towards Saturdays and Sundays becoming more like regular business days and generating meaningful incremental volume will be gradual.

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



Enabled by advances in technology and accelerated by the pandemic, client demand is more and more focused on real-time, always-on service. Additional operating hours will help banks develop options to meet this demand and improve existing products, for clients in all segments, particularly for more digitally focused clients, including fintechs.

The Fedwire Funds Service is used to prefund activity in The Clearing House Real Time Payments (RTP) system. While the FedNow's Liquidity Management tool is available at times that the Fedwire Funds Service is not, having the full capabilities of the Fedwire Funds Service will make that funding process more efficient and potentially spur more innovative uses as well as put it on par with FedNow for liquidity availability. It will also support the funding process for CHIPS if that service were to begin offering weekend and holiday operating hours before or concurrent with the Proposal.

NSS availability on weekends and holidays enables options to expand ACH processing beyond the currently supported windows. This type of change could bring benefits and innovations to consumers and the corporates that use this widely available payment method and would have a significant impact to the broader US banking industry and would be more difficult to opt out of due to competitive pressures and the rules of the clearing and settlement arrangement. This would need to be considered by that group of stakeholders in a more in-depth analysis and consultation.

NSS is used as a contingency funding mechanism for CHIPS in the event of a Fedwire outage; the proposal to have NSS available 21.5x7x365 would support financial stability and resiliency.

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? How do you anticipate using these services in the future?

The FedNow Service (FedNow) became available in 2023, joining The Clearing House RTP system in meeting client demand for 24x7x365 domestic instant payments, an emerging market offering built on modern infrastructure and the ISO 20022 messaging format. The use cases for this service are often consumer and digital focused.

The existence of FedNow does not change the need for expanded hours for the Fedwire Funds Service. Fundamentally, there are some key differences and FedNow is not a substitute for enhanced Fedwire operating hours.

The FedNow transaction limit is \$500,000; the average transaction volume is considerably lower. The average Fedwire transaction in Q1 2024 was [\\$5.66MM](#), and considerably higher amounts regularly flow through the system, which has an upper limit of just below \$10 billion. These large transactions include wholesale and treasury payment settlements that cannot be handled through FedNow or RTP

At this time, FedNow and RTP do not support foreign correspondent banking and cross border flows, and do not include the additional steps related to cross border USD payment processing (e.g. sanctions



screening). Fedwire processes are well established (including case law) and users will benefit from expanded hours to improve speed and reduce other frictions in processing.

Any benefits to ACH stemming from expanded NSS hours should be further considered and expanded on by that group of stakeholders in a more in-depth analysis and consultation.

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?

BAFT does not prefer an interim expansion of operating hours before moving to 22x7x365. It would increase implementation costs and complexity for the industry. The notice mentions participants operating only during part of the weekend and holiday operating hours so those institutions not fully ready can limit their participation; however, this will require transparency to both participants and end clients in order to avoid confusion and use liquidity efficiently. Additional recommendations around this need for transparency are in the answer to Question 11.

A critical mass of participants is critical to the realization of value from expanded operating hours; further industry engagement is required to confirm if initial participation is adequate for implementation. Critical mass factors would include the number of participants, projected volume, projected value, type of participants (e.g. systemically important institutions) and types of transactions supported.

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)?

BAFT concurs that the preferred timeline for implementation is no less than at least two years after Fedwire Funds Service ISO 20022 migration. For global banks, the ISO 20022 program will continue beyond the Fedwire Funds migration with statements and investigations migrations. The move to 22x7x365 processing is a significant change for the banking industry requiring technology changes across multiple systems, not just the payments system. There will also be staffing requirements that must be planned for. As such, the timeline of at least two years after Fedwire Funds Service ISO 20022 migration is reasonable.

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?



BAFT believes that 24x7x365 Fedwire Funds Service and NSS is inevitable given the global and domestic digital economy/commerce, client demand and the role of the USD as the world's settlement currency, however, the timeline does not need to be defined at this time. This would achieve CPMI end state 3, supporting the greatest overlap in operating hours with other RTGS' globally.

The technology costs of full 24x7x365 availability will be substantially higher than 22x7x365. The incremental costs in comparison to 22x7x365 is unlikely to be recovered for institutions of most sizes any time soon, so it is unlikely to have broad adoption, compared to 22x7x365. BAFT recommends the Board and industry complete the 22x7x365 adoption and then assess client demand, costs, lessons learned (e.g. staffing, liquidity management, resiliency) to determine the potential time frame and approach to migration to 24x7x365.

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

Though the costs and risks are significant, the risk of not acting is also considerable; new entrants and technologies are eager to take advantage of any opportunities.

Supporting 22x7x365 operating hours will require additional staffing for many institutions, even those currently supporting some weekend activity. In addition to increased costs, recruiting may also be challenging particularly for those banks with a limited geographic footprint. The final timeline should be communicated far enough in advance to allow time for planning and hiring. Some of the coverage required will be from exempt employees; hybrid work and other models will have to be deployed.

Significant technology investment will be required to upgrade bank systems in payments and associated with payments (i.e. accounting, G/L, liquidity, reporting, credit risk) to support eventual 24x7x365 processing. This is likely to include requirements for duplicate hardware blue/green or A/B environments where code changes can be tested and deployed in an inactive environment while running production in the active environment. Technology risk will increase as there will not be adequate downtime for large-scale technology enhancements, conversions, and merger integration activities.

The opt-in participation model reduces cost and risk for institutions that would not benefit from expanding hours. However, this creates the risk of inadequate participation/adoption; for those banks that opt-in, this will mean making costly investments with limited value if insufficient activity can be processed. The Board will need to engage with the industry sooner rather than later to ensure critical mass is attained.



Banks that choose to opt-out have the risk of losing competitiveness as “always available” becomes more of an essential capability supporting the global surge in digital payments and client expectations, even without additional volume to offset the cost. Banks opting out risk losing clients to institutions that are able to support expanded hours.

Banks and their clients will have liquidity risks during expanded hours as the full funding market will not be available. For banks, the availability of the discount window, as discussed in question 12, may help reduce risk.

Weekends are currently relied on by the industry and regulators for resolving technology issues, running large exercises (i.e. protracted outage testing, cyber simulations) that are critical to preparing for business-as-usual risks and handling resolutions, and offer banks and employees a pause to reset and tackle problems when not simultaneously managing production. Regulators such as the FDIC use weekends to handle resolutions and other issues which will be more challenging and riskier during continuous market operations.

Operating longer hours may provide fraudsters with more opportunities to intrude into the technology space and add costs to manage additional cyber risk.

Lastly, though it might prove difficult to quantify costs, and costs would vary by institution, in order to give texture to what “significant” costs would be, the Board might want to find a way to provide block estimates of costs, as a useful measure.

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)?

BAFT is an international financial services industry association whose membership includes U.S. banks which range in asset size from G-SIBs to Regional Banks with less than \$200 billion in assets, as well as a broad range of other financial institutions throughout the global community, many of which also operate within the United States.

Benefits, costs, and risks of 22x7x365 Fedwire Funds Service and NSS will be based on participants’ size, geographic location, footprint, and client base. Larger institutions with global client bases and operations should have an easier path adopting the 22x7x365 operating model. Larger institutions are more likely to have clients demanding weekend and holiday processing, have established follow the sun operations and technology infrastructure to make the costs of additional hours more reasonable.

The proposed opt-in model ensures those institutions where the cost/benefit analysis indicates there is not currently a positive business case for supporting expanded hours do not have to participate. Those



that choose to opt-out have a new risk of loss of competitiveness if the move to always-on processing becomes critical across the customer spectrum.

NSS availability on weekends and holidays enables options to expand ACH processing beyond the currently supported windows that could benefit consumer and business clients. This high volume, high reach payment method would have a significant impact to the US domestic banking industry and would be more difficult to opt out of while remaining competitive and due to the rules of the clearing and settlement arrangement. Changes to ACH processing would need to be considered by that group of stakeholders in a more in-depth analysis and consultation.

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?

- Limited short-term funding options during extended hours will be a challenge for the industry. BAFT recommends the Federal Reserve promote expanded alternative funding mechanism availability beyond the Discount Window to ensure the seamless operation of intraday liquidity management during extended hours. The diversification of funding sources will maintain the efficiency of the market during the new operating hours and reduce the operational cost for all participants. The success of the extended operating hours initiative hinges on the availability and reliability of these alternative funding options.
- SWIFT GPI will help with payment transparency during the extended operating hours.

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?

BAFT agrees that the optional participation model for Fedwire is a key element of the proposal and expects that investment will be significant and incremental volume use cases are still nascent, therefore some banks may struggle to form a strong business case that would support material investment in the technology and operational infrastructure required to support 22x7x365 and potential continuous 24x7x365 operations while maintaining critical uptime obligations. At the same time, the value of the expanded hours service to banks and end clients is diminished if participation is minimal and the Federal Reserve may want to consider determining a minimum participation threshold for go live.



To maintain liquidity and operational efficiency and provide a predictable and positive client experience, BAFT recommends the Federal Reserve provide tools for banks and end clients to have transparency into which banks are supporting weekend and/or holiday processing and during what hours if not the full 22x7x365 proposed.

For NSS-enabled ACH processing, if expanded, opt-out will be more difficult due to the domestic and high-volume nature of the product and the rules of the clearing and settlement arrangement. Those costs will be challenging for smaller institutions. Expansion of ACH processing enabled by NSS weekend and holiday hours would need to be fully analyzed by that specific group of stakeholders in a dedicated consultation.

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?

Given potential liquidity demands and the lack of alternative sources of liquidity over weekends and holidays, BAFT believes the industry requires the discount window be available for advances to eligible institutions during expanded operating hours. The Board and industry will need to determine the necessary hours based on participation and need but at a minimum the hours should match regular weekday hours on US holidays.

BAFT supports the Board's position to not propose an expansion of the Fedwire Securities Service at this time and suggests the Federal Reserve consider a separate industry-wide feasibility study and cost/benefit analysis on extending the operating hours of the Fedwire Securities Service.

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?

- Liquidity needs for weekend and holiday processing will need to be covered by prefunding, holding additional cash reserves and dedicated intraday liquidity management controls for the weekend and holiday hours. Holidays except Christmas and New Years are expected to generate volumes and values closer to regular weekday processing and would benefit from expanded wholesale funding market hours during these times.
- Discount window hours should be expanded, especially for US holidays.



- As volumes grow, additional consultation with the industry may be required to ensure that liquidity support capabilities are expanded in harmony with modernization of payments.

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?

Given the systemic importance of the Fedwire Funds Service and the elimination of 44 hours of weekend downtime to troubleshoot and recover from technical problems, BAFT recommends the Board consider investing in enhancements to technology resiliency and expanding the capacity of the protracted outage process.

- The protracted outage process should be available on weekends and holidays as it is on regular business days.
- The same resiliency challenges will be faced by participants; additional import/export capacity for FedLine Advantage as a contingency will be beneficial.
- The FedLine Advantage payments manager must be available at all times during the expanded hours.
- The Federal Reserve should consider allowing secure access to FedLine Advantage by offshore bank personnel under “follow the sun”. For example, considerable time could be lost when reacting to resiliency issues on US holidays waiting for US-based staff to come online while offshore staff is already available.

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.

As mentioned, the value of the extended hours offering would be diminished at a high cost to banks that opt in if a critical mass of participation is not reached for the initial implementation. BAFT recommends further engagement with the industry ahead of the proposed implementation date to confirm initial participation is sufficient. Critical mass factors would include number of participants, projected volume, projected value, type of participants (e.g. systemically important institutions) and types of transactions supported (e.g. cross-border).

BAFT members request that the Board further clarify the meaning of and expectations for Fedwire Funds Service “business days” and “value dates.” BAFT is supportive of maintaining the opening and closing times of the Fedwire Funds Service at 9 p.m. ET and 7 p.m. ET, respectively, if the service moves to 22x7x365 operations on weekends and holidays and keeping cutoff times the same as they are Monday-Friday to minimize operational impact and systems changes.



- If certain types of payments would not be supported on weekends such as IRS tax payments or foreign central bank payments that needs to be specified.
- As no mention is made in the Proposal of any different criteria for extension on weekends or holidays that is assumed to be the same as on regular weekdays.
- End of day closure/start of day opening times and other considerations for continuous 24x7x365 operations should be examined in a dedicated consultation.
- Current practices around due dates for standing payments such as taxes and mortgages that fall on weekends should not be changed to be earlier due to the weekend operating hours disadvantaging the end user or banks that have not opted in. This should be included as a best practice/guidance from the Board and industry.

As part of the planning process for implementation, the industry also needs to understand what the expectations are for when critical, large scale industry exercises such as protracted outage testing will take place and what investments will be needed to support testing concurrent with production.

The industry expects that if Fedwire Funds Service hours are expanded, CHIPS hours will also be expanded so the industry can benefit from the liquidity efficiency and resiliency CHIPS provides. As such, the NSS hours expansion is needed to support the CHIPS contingency funding arrangement.

We look forward to further dialogue on these important issues.

For further information, please contact Deepa Sinha, VP, Payments & Financial Crimes, at dsinha@baft.org.

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