



September 9, 2024

Via electronic submission

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

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

Dear Ms. Misback:

The Bank of New York Mellon Corporation (BNY) welcomes the opportunity to provide comments to the Board of Governors of the Federal Reserve System (Federal Reserve) on the proposal to expand the operating hours of the Fedwire® Funds Service (Fedwire) and National Settlement Service (NSS) to weekends and holidays (Proposal).<sup>1</sup>

BNY is a global financial services company that helps make money work for the world – managing it, moving it, and keeping it safe. For 240 years BNY has partnered alongside clients, putting its expertise and platforms to work to help them achieve their ambitions. Today BNY helps over 90% of Fortune 100 companies and nearly all the top 100 banks globally to access the money they need. BNY supports governments in funding local projects and works with over 90% of the top 100 pension plans to safeguard investments for millions of individuals, and so much more. As of June 30, 2024, BNY oversees \$49.5 trillion in assets under custody and/or administration and \$2.0 trillion in assets under management.<sup>2</sup>

Our Treasury Services business is a leading provider of global payments, liquidity management, and trade finance services for financial institutions, corporations, and the public sector. BNY has long been a pioneer in the faster payments space providing end-to-end solutions for our clients. BNY is the first bank to make a real time payment in the US using the Real-Time Payments (RTP) network, and the first bank to begin sending and receiving payments on the Federal Reserve's instant payment rail, the FedNow service. Our response is informed by our central role in the global financial system as a global systemically important bank (G-SIB), and as a leading payments provider. BNY intends to participate in the proposed expanded operating hours.

---

<sup>1</sup> [Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours](#), 89 Fed. Reg. 39613 (May 9, 2024) (hereinafter "Request for Comment"). "Fedwire" is a registered service mark of the Federal Reserve Banks.

<sup>2</sup> The Bank of New York Mellon Corporation (2024). Form 10-Q For the Quarterly Period Ended June 30, 2024. US Securities and Exchange Commission, available at <https://otp.tools.investis.com/clients/us/bnymellon/SEC/sec-show.aspx?Type=html&FilingId=17725184&CIK=0001390777&Index=10000>.

## **Introduction**

BNY supports the stated goals in the Proposal to extend the operating hours of Fedwire and NSS. This is to support increased liquidity flexibility and volume for customers and businesses, US leadership in domestic and cross-border payment payments, and the overall digital economy. We also include several recommendations<sup>3</sup> to address potential systemic risks and operational challenges, per the Proposal's requests:

- First, we recommend mechanisms to support optimal liquidity flow among institutions operating in partial or full expanded hours.
- Second, we recommend the Federal Reserve conduct a cost/benefit and risk analysis of expanded hours, an analysis of market needs and constraints, examine the US role in global payment and trade trends, and use this information to establish criteria to determine the appropriate date/timeline to expand operating hours.
- Third, we ask the Federal Reserve to further consider institutional system maintenance and downtime needs in the expanded hours.
- Finally, we recommend the Federal Reserve continue to consider the regulatory reporting and accounting adjustments that may be needed to account for the expanded hours.

Continued collaboration among industry participants and the Federal Reserve will help to successfully achieve the stated goals under expanded hours.

## **Recommendations**

### **I. Prior to expanding operating hours for Fedwire/NSS, BNY recommends the Federal Reserve establish liquidity flow support systems.**

As payment networks grow in transaction volume, value, and number of participants, expanded Fedwire and NSS hours could support expanded volume and business opportunities for financial institutions (FIs) and their clients. Expanded hours also allow the US to remain competitive in domestic and cross-border payments networks. We offer observations to improve the liquidity flow support systems to support this operational change.

- A. **Participation Registry:** The Proposal's success depends on active engagement of large and small financial institutions operating over expanded hours. With partial participation in the expanded hours as an option in the Proposal, the flow of liquidity and availability could be disrupted by FIs that are not operational during the same hours on weekends and holidays. There is a risk of trapped liquidity if sending and receiving institutions are not operational during the same expanded weekend and/or holiday hours. BNY recommends that the Federal Reserve consider a registry for FIs to self-report their planned expanded hours participation. Additionally, BNY recommends the

---

<sup>3</sup> BNY agrees with the concerns outlined in the Proposal comment responses from the American Bankers Association and The Clearing House.

Federal Reserve examine options to address trapped liquidity and other operational challenges that may result from FIs not consistently operating during the expanded hours.

- B. **Weekend or Holiday Wholesale Funding:** It would be helpful for the Federal Reserve to outline how it plans to address funding markets in the event of a weekend or holiday liquidity event, as the current wholesale market is not operational on weekends and holidays. To this point, BNY also strongly recommends that the discount window hours and other funding sources match the expanded Fedwire hours to address potential stress events or market disruptions that may occur during those timeframes.

**II. To help facilitate the success of expanded hours, BNY recommends additional study and cost/benefit, and risk analysis occur before establishing a final implementation timeline.**

BNY encourages the Federal Reserve to study and include in its final rule a detailed analysis of the purported benefits noted in the Proposal, including those benefits noted above. In addition to the advantages, BNY has identified potential material risks related to extended weekend and holiday hours, including intraday liquidity, credit, and funding hazards. We also acknowledge the high costs across all banks of additional staffing to manage technological, operational, market, sanctions, know your customer (KYC)/anti-money laundering (AML), and similar risks incumbent with extended operating days and hours. This analysis should consider the costs and time that will be needed to extend operations, staffing, and resourcing needed to implement the Proposal when determining the effective date and timeline.

Due to the resources required, BNY recommends the Federal Reserve include a discussion of the projected volumes and levels of participation, including projections for lower levels of FI participation. This is important because the success of the Proposal largely relies on successful participation of a critical mass of FIs and client demand.

There are also technological and cyber risk concerns to expanded Fedwire/NSS hours. We recommend the Federal Reserve also consider FIs' continued cyber security resilience measures against fraud and cyber-attack risk. Having insight into the Federal Reserve Banks' plans regarding these matters would assist Fedwire and NSS participants in evaluating the potential impact on their own operations, and their participation ability/availability.

**III. BNY recommends the final rule consider systems maintenance and contingency planning that FIs must manage under the expanded hours.**

We recommend the Federal Reserve consider in its final rule institutional management needs, including testing (for business continuity, extended downtime, software updates, patching, testing new features), as well as general hardware, software, and network maintenance. These are critical to the functional operation of FI systems.

We also recommend the Federal Reserve examine whether it would be beneficial to establish a designated time frame for institutions to carry out scheduled maintenance, or industry-wide testing. Aside from scheduled maintenance activities, institutions may occasionally require unscheduled

maintenance. It is imperative that the industry, including the Federal Reserve, streamlines and develops new contingency procedures and processes for operational resilience and to maintain the integrity of financial services for this expansion and beyond. BNY recommends the Federal Reserve Banks establish a system for disseminating information about the operating status of institutions using the relevant service (e.g., offline for maintenance/upgrades) to all stakeholders.

**IV. The Final Rule should address regulatory reporting and recording definitions.**

BNY encourages the Federal Reserve to provide more clarity on how it defines business dates, value dates, and its impact on regulatory reporting. Reporting and accounting systems will need to be updated to accurately address business in the expanded hours and how they are reported. FIs will require updated guidance on how the weekend volume is both internally reported to its ledgers and externally reported to regulatory and supervisory bodies. We believe the final rule should include an examination of the regulatory requirements for bank liquidity and provide guidance on how payments made on non-business days will be handled in relation to existing liquidity ratio calculations and other liquidity-related obligations. Furthermore, BNY recommends the Federal Reserve consider any overdraft that occurs during weekends and holidays as an extension of an “intraday” overdraft, rather than triggering an overnight overdraft. This is especially important given the reduced level of financial activity and cash management resources available on these days.

**Conclusion**

Thank you again for the opportunity to comment on this important Proposal. We encourage the Federal Reserve to consider BNY’s recommendations, which we believe will allow for smooth implementation and ultimate success in achieving the objectives of the Proposal.

We would be happy to provide further information regarding the comments contained in this letter. Should you have any questions, please contact Yana Miles at [Yana.Miles@bnymellon.com](mailto:Yana.Miles@bnymellon.com).

Sincerely,

A handwritten signature in cursive script that reads "Jennifer Barker".

Jennifer Barker

Global Head of Treasury Services

The Bank of New York Mellon Corporation