BANK OF AMERICA

September 5, 2024

Via Electronic Delivery

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

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

Dear Ms. Misback,

Thank you for the opportunity to provide the Board of Governors of the Federal Reserve System with our feedback in response to the request for comments regarding Docket No. OP-1831 Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours.[1]

Bank of America supports the proposal to expand the operating hours of the Fedwire® Funds Service. We believe this should be accomplished through a two-phased approach with initial expansion to 22 hours per day, 7 days per week, every day of the year (22x7x365). An expansion to 22x7x365 could be completed in a relatively shorter time frame than a full expansion to 24x7x365 and could achieve a significant portion of the benefits of 24x7x365 operations, addressing client use cases of sending and receiving high-value, cross-border USD payments during traditionally off hours and solidifying the position of USD currency as the most preferred currency for global settlements. The initial phase is a good first step to be followed by eventual migration to full 24x7x365.

However, there are key strategic, risk, and implementation considerations the Federal Reserve should consider with respect to the expansion of operating hours. These are outlined below.

Strategic impacts to other payment systems

We support the evolution of wire processing to include expanded hours. However, we do not believe that every payment product offered by the Federal Reserve should expand to 24x7x365. If Wire, ACH and Check all operate with similar capabilities to newly developed services such as FedNow®, it will impede the growth and adoption of instant payment services and reduce the return on the industry's investment in the instant payments clearing systems. If an end user can achieve a similar goal using an existing product, there is little incentive to make a change to a new one.

As a result, we recommend that the industry leave the current operating hours of ACH and Check unchanged. The industry goal should be to develop each clearing system to maximize its core competency. Every payment market infrastructure does not need to target the same use cases. We would encourage all stakeholders, including industry and the Federal Reserve,

[1] *See* Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours, 89 Fed. Reg. at 39,613 (May 9, 2024).

to come together to better define the role and roadmap for each payment system. We should avoid duplication while recognizing the need for redundancy and resiliency, as duplication leads to fragmentation, more complexity, higher costs and less efficiency. Rather, the industry should align on which payment systems are intended for which use cases, and invest in capabilities to provide the best service for each system's core competency and purpose. This will ensure the most effective use of industry resources, and help drive scaled adoption of newer payment systems.

Industry costs and risks

We would like to highlight three key considerations related to cost and risk management:

- Costs to the industry of investing in technology updates and maintaining expanded service hours
- Risks to change management and resiliency
- Potential confusion on the fundamentals of settlement

The banking industry will need to invest heavily to expand Fedwire operating hours. Investments will not only include upgrades to payment processing systems, but also upstream and downstream applications that support wire processing such as accounting, reporting and control systems. Banks will also need to expand staff in areas such as customer service, fraud and sanctions monitoring, operations, and production support to be available during expanded wire operating hours. These new investments and increased operating costs will come after significant investment in technology upgrades to support ISO 20022 processing.[2] The increased costs to support wires could have an impact on the industry's ability to innovate in other areas to meet evolving customer needs.

Banks make technology changes on a regular basis to keep wire processing platforms current, to address security risks, and to enhance service. In addition, there are "end of day" operational tasks that are performed while wire systems are not processing. While the industry has invested in the ability to handle these requirements on real time payments, wire processing operating models were developed over the years with this downtime as a given. While the phased approach to expand to 22x7x365 before moving eventually to 24x7x365 could help address the risks to change management and resiliency, industry stakeholders, including the Federal Reserve, should work together to devise clear strategies on maintaining resiliency for each payment platform, including the critical applications that are required to support such resiliency and redundancy.

The final risk we would like to highlight is related to cases where a bank that has opted in to expanded hours and sends a wire payment to a bank that has opted out. There needs to be detailed and explicit guidance from the Federal Reserve on how to account for a situation where a customer at one bank has their account debited, but the money may be "in transit" and not received by the beneficiary for up to 48 hours. Impacts to liquidity management, interest calculations, value date, and other details need careful consideration, and the industry will need clear rules to avoid customer confusion and to ensure a positive customer experience.

[2] *See* New Message Format for the Fedwire® Funds Service, 87 Fed. Reg. at 64,217 (Oct. 24, 2022).

Implementation considerations

We understand that the proposed expansion would be implemented no sooner than 2027, two years after the Fedwire® Funds Service ISO 20022 implementation. We agree that expansion should not be sooner than March 2027 and believe that the expansion date should provide a sufficient notice for financial institutions of all sizes to opt in. It is evident that the more financial institutions participate in the expanded hours, the greater the benefits would be to the whole U.S. payments community. This will also help address the risks outlined above of shifting the operating model for such a critical payment service to the U.S. and global economy.

In addition, without access to the full suite of Federal Reserve credit and market operation facilities, expanding Fedwire® operating hours to non-business days may create the need for banks to maintain additional liquidity buffers in order to support payment flows while functioning market-based funding is unavailable. To mitigate this issue, the Federal Reserve should consider expanding the availability of its credit and market operation facilities to include, not only the Discount Window, but also the Standing Repo Facility, the Fedwire Securities Service and the Collateral Management System. This will better enable smooth collateralization of borrowing and improved funding risk management when wholesale funding markets are unavailable. Further, the Federal Reserve should review bank liquidity regulatory requirements and clarify how the occurrence of payments on non-business days will be treated for the purposes of liquidity ratio calculations and other liquidity reporting requirements. We recommend that payments falling on weekends and holidays should be treated as an extension of intraday, with no obligation to "close" banks' Federal Reserve accounts on those days, particularly considering the limited activity and limited cash management resources available on weekends and holidays.

We appreciate your consideration of our feedback. If you have any questions or would like to discuss this response, please do not hesitate to contact me using the contact information provided below.

Sincerely,

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