



September 6, 2024

Ann Misback
Secretary Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
regs.comments@federalreserve.gov
VIA ELECTRONIC SUBMISSION

Re: Docket No. OP-1831: Request for Comment on the Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours

Dear Ms. Misback:

CME Group Inc. (“CME Group”)¹ appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System’s (“Federal Reserve”) Request for comment on the *Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours* (the “Request”).²

Chicago Mercantile Exchange Inc. (“CME”) is a wholly-owned subsidiary of CME Group. CME is registered with the Commodity Futures Trading Commission (“CFTC”) as a derivatives clearing organization (“DCO”) (“CME Clearing” or the “Clearing House”). CME Clearing offers clearing and settlement services for listed futures and options on futures contracts, including those listed on CME Group’s CFTC-registered designated contract markets (“DCMs”), as well as over-the-counter derivatives transactions, including interest rate swaps (“IRS”) products. On July 18, 2012, the Financial Stability Oversight Council designated CME as a systemically important financial market utility (“SIFMU”) under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a SIFMU, CME is also a systemically important DCO (“SIDCO”).

CME Group supports the Federal Reserve’s proposal to expand the operating hours of the Fedwire Funds Service (“Fedwire”) and National Settlement Service (“NSS”), in the near term to 22-hours per day, 7-days per week, and 365-days per year (“22x7x365”) and longer term to 24-hours per day, 7-days per week, and 365-days per year. CME Group shares the Federal Reserve’s view that “[e]xpanding current Fedwire Funds Service and NSS operating hours from five to seven days per week, each day of the year, could improve the safety and efficiency of both domestic and global large-value U.S. dollar payments.”³

¹ As a leading and diverse derivatives marketplace, CME Group enables clients to trade in futures, cash and over-the-counter markets, optimize portfolios, and analyze data – empowering market participants worldwide to efficiently manage risk and capture opportunities. CME Group’s exchanges offer the widest range of global benchmark products across all major asset classes based on interest rates, equity indexes, foreign exchange, energy, agricultural products, and metals. CME Group offers futures trading through the CME Globex platform, fixed income trading via BrokerTec, and foreign exchange trading on the EBS platform.

² 89 FR 39613.

³ *Id* at 39616.

Given CME's designation as a SIDCO, it understands and receives the risk management benefits from collateralizing potential future exposures through collecting initial margin and eliminating the accumulation of debt in the system through the exchange of settlement variation at least once daily. Real-time gross settlement that allows for the immediate, final and irrevocable transfer of funds is a core part of these practices. The proposed expansion of the Fedwire's operating hours provides a SIDCO optionality to effectuate funds transfers in U.S. Dollar, including for initial margin and settlement variation, outside of the calendar or wall clock restrictions that exist today (e.g., U.S. Federal holidays and weekends). Along these lines, it would be valuable for the Fedwire's closure to be moved later in the calendar day to provide a SIDCO additional time in the day to effectuate funds transfers in a manner that provides for settlements on the same calendar day, opposed to the current practice where settlements occur the following calendar day. Additionally, expanding the operating hours for Fedwire provides greater overlap with the operating hours of other central banks, which could offer more opportunities to settle payment-versus-payment currency obligations in real-time, reducing risk by speeding up cross-border settlements.

While expanding the Fedwire's operating hours offers potential risk management benefits, CME Group believes it is a missed opportunity to not concurrently expand the operating hours for the Fedwire Securities Service. CME Group disagrees with the Federal Reserve's expectation that it "does not expect the proposed expansion of Fedwire Funds Service and NSS operating hours to create significant changes in secured lending, derivatives markets, or other market activity that would necessitate expanded operating hours for the Fedwire Securities Service in the near term."⁴ CME Group believes these markets are closely intertwined with Fedwire and the NSS. Alignment between the timelines for the movement of funds and securities would foster a safe and efficient U.S. payment system, consistent with the Federal Reserve's stated policy objective, given the close relationship between derivatives and securities markets, among other things. Secured financing and funding markets, such as repo in U.S. Treasury securities, securities lending and other collateralized lending, are vital to the financial markets' efficiency, thus, the expansion of the Fedwire Securities Service's operating hours is necessary to reap the full benefits of the Fedwire's expanded operating hours. As an example, while settlement variation obligations to CME Clearing are primarily in U.S. Dollar, initial margin obligations are commonly satisfied using a combination of collateral types accepted by a SIDCO, including U.S. Dollar and U.S. Treasury securities. Therefore, if funds transfers occur under the Fedwire's expanded operating hours, securities transfers should also occur during the same hours, so that the collateralization of future exposures and elimination of the accumulation of debt continues to occur as efficiently as possible. The expansion of the operating hours for both the Fedwire and Fedwire Securities Service therefore should occur simultaneously.⁵

CME Group also recognizes the close relationship between expanding the operating hours of the Fedwire and Fedwire Securities Wire and the potential use of the discount window by eligible financial institutions, including CME's clearing members, during these expanded hours. The discount window and other similar tools offered by the Federal Reserve are important backstops for making necessary liquidity available to financial institutions, which ultimately promotes the ongoing safety and stability of financial

⁴ *Id* at 39620.

⁵ Please note that CME Group believes the Fedwire and Fedwire Securities Service should move directly to 22x7x365, as opposed to any interim expansions, to avoid a multiplier effect upon resources and related costs with each expansion.

markets. Therefore, CME Group supports expanding the operating hours of the discount window and other similar tools alongside expanding the operating hours of the Fedwire and Fedwire Securities Service. CME Group also believes it could be beneficial for the Federal Reserve to undertake a market study and stress scenario exercise to understand the extent of a potential liquidity event during non-standard business hours and how the discount window may be used to address the event.

Since derivatives markets have long operated under the standard five business days a week schedule, CME Group recognizes the criticality of working with relevant stakeholders in addressing any technical and operational considerations for a SIDCO to embrace the expansion of the operating hours for the Fedwire and Fedwire Securities Service.⁶ While this expansion is worthwhile considering the potential safety and efficiency benefits, an appropriate implementation period is necessary to benefit centrally cleared derivatives markets. Close coordination among market stakeholders—including market participants, settlement banks, SIDCOs, and the U.S. markets regulators—is paramount during the implementation period. CME Group believes that centrally cleared derivatives markets would need a period greater than one-year to embrace the expanded operating hours for Fedwire and Fedwire Securities Service, but recommends that the necessary work that is needed to be completed during this period occur alongside the implementation period contemplated in the Request,⁷ so as to not create unnecessary delays.

We would be happy to further discuss our comments with the Federal Reserve. If any comments or questions regarding this submission arise, please feel free to contact me at suzanne.sprague@cmegroup.com or Sean Downey, Managing Director, Clearing Chief Compliance Officer, Enterprise Risk Officer and Head of Policy at sean.downey@cmegroup.com.

Very truly yours,



Suzanne Sprague
Senior Managing Director, Global Head of Clearing & Post-Trade
Service

⁶ For example, work may include consideration of any necessary clarifications to CFTC regulations, recordkeeping practices, and staffing schedules of clearing members and settlement banks.

⁷ 89 FR 39618.