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Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551  
E-Mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)  
Docket Number: OP-1831

**Request for Comment – Expansion of Fedwire® Funds Service and National Settlement Service Operating Hours**

Dear Sir/ Madam:

State Street Corporation ("State Street") welcomes the opportunity to respond to the request for comment issued by the Board of Governors of the Federal Reserve System ("Fed") on a proposal to expand the operating hours of the Fedwire® Funds Service ("Fedwire") and National Settlement Service ("NSS"), the two large-value payment systems operated by the Federal Reserve Banks. Specifically, the Fed is proposing to expand the operating hours of the Fedwire to 22 hours per day, 7 days per week and 365 days per year ("22/7/365"), and to correspondingly increase the operating hours of NSS to 21.5 hours per day, 7 days per week and 365 days per year. We broadly support carefully considered efforts to expand the operating hours of large value payment systems, such as the Fedwire and the NSS, and we agree that 22/7/365 functionality has the potential to improve the safety and efficiency of United States Dollar ("USD") payments.

Headquartered in Boston, Massachusetts, State Street is a global custody bank which specializes in the provision of financial services for institutional investor clients, such as asset owners, asset managers, insurance companies and official sector institutions. This includes investment servicing, investment management, data and analytics, and investment research and trading. With \$44.3 trillion in assets under custody and administration and \$4.4 trillion in assets under management, State Street offers its clients the ability to hold assets and transact in more than 100 geographic markets globally.<sup>1</sup> State Street is organized as a United States bank holding company (“US BHC”), with operations conducted through several entities, primarily its wholly-owned state-chartered insured depository institution subsidiary, State Street Bank and Trust Company. As a US BHC, we are subject to consolidated supervision by the Federal Reserve System.

Consistent with our role as a global custody bank, State Street relies extensively on the Fedwire for the movement of USD payments on behalf of our clients. The observations which follow therefore address the proposed changes to the operating hours of the Fedwire and do not extend to the NSS for which we take no position. While we broadly support efforts to improve the capability, efficiency and functionality of the USD payments system, the practical challenges posed by the transition of the Fedwire to 22/7/365 are considerable and extend not only to internal systems, processes and controls, but also to industry-wide alignment on specific use cases. This includes, for instance, the design and operating hours of Continuous Linked Settlement (“CLS”) used by banks to support the exchange of foreign currency values.

We therefore urge the Fed to take a deliberative approach to its implementation efforts, working closely with the industry to identify and address key challenges that might otherwise limit the benefits of 22/7/365 Fedwire functionality. Furthermore, we also recommend the adoption of a longer implementation timeline of three years following the migration of the USD payment system to the ISO 20022 standard.

### **Internal Considerations for the Adoption of 22/7/365**

The ability to make and receive payments stands at the very core of the modern banking system and the various financial services and products which it provides. The Fed proposal to operate the Fedwire on an almost continuous 22/7/365 basis is therefore transformative for the industry and will inevitably have major implications for the industry’s internal systems and processes. While not

<sup>1</sup> As of June 30, 2024.

unexpected, certain operational considerations may be quite impactful and will likely require the substantial re-engineering of core infrastructure and functions. As an example, banks often use weekends and holidays to install software patches, upgrade equipment and otherwise maintain and support systems. Similarly, bank resiliency programs also often rely on weekends and holidays to close platforms and test their ability to resume operations within prescribed time parameters. The need to accommodate these and other similar operational functions within a highly compressed timeframe will be challenging to implement and manage even for the largest banks.

In addition, the advent of almost continuous payment capabilities through Fedwire could have major implications for banks' management of liquidity risk. This includes changes to collateral sourcing and allocation practices, as well as the enhanced monitoring of anticipated and actual cash flows. There are a number of factors that are likely to complicate banks planning efforts in this space. This includes the voluntary nature of the changes envisioned by the Fed, the lack of data on expected transaction volumes and uncertainty regarding actual industry use cases. While the proposal to simultaneously expand the operating hours of the discount window is sensible, this is unlikely to materially address the potential liquidity implications of 22/7/365 due to well-entrenched bank concerns regarding the use of Fed 'lender of last resort' capabilities. It is therefore imperative to provide the industry with adequate time for careful forward planning and testing.

### **External Considerations for the Adoption of 22/7/365**

While the advent of almost continuous payment capabilities for Fedwire has enormous potential implications for the banking industry, the extent to which these are realized is heavily dependent on the development of specific industry use cases. This includes, for example, the extent to which corresponding changes are made to the design and operation of CLS, the primary platform used by banks to support the exchange of foreign currency values. Without industry alignment on these and other similar changes, it is unlikely that the expansion of USD payment capabilities envisioned in the proposed rule will produce benefits that outweigh the anticipated costs.

Similarly, from our perspective as a global custody bank, it is also essential to carefully consider the impact of 22/7/365 Fedwire capabilities on core asset administration functions that are central to the day-to-day management of mutual funds, pension plans and other similar investment fund structures used by millions to support the accumulation of retirement income and other sources of

long-term wealth. This includes timelines for the closing of books and records, the calculation and distribution of net asset values, and the processing of client subscriptions and redemptions. We believe that the Fed has an important, value-added role to play here by working with industry to identify and address these and other similar challenges as part of the overall planning effort for 22/7/365 Fedwire functionality.

## **Conclusion**

Thank you once again for the opportunity to offer our views on the issues raised in the request for comment. To summarize, while we broadly support the adoption of 22/7/365 payment capabilities for the Fedwire, we believe that is also important to acknowledge and address the many practical challenges that this shift presents for the banking industry. This includes the need to carefully balance the speed of change in large-value payment systems with the need to effectively mitigate potential risks. In response, we urge the Fed to adopt a purposeful approach to implementation, working closely with stakeholders to identify and address key internal and external challenges to a successful transition. We also recommend the use of a longer implementation timeline of three years following the transition of the USD payment system to the ISO 20022 standard.

Please feel free to contact me at [jfulchino@statestreet.com](mailto:jfulchino@statestreet.com) should you wish to discuss our submission in greater detail. We welcome the opportunity to further engage with the Fed on these matters and we stand ready to provide whatever assistance may be appropriate.

Sincerely,



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