



On May 3, 2024, the Federal Reserve Board of Governors (FRB) proposed to expand the operating days of the Fedwire Funds Service (Fedwire) and National Settlement Service (NSS) to include weekends and holidays, so that they would operate every day of the year.<sup>1</sup> The proposal would maintain the same opening time of 9:00pm Eastern Time (ET) and closing time of 7:00pm ET and 6:30pm ET for Fedwire and NSS, respectively. Fedwire is a wholesale payment service that allows service participants to send and receive individual electronic funds transfers up to \$10 billion. The NSS is a settlement service for participants in private-sector clearing arrangements, such as check clearinghouses, and securities settlement systems. The proposal does not include changes to the Fedwire Securities Service or FedNow Service. Comments are due on July 8, 2024.

## 5 insights you should know

**Step towards 24x7x365:** The FRB noted broad interest in an expansion of Fedwire and NSS operating hours up to 24x7x365. The proposal is intended to provide many of the benefits of 24x7x365 hours while giving the industry and Reserve Banks time to adjust technology and operations for any potential future expansion of Fedwire and NSS operating hours. In the meantime, the FRB is prioritizing other payment system improvement initiatives, including implementation of the new FedNow Service and ISO 20022 migration of the Fedwire.

**Improved cross-border payments:** Expanded hours would reduce gaps between the operating hours of Fedwire/NSS and key large-value payment services in other jurisdictions, thereby supporting more efficient cross-border payments through faster settlement and improved liquidity management. Additionally, increased overlap in operating hours could provide more opportunities to settle cross-currency payments simultaneously, thereby reducing settlement risk and potentially allowing for greater transparency in global foreign exchange (FX) markets.

**Potentially reduced credit risk:** Expanding Fedwire and NSS operating hours could support time-critical payments and thereby improve the safety and soundness of the financial system. By reducing the gap between the creation of a payment obligation and the discharge of those obligations in final funds, expanded Fedwire/NSS operations may reduce credit risk and potentially reduce spillover effects in the financial system from settlement disruptions.

**Potentially increased liquidity risk:** Extending operating hours could expand financial risks, related to potential deposit outflows during weekends and holidays similar to the market turmoil experienced in spring 2023. However, by starting with a 22x7x365 schedule, institutions can use the two-hour window between 7:00pm and 9:00pm ET to serve as a pause in transferring funds and allow time to further develop liquidity risk management practices.

**Expansion to be voluntary and implemented no sooner than 2027:** Under the proposal, Fedwire and NSS would extend their current operating hours no sooner than two years after the implementation of the ISO 20022 message format for Fedwire, scheduled for March 2025. Additionally, participation in expanded hours would be voluntary, therefore institutions may choose not to operate during weekends and holidays. However, such decisions should be weighed against the level of industry adoption and potential knock-on competitive considerations.

## 5 considerations to evaluate

1

**Conduct a readiness assessment for near round-the-clock payments:** The magnitude of costs associated with Fedwire and NSS expanded operating hours will vary by institution, therefore organizations should consider conducting an individualized readiness assessment including potential costs related to upgrading legacy infrastructure, increased staffing, and potential increase in operational disruptions as a result of weekend and holiday operations.

2

**Assess timing gaps across operational currencies:** The extended hours for Fedwire and NSS will likely necessitate institutions to adjust their operational processes and risk management assumptions to consider the settlement timing differences across currencies. As participation is optional, institutions should consider including participation in counterparty settlement instructions to avoid stranding liquidity and incurring potential credit risk in institutions that choose not to participate on weekends and holidays.

3

**Potential impacts to discount window operations:** The proposal acknowledges the growing need for liquidity access during weekends and holidays due to the maturing FedNow Service and extended Fedwire and NSS hours. As such, the FRB is seeking comments on potential liquidity demand via the discount window during expanded hours. As there are no proposed changes to securities settlement, institutions should consider whether collateral maintained at the discount window will need to be recalibrated to consider both intraday and overnight liquidity needs.

4

**Reevaluate liquidity risk management practices:** Institutions should consider how changes to Fedwire and NSS operating hours may affect their funding operations and payment flows. Policies, procedures, and risk management frameworks may need to be reevaluated, including potential recalibration of liquidity buffers to account for the two additional settlement days each week.

5

**Evaluate benefits and costs of participating in extended hours:** Participating in extended hours will likely require additional costs, such as technology upgrades and staff resourcing. However, declining to participate may also introduce risks, such as the potential for counterparties to implement liquidity management measures on the firm to avoid potential liquidity traps during extended hours. Additionally, institutions should consider potential benefits to their own operations and customers in making payments during weekends and holidays.

## Connect with us

Richard Rosenthal

Principal  
Deloitte & Touche LLP  
[rirosenthal@deloitte.com](mailto:rirosenthal@deloitte.com)

Joe Rice

Independent senior advisor to  
Deloitte & Touche LLP  
[josrice@deloitte.com](mailto:josrice@deloitte.com)

Ken Lamar

Independent senior advisor to  
Deloitte & Touche LLP  
[kelamar@deloitte.com](mailto:kelamar@deloitte.com)

Conrad Sheehan

Managing Director  
Deloitte & Touche LLP  
[csheehan@deloitte.com](mailto:csheehan@deloitte.com)

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