

Ann Misback, Secretary, Board of Governors of the Federal Reserve System
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Washington, DC 20551

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RE: Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours

Docket No. OP-1831

Dear Madam Secretary,

ePayResources appreciates the opportunity to respond to the Federal Reserve Board's (FRB) request for comment regarding the expansion of Fedwire® Funds Service and National Settlement Service (NSS) operating hours.

About ePayResources

ePayResources is a not-for-profit organization that provides payment-related services and education to financial institutions, law enforcement agencies, and corporate originators. Our mission is to keep our members informed, compliant, and competitive in payments. We do this by providing emerging and legacy payments expertise, professional development, and industry leadership through education, publications, compliance support, risk management, and advocacy.

Our staff of nationally accredited payments and risk professionals provides situational analysis and response guidance on our Payments Answerline™ and keeps you informed of industry developments that impact operational processing, fraud detection, and your bottom line. Our subsidiary, ePayAdvisors, provides payments audits and risk assessments and customized payments strategy consulting.

Specific comments to the Request for Comment

ePayResources is not a financial institution; however, our purpose provides insight into the importance and value of expanding the Fedwire Funds Service and NSS operating hours. We note here that we believe the industry and the Federal Reserve might have gained clearer feedback had Fedwire Funds Service and NSS expansions been addressed in separate RFCs. Nonetheless, we provided responses to the questions posed in the Request for Comment where we believe our input to be most relevant.

1. What are the primary benefits to the banking industry, financial markets, and broader economy from an expansion to 22x7x365 Fedwire Funds Service and NSS operating hours? What are the primary benefits to your institution?

By expanding the operating hours for Fedwire Funds Service and NSS, the Federal Reserve allows additional accessibility to funds outside traditional banking hours, which allows for enhanced liquidity management by reducing potential disruptions because of limited operating hours. The proposed additional time also aligns with a more global marketplace and an instant payments strategy.

2. What will be the primary sources of demand for expanded hours for the Fedwire Funds Service and NSS, from 22x5 to 22x7x365? What types of transactions or institutions are most likely to generate demand for the ability to make payments during weekend hours? What additional use cases could be satisfied with the expansion to full 24x7x365 operating hours? Would they represent sources of new and additional volume that could flow over the Fedwire Funds Service, a shift of existing volume over the service, or both?

Initially, we believe the primary sources of demand are the need for just-in-time funding and support for real-time settlement of the instant payment rails. Additional demand will come in the form of increased trading activity, both domestic and international. The expansion of operating hours will cause a shift in existing volume as transactions can be settled when the transaction occurs instead of waiting until the next traditional business day. We believe the expansion of hours will also bring in new volume by providing more efficient and instant means of settlement through globally recognized, secure, and reliable services such as Fedwire and the NSS.

3. How might expanded operating hours of the Fedwire Funds Service and NSS support private-sector innovation?

Expansion of operating hours allows for the private sector to develop solutions that offer real-time, continuous support in areas such as transactional risk management and operating efficiencies. Having continuous access to real-time information can help the industry identify and manage threats such as fraud and compliance issues while providing opportunities to create enhanced financial products that produce operational efficiencies and improved customer experiences.

4. How does the existence of the FedNow Service affect your views of the benefits of expanded hours for the Fedwire Funds Service and NSS? How do you anticipate using these services in the future?

FedNow currently has a maximum transaction amount of \$500,000, which prevents certain use cases from real-time settlement through the Federal Reserve. The current limited hours of Fedwire and NSS present the same obstacle to the market. By expanding operating hours, Fedwire and NSS can bridge the gap and alleviate

settlement risk for transactions that currently must wait until traditional operating hours to settle.

5. Do you prefer an interim expansion of operating hours before moving to 22x7x365? If so, what operating hours for the Fedwire Funds Service and NSS would be most useful for your institution? What considerations factor into your preference?

A one-time adjustment eliminates confusion and the need for multiple adjustments and repeated costs for end users and system providers. That said, our members have expressed several important concerns (noted in later responses) that need to be addressed before moving to 22x7x365. If these issues cannot be adequately addressed, then perhaps interim mini-expansions represent a lower-risk path forward.

6. What is your preferred timeline for a potential expansion of Fedwire Funds Service and NSS operating hours to 22x7x365? What considerations factor into your preference (for example, demand, time to implement changes, adjustments to staffing and internal systems, other major industry milestones or payment system improvements)?

We are satisfied with the proposed timeline of no earlier than two years beyond the live date for ISO 20022. While arguments exist for moving sooner - the need for instant settlement, finality-of-settlement risk reduction to the parties of the transaction, and greater confidence and support for the instant payment rails and financial transactions in general - many institutions and their system providers need as much time as possible to tackle both operational and financial ramifications of the proposed change(s). Concerns and questions including the possible need for weekend staffing, changes in core systems and other customer/member-facing technologies, and potential access to weekend liquidity must all be carefully addressed.

Because many institutions rely on third-party providers, they do not entirely control development or implementation timelines. Smaller institutions could be placed in a particularly disadvantageous position with a reduced implementation timeline. As an organization that represents the interests of many small financial institutions, we strongly urge The Federal Reserve to be thoughtful and attentive to such technological and operational realities. It is possible that pushing back the target date from early 2027 to a slightly later target will facilitate faster adoption by smaller institutions.

7. Are you interested in full 24x7x365 operating hours for Fedwire Funds Service and NSS? If so, what is your preferred time frame for such an expansion of operating hours? What considerations factor into your preference?

The Federal Reserve announced its eventual target – supporting 24x7x365 operations – in 2015. We recognize that 22x7x365 is an important step toward achieving that goal. We have been told that 24x7x365 operations cannot be achieved on the same timeline that 22x7x365 processing has been proposed. With that in mind, we support the move to 22x7x365 operating hours for Fedwire Funds Services and NSS, not an extended window, at this time. It represents a less drastic change for financial institutions and the industry. It also allows the industry to make the proposed expansion in operating hours within a three-year horizon.

8. What are the costs and risks to your institution? What is the estimated incremental cost on a percentage basis to support 22x7x365 operating hours for the Fedwire Funds Service and NSS? What are the implications for competitiveness?

As noted in a previous response, unanswered questions remain today that all FIs must address. These include opting in to participate in the expanded hours and the extent to which they do so, the possibility of significant staffing changes, major system changes, new liquidity challenges, etc. A critical industry/legal question is how expanded hours will change rules, regulations, and definitions for Banking Days. Finding answers to each of these issues will generate various costs and risks. The Federal Reserve and the financial industry should work together to control financial institution costs, mitigate risks, and minimize potential new compliance burdens to encourage broad participation and adoption.

We believe the firms that take advantage of the expanded hours will benefit from increased market share by providing enhanced services and timing to meet consumer and commercial needs.

9. What are the ways in which benefits, costs, or risks of 22x7x365 Fedwire Funds Service and NSS could vary for different types of market participants (for example, for smaller institutions, non-traditional participants, or participants in particular time zones)?

Smaller institutions may see an inverse relation between the cost of accessing expanded service hours and the benefits it can provide. Smaller institutions tend to offer fewer complex products/services with fewer staff members. This often stems from less versatility in core operating systems and customer/member-facing systems such as online banking and mobile apps. The cost of integrating or upgrading can be a major hurdle to offering the very products/services/features that they need to protect or win market share. The industry and the Federal Reserve must work together to ensure that

proper understanding and system changes occur so as not to jeopardize smaller institutions' competitiveness.

Non-traditional participants, such as fintechs operating under the BaaS model, and those in other time zones gain significant benefits of expanded operating hours by having access to liquidity options and payment opportunities not currently available to them.

10. Are there infrastructure-related market conditions or barriers (for example, the availability of short-term funding markets over the weekend) that may prevent or reduce your firm's ability to fully achieve the potential benefits of 22x7x365 operating hours for the Fedwire Funds Service and NSS? If so, what are they? What steps might the industry and/or Federal Reserve take to remove such barriers?

We have addressed this topic in previous responses.

11. The Federal Reserve plans to maintain the ability to opt out of expanded hours. How would the optionality with respect to participating in a 22x7x365 operating hours environment of the Fedwire Funds Service and NSS, as described in this notice, benefit or challenge your institution or the broader industry? What steps might the Federal Reserve take to augment potential benefits? What steps might the Federal Reserve take to mitigate potential costs and risks?

We believe it is important for institutions to have the ability to choose if to participate. Despite increased competition risks, smaller institutions may require more time to build infrastructure (hardware, support personnel, etc.) and develop use cases to support the increased costs.

12. How does your institution anticipate managing liquidity needs in an expanded hours environment? Is the availability of discount window loan originations on weekends and holidays a prerequisite for expanded operating hours for the Fedwire Funds Service and NSS? If so, should the discount window be available 22x7x365, or alternatively, during certain defined hours on weekends and holidays? During what hours should discount window loan originations be available?

This is an important issue that The Federal Reserve should address proactively, as noted in other responses. Precise hours and needs will be institution-specific, but we encourage as much flexibility as possible to ensure that liquidity concerns do not become a hindrance to broad participation.

13. What effects, if any, on funding market activity should be taken into account when considering the expansion of operating hours for the Fedwire Funds Service and NSS? Would the expansion of operating hours for the Fedwire Funds Service and

NSS affect existing wholesale funding markets, including the repurchase market?
Do you expect wholesale funding market activity to occur on weekends and holidays?

No response.

14. Describe any other enhancements or initiatives that the Reserve Banks should consider in addition to, or in the context of, expanded hours for the Fedwire Funds Service and NSS. How would such potential enhancements be used in the context of expanded hours? Are there any potential service enhancements that should be prioritized ahead of expanded hours?

To facilitate the transition to expanded hours, providing technical and operational details and other requirements as early as possible is key to meeting the proposed timeline. Vendors need adequate time for development and testing. Financial institutions also need sufficient time to test new procedures and processing requirements to ensure risks were properly identified and managed or mitigated.

15. Please describe any other consideration that you believe should be taken into account as the Board contemplates expansion of operating hours for the Fedwire Funds Service and NSS.

No further comments.

ePayResources greatly appreciates the opportunity to submit these comments and remains available to discuss if further detail is needed.

Respectfully submitted,



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