



September 5, 2024

Via Electronic Submission

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

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

Dear Ms. Misback:

The PNC Financial Services Group, Inc. (“PNC”) appreciates the opportunity to provide comments to the Board of Governors of the Federal Reserve System (“Board”) in response to the proposed rule (“Proposal”) to expand the operating hours of the Fedwire Funds Service (“Fedwire”) and the National Settlement Service (“NSS”).¹ The Proposal would increase the availability of Fedwire and NSS to include weekends and holidays and cover 22 hours per day, 7 days per week, every day of the year (“22x7x365”).

PNC Bank, National Association, a wholly owned indirect subsidiary of PNC, is the sixth largest commercial bank in the United States by assets. PNC serves the holistic needs of our consumer, small business, and corporate and institutional clients of all sizes. As a leader in the payments industry, PNC remains focused on providing streamlined, efficient payment solutions for our business clients. The PNC Treasury Management platform offers organizations of all sizes payments solutions and other products and advice they need to streamline processes, solve problems, maximize capital, and drive their businesses forward. Our Treasury Management payments platform delivers innovative and integrated solutions for customers’ payments and receivables, helping them accelerate incoming payments, streamline accounting functions, increase insight into their finances, and take control over their cash position.

PNC believes continued growth in the payments ecosystem through increased availability of critical payment options can bring transformative value to organizations for both business and consumer use. We support expanding Fedwire hours to cover weekends and holidays because doing so is the next natural step towards the Federal Reserve’s ongoing objective of ensuring its payment systems meet the needs of the increasingly “real-time” U.S. economy. As payments technology advances, PNC’s customers, and their own customers, increasingly expect payment functionality to be available to them at all times. We are committed to offering services that can improve our

¹ Board, Expansion of Fedwire Funds Service and National Settlement Service Operating Hours, 89 Fed. Reg. 39613 (May 9, 2024).

customers' financial activities, so we are pleased that the Board seeks to expand the days on which banks can facilitate large-value funds transfers through Fedwire. PNC first called for expanded Fedwire hours in a 2018 letter to the Board,² and we believe the case for increased Fedwire availability is now even stronger.

While the Proposal already identifies many benefits of Fedwire expansion, we would like to highlight two factors we think are particularly compelling:

- Increased real-time payment options and global competitiveness for U.S. companies; and
- Systemic benefits to the U.S. dollar and U.S. economy.

We urge the Federal Reserve to finalize the Proposal and begin efforts to make 22x7x365 Fedwire available by the proposed March 2027 date or a reasonable time thereafter.³ There may be significant operational costs of enabling expanded hours, and there may be implementation delays given the current work to adjust to the new ISO[®] 20022 message format. Nevertheless, the Proposal would give each bank an option whether to adopt the extended hours, ensuring that only those banks that forecast a net benefit from the Proposal will incur the voluntary costs of implementing it.

I. Expanding Fedwire Hours Would Help Banks Serve Their Customer Better

U.S. businesses of all sizes need access to reliable payments to thrive. While there are currently 365-day solutions for smaller-value payments, many PNC Treasury Management customers have asked that large-value payments also be available on weekends and holidays. Expanded Fedwire hours would allow PNC's Treasury Management platform, and other banks' competing platforms, to increase availability and capability of these services and benefit customers of many types, including:

- Payroll companies that may need to support emergency payroll requests (while payroll to employees is typically sent via ACH, funding for the payroll often occurs via Fedwire).
- Real estate companies, title companies, mortgage providers and supporting businesses to facilitate closings or other real estate activities on the weekends or holidays when buyers and sellers are more available, or when time is of the essence. Existing real-time payment solutions are less widely adopted than Fedwire and have dollar limits that restrict their practical use in real estate transactions.
- Companies that wish to send or receive international payments related to mergers and acquisitions or other corporate activities, especially on U.S. holidays that are workdays elsewhere.

Expanding Fedwire to 22x7x365 availability would also help U.S. companies compete more effectively in an increasingly interconnected world. Other countries offer 365-day large-value

² Comment of PNC Bank, N.A. re: Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments, Docket No. OP-1625 (Dec. 14, 2018) (“[T]he Federal Reserve should consider expanding Fedwire Funds Operating hours to better allow for funds transfers throughout the day, including weekends and holidays.”).

³ We agree generally with the comments submitted by The Clearing House Payments Company L.L.C. relating to expansion of National Settlement Service (“NSS”) hours, and we do not otherwise address NSS expansion in this letter.

payment functionality (via financial institutions) to local businesses, and the lack of similar functionality in the United States can hamper domestic companies when competing globally for business.

II. Expanding Fedwire Hours to 22x7x365 Would Yield Systemic Economic Benefits

Financial institutions and other U.S. companies are seeing increasing weekend and holiday demand for real-time settlement of large-value transactions, the type of transactions typically conducted through Fedwire. PNC expects this rising demand to continue regardless of whether Fedwire hours are expanded. Currently, banks and other market participants seeking to conduct large-value U.S. dollar (“USD”) transfers in real-time on weekends and holidays have three key alternatives for managing their funds transfer needs, each of which we believe leads to poor economic outcomes:

- *Alternative 1:* Banks could wait until the next business day for Fedwire to reopen before transferring funds. This approach hinders institutions from delivering payments that their customers are demanding. Funds become trapped at their source in cases where both the payor and recipient wish the funds to be moved to the intended destination, solely because the relevant payment network is not available. In addition, lack of access to Fedwire in off hours may create liquidity risk by restricting the time period in which banks can free liquidity or otherwise manage their own balance sheets.
- *Alternative 2:* Banks could move funds using a private bank’s USD international clearing service. PNC understands that some global banking organizations leverage book transfers and their extensive, global network to offer expanded hours for high-value international payments clearing. These global banks are in effect offering weekend and holiday high-value, real-time payment services where Fedwire is not. While this private option could be attractive for individual customers, there are systemic downsides. The global banks that offer this service become the de facto controllers of global USD money movement on days Fedwire is not available. That is more properly the role of the U.S. central bank, not large private banks.
- *Alternative 3:* While the U.S. dollar remains the currency of choice for international commerce, banks and their customers can transfer funds globally using any currency. If global entities cannot conduct large-value USD transfers on certain days because Fedwire is not available, they might opt for a currency whose central bank does support 365-day availability. Alternate currencies become more attractive as demand for 365-day availability expands, and a less prominent role for the dollar threatens U.S. global economic policy objectives. We thus agree with the Proposal that expanding Fedwire would “help preserve the status of the U.S. dollar as the preferred currency for global settlements.”⁴

⁴ Proposal at 39615.

III. The Board Should Not Delay in Making 22x7x365 Fedwire Available for Optional Participation

We share the Board’s view that implementing 22x7x365 Fedwire payments may “pose burdensome technical and operational changes” both for participating banks and the Reserve Banks.⁵ These challenges might make some banks hesitant to offer weekend and holiday wire service, especially if their customers express low interest in expanded hours.

Fortunately, the Proposal anticipates this concern by making participation in expanded Fedwire hours optional. The Proposal would allow each bank to offer weekend and holiday wire service when the benefits to that specific bank—and its customers—makes doing so appropriate, or banks could choose not to adopt the expanded hours at all. One bank might forecast operational burdens that might be prohibitive when expanded hours first become available, or the bank might see little value in offering expanded hours until certain other banks do so. A different bank might determine that the benefits of offering expanded Fedwire hours outweigh operational burdens from the beginning and seek to be among the first to implement.

The Proposal’s combination of prompt availability of the new service plus optional adoption of that service has worked well for past expansions of Fedwire. For example, the Board allowed for voluntary adoption when it expanded Fedwire hours from 10 to 18 hours in December 1997,⁶ and again when it expanded Fedwire to 21.5 hours in 2004.⁷ As with the proposed 22x7x365 Fedwire expansion, many banks found implementing these prior expansions burdensome, and many bank customers did not see a need for the increased availability. Even now, more than two decades later, we understand that only a few hundred of this country’s more than 9,000 depository institutions offer overnight Fedwire hours, but the low adoption on percentage terms has not hurt the Fedwire system or its participating banks. Rather, customers of those banks that voluntarily did implement overnight hours benefited from increased Fedwire availability, while the banks that found adoption costs prohibitive simply chose not to incur those costs.

Expanded Fedwire hours would provide significant systemic economic and customer benefits, even if relatively few banks offer 22x7x365 Fedwire service, either initially or over time. Based on slow mass adoption of prior Fedwire expansions, if the Board waits to launch 22x7x365 Fedwire until a certain number of banks chose to participate, or until implementation costs reach a certain level, then it may be years or decades before those conditions are met. Banks that do not yet wish to invest in expanded Fedwire hours should not be able to “veto” other banks’ participation by seeking to delay these new Fedwire capabilities. We urge the Board to adopt the proposed approach of early availability and optional participation; it should not delay availability of FedNow merely to satisfy some banks’ concerns about potential burden or participation levels.

⁵ Proposal at 39614.

⁶ Board, Federal Reserve Bank Service Notice, 61 Fed. Reg. 57433 (Nov. 6, 1996).

⁷ Board, Federal Reserve Bank Service Notice, 66 Fed. Reg. 28826 (May 27, 2003).

IV. Conclusion

Thank you for the opportunity to comment on the Proposal. We believe the proposed expansion of Fedwire hours is important to ensuring that the Federal Reserve's payment services both continue to meet the evolving needs of the U.S. economy and strengthen the U.S. payment system and U.S. dollar primacy. We hope the Board acts promptly to finalize this Proposal with the proposed March 2027 implementation timeline or a reasonable date thereafter so that industry participants that wish to take advantage of expanded Fedwire hours can begin preparations to do so.

If you have any questions regarding our comments, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Emma Loftus". The signature is written in a cursive, flowing style.

Emma Loftus
Executive Vice President, Head of Treasury Management
The PNC Financial Services Group, Inc.