



September 5, 2024

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

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

Dear Ms. Misback,

On behalf of The American Fintech Council (AFC),¹ I am submitting this comment letter in response to the Board of Governors of the Federal Reserve System's (FRB or Federal Reserve) Request for Comment on the Expansion of Fedwire Funds Service and National Settlement Service Operating Hours (Request for Comment).

AFC's mission is to promote an innovative, transparent, inclusive, and customer-centric financial system by fostering responsible innovation in financial services and encouraging sound public policy. AFC members are at the forefront of fostering competition in consumer finance and pioneering ways to better serve underserved consumer segments and geographies. Our members are also improving access to financial services and increasing overall competition in the financial services industry by supporting the responsible growth of lending and lowering the cost of financial transactions, allowing them to help meet demand for high-quality, affordable financial products.

AFC is encouraged by the Federal Reserve's proposal to expand the hours of operation of the Fedwire Funds Service and National Settlement Service (NSS) to 22 hours per day, seven days a week, everyday of the year (22x7x365), with NSS closing 30 minutes earlier than the Fedwire Funds Service. AFC agrees with FRB's belief that "expanding the availability of the Fedwire Funds Service and NSS would enhance the safety and efficiency of the U.S. payment system by extending the hours in which settlement in risk-free central bank money can occur."² In general, industry participants, especially those who constitute AFC's membership, are ready to adopt the expanded hours of operations.

¹ American Fintech Council's (AFC) membership spans EWA providers, lenders, banks, payments providers, loan servicers, credit bureaus, and personal financial management companies.

² See 89 Fed. Reg at 39614.

As the global economic and banking systems have continued to develop since the start of this century, there is a growing expectation from industry that central banks build payments infrastructure to match the demand and pace of these systems. Payments revenue continues to grow rapidly, with a significant amount of that revenue stemming from cross-border commercial payments.³ In response to this rapidly growing market, other central banks have already pursued expanded hours of operations for their payments and settlement systems. As noted by the Federal Reserve within the Request for Comment “[e]xpanding the operating hours of the Fedwire Funds Service and NSS into the weekend would be consistent with the broader G20 agenda and would be consistent with the actions of other central banks that are considering or have already expanded operating hours for their large-value payment services.”⁴ While the U.S. payments system is currently a critical aspect of the global payments ecosystem currently, it is incumbent on the Federal Reserve to ensure that it pursues policies and practices that ensure it remains a critical aspect of the global payments ecosystem. Expanding the hours of operation for the Fedwire Funds System and NSS as proposed by the FRB would be such an act to ensure the U.S. payments system’s critical role.

Further, industry participants, including those who constitute AFC’s membership, have dedicated significant resources to enabling faster consumer and commercial payments to ensure that the U.S. payments ecosystem remains robust and a central part of the global payments system by developing innovative payments platforms and APIs to move funds instantaneously. However, to further assist the development of these payments innovations, the Federal Reserve must ensure that its rails are available in a manner that is well-suited to these industry efforts. Moving to a 22x7x365 operating posture is a prudent method for helping to ensure industry innovations are met with the proper financial markets infrastructure.

In addition, moving to a 22x7x365 operating posture will help mitigate existing counterparty risks that have been historically inherent to the payments ecosystem, notably credit and liquidity risks. Existing lags in settlements between parties due to the current limited hours of operation for the Fedwire Funds Service and NSS unnecessarily increase the aforementioned risks for industry participants. Each moment that demanded funds are not settled increases the possibility that the counterparty will be unable to fully meet its financial obligations after the initial transaction was established. Further, the financial institution receiving funds faces increased liquidity risk as they may not receive the funds demanded, which harms the institution’s liquidity position.

As noted, the global economic system naturally creates a demand for payment system that operates beyond the current business hours of the Fedwire Funds Service. However, without the adequate operating hours in place, financial institutions are forced to wait for settlement of their

³ McKinsey & Company, *On the cusp of the next payments era: Future opportunities for banks* (Sep. 18, 2023), available at <https://www.mckinsey.com/industries/financial-services/our-insights/the-2023-mckinsey-global-payments-report>

⁴ 89 Fed. Reg. at 39616.

outstanding payments. In turn, these financial institutions face increased credit and liquidity risks due to exogenous factors. These factors ultimately impact the institution's risk profile and the resilience of the financial services industry. Moving to a 22x7x365 operating posture will help mitigate the risks described and help institutions settle payments efficiently.

Overall, the industry, especially those innovative financial institutions and fintech companies who constitute AFC's membership are well positioned to not only effectively engage with the Fedwire Funds System's and NSS's new operating posture, but also have the ability to manage a 24x7x365 operating posture. While AFC agrees with FRB that there may be additional costs for industry participants if the Fedwire Funds System and NSS move to a 24x7x365 operating posture, we ultimately recognize the importance of moving to this operating posture as soon as possible in order to further innovation in the payments system, meet industry and consumer expectations, and ensure that the U.S. payments system remains a core aspect of the global payments ecosystem.

Given the aforementioned issues, AFC believes it is crucial that the Federal Reserve expand the hours of operation of the Fedwire Funds Service and NSS to 22x7x365, with the further intent to move these systems to a 24x7x365 operating posture. AFC appreciates the opportunity to comment on the Federal Reserve's Request for Comment on the Expansion of Fedwire Funds Service and National Settlement Service Operating Hours. We thank you for your consideration of our comments.

Sincerely,



Ian P. Moloney
SVP, Head of Policy and Regulatory Affairs
American Fintech Council