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Via email to:

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

Lithic, Inc. (“Lithic”) appreciates the opportunity to respond to the request for comment from the Board of Governors of the Federal Reserve (“FRB”) regarding the proposed expansion of Fedwire Funds Service and National Settlement Service (“NSS”).

Lithic is a leading financial services infrastructure company that offers card issuing processing and adjacent services currently in the US and Canada. Because of Lithic’s role as an infrastructure provider, we work with many innovative financial technology companies (“fintechs”) and have an understanding of their pain points and needs, as well as how their products and services benefit consumers, businesses, and banks.

Lithic supports the expansion of Fedwire and NSS hours to 22x7x365 as it will bring benefits to US businesses, consumers, and banks, and foster financial services innovation. Below are Lithic’s responses to select questions in the proposal.

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?

In a time when commerce can occur online 24/7, consumer and business expectations have shifted to expect more ubiquitous availability of services, including financial services. Abroad, many countries have adopted settlement services that are available on weekends and holidays, such as the Faster Payments regime in the United Kingdom or Pix in Brazil. Accordingly, the proposal, if adopted, would bring Fedwire and NSS more in line with US consumer and business expectations, and maintain US payment competitiveness on the global scale.

If the proposal is ultimately adopted, US consumers would benefit. Real time funds movement over the weekend can prevent overdraft fees, bounced checks, and other adverse consequences. It also can facilitate weekend payments in critical situations. For example, consider a business whose ACH funding of their payroll is unexpectedly returned on a Friday when payroll is due Monday. Enabling wires over the weekend would better enable the business to ensure its workers



— consumers — are able to get paid on time in a way that alternative options, like FedNow, would not due to lower limits and (currently) less adoption than Fedwire and NSS.

Additionally, there would be benefits for US businesses. 22x7x365 Fedwire and NSS capabilities would help US businesses streamline operations and improve cash flow with respect to paying bills, settlement, payroll, and other needs. The extended hours would better enable businesses to meet unforeseeable payment needs over weekends or holidays, such as emergency repairs.

Banks, as well, would benefit from improved liquidity management abilities. More broadly, the financial services industry as a whole would benefit from improved credit risk management capabilities thanks to the ability to move funds during weekends and holidays as needed to meet unexpected credit risk needs.

Much of the US financial services innovation that benefits US consumers, businesses, and banks is driven by forward-thinking and responsible fintechs. Enabling funds to settle over the weekend via Fedwire and NSS would mitigate some of the obstacles these innovative companies face. To give a concrete example, fintechs are often required to prefund or post a multi-day reserve going into the weekend to cover any customer spend that may occur outside of banking days. That can be costly and burdensome to forecast and orchestrate every week. Allowing Fedwire funds to settle over the weekend would thus mitigate this burden and enable fintechs to better focus on providing their innovative services, rather than tie up resources on weekly forecasting and capital management exercises.

As with all financial services, these benefits must be enabled in a safe and responsible manner, and Lithic encourages the FRB to properly consider the risks that the proposed change could entail and appropriate ways to mitigate such risks. However, Lithic believes that any such risks are outweighed by the benefits to consumers, businesses, banks, and the US financial services industry.

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?

Consumer (and other) spending activity can dramatically increase during holidays and some weekends. Innovative nonbank fintechs that offer consumer and other products may be required to post additional reserves or increase their program prefunding amount if they experience such dramatic above-forecasted volumes. The FRB's proposal would better enable these innovative fintechs to better meet the needs of such circumstances. These kinds of funds flows typically take place over ACH otherwise, so this would represent new funds flows – flows that support financial innovation.



Additionally, FedNow is available around-the-clock, but requires the sender to have good funds available. Weekend and holiday availability for Fedwire and NSS would enable senders to transfer funds to ensure they have good funds available.

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

As alluded to in above answers, it would reduce the burden of capital management and forecasting on which innovative nonbank fintechs currently need to spend meaningful time and resources.

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?

Limits for Fedwire are orders of magnitude larger than FedNow. Nonbank fintechs frequently need to send amounts in excess of the FedNow limits when managing their reserve account and any prefunding requirements. Accordingly, it would meet a need among innovative fintechs that is not currently satisfied by FedNow. Additionally, FedNow is not as widely adopted as Fedwire, so the change would better ensure availability of and access to weekend settlement services.

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?

Lithic believes it would be best to move directly to the proposed 22x7x365 availability. Adopting it in interim phases would prove burdensome, requiring multiple, unnecessary rounds of technical work to code each change. Additionally, a phased approach would require repeated updates elsewhere — in customer-facing materials about wire availability, for example — which seems unnecessarily burdensome.

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?

We believe there are worthwhile benefits to maintaining the two-hour window, such as maintenance work that banks and their service providers may need to perform.

Lithic is grateful for the opportunity to submit these comments, and welcomes any interest you may have in further discussions.

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