

July 15, 2019

Via Electronic Submission

Ann E. Misback  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street & Constitution Avenue, N.W.  
Washington, D.C. 20551

**Re: Docket No. OP-1664, Potential Modifications to the Federal Reserve Banks' National Settlement Service and Fedwire<sup>®</sup> Funds Service to Support Enhancements to Same-Day ACH Service and Corresponding Changes to the Federal Reserve Policy on Payment System Risk**

Dear Ms. Misback:

Wells Fargo & Company (Wells Fargo) is a diversified, community-based, financial services company providing banking, investments, mortgage, consumer and commercial financial services. We appreciate the opportunity to comment on the Board of Governors of the Federal Reserve System's (Board) notice and request for public comment on potential modifications to the Federal Reserve Banks' (Reserve Banks) payment services to facilitate adoption of a later Same-Day automated clearinghouse (ACH) processing and settlement window (Proposal).

We support the Board's objective of facilitating adoption of a later Same-Day ACH processing and settlement window with an afternoon submission deadline of 4:45 p.m. ET and settlement at 6:00 p.m. ET. Wells Fargo enthusiastically supports faster payments development and has been directly involved in many of the solutions recently entering the payments market, including Nacha Same-Day ACH, Zelle, Visa Direct, MasterCard Send, The Clearing House RTP<sup>®</sup> system<sup>1</sup>, and others. We share the Federal Reserve's objective in promoting ubiquitous, safe, and efficient payments in the United States. An additional, late-day window for Same-Day ACH increases the ability of ACH participants to take advantage of this ubiquitous network's capability to transact securely, efficiently, and equitably. The additional window is especially important for the positive economic effect that emergency payroll, disbursements, and urgent payments will have on ACH Originators and Receivers in western time zones. It is also important to Wells Fargo as the largest Originating Depository Financial Institution and the 3<sup>rd</sup> largest Receiving Depository Financial Institution in the country in 2018.

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<sup>1</sup> RTP<sup>®</sup> is a registered service mark of The Clearing House Payments Company L.L.C.

As outlined in the proposal, enabling an additional window for Same-Day ACH cannot be achieved without modification to settlement and related capabilities that take place outside the ACH network. We believe it is essential that these modifications support inter-operator exchange and the participation of the private sector ACH operator in the new processing window. Wells Fargo appreciates the opportunity to provide feedback on 11 key areas identified by the Board.

1. The Board asked how institutions and their customers might use a later same-day ACH window. Originating Depository Financial Institutions (ODFIs) and their ACH Originators would use a later Same-Day ACH window to originate emergency payroll and business-to-consumer disbursements. The later window provides equitable service to ACH Originators in western time zones.
2. The Board asked if institutions and their customers would use expanded hours of NSS and Fedwire for purposes unrelated to the later same-day ACH window, and if so, how. Customers of financial institutions that offer wire service during the expanded hours would initiate wire transfers via Fedwire. If The Clearing House follows the expansion of Fedwire hours by expanding the hours of CHIPS, then financial institutions that offer wire service via CHIPS would likely also allow customers to initiate wires via that system. Finally, financial institutions that participate in the Real Time Payments network would likely use expanded Fedwire hours to support funding of their RTP network activity later in the day, with the additional time providing an incremental improvement in managing the funding associated with a round-the-clock payment system.
3. The Board asked what increased risks and costs might our institution and their customers incur as a result of reduced time between the closing of NSS, the Fedwire third-party cutoff, and the closing of Fedwire. The reduced time between these closings would accelerate the pace of late-day activities. Financial institutions would have less time to adjust short and long positions, which increases the risk of error. From a staffing perspective, current cutoff times already call for fairly long hours. Pushing closing times later will require reconsideration not just of staffing levels, but also of staffing models in multiple areas. Staffing adjustments will drive increased costs.
4. The Board asked what changes to internal processes or technologies our institution would need to make to adjust to any of the reduced windows outlined in the Proposal, and approximately how long it would take to implement any necessary changes. Wire operations, treasury credit and settlement control, technology, sanctions screening, and corporate treasury must assess and adjust staffing models, alerting and approval capabilities, and related functions. From a technology and system architecture perspective, the reduced windows would primarily involve scheduling changes.
5. The Board asked if our institution typically makes payments during the first hour of the Fedwire business day, what the consequences would be of delaying the reopening of Fedwire. The Board also asked if the consequences are more significant for certain types of payments, and if there are steps our institution, the Reserve Banks, or others could take to reduce those consequences. Our institution typically makes payments during the first hour of the Fedwire business day. A delayed reopening would have the greatest effect on our prefunding of CHIPS, because unfunded activity would not settle. Depending on the length of the delay, there might also be a consequential impact on CLS Settlement. A delay in the opening of Fedwire, and a consequent delay for CHIPS, would have a significant impact on our Asian market customer base settlement and could drive USD

settlement and payments to offshore clearing, which is what extending the operating hours of Fedwire and CHIPS in 2004 sought to avoid.

6. The Board asked how the proposed compressed end-of-day timeline might increase the frequency with which institutions request that the Reserve Banks extend the operating hours of Fedwire. A financial institution may not know of a problem until the end of processing. With a compressed end-of-day timeline, fifteen minutes may not provide enough time for an institution to respond appropriately and may result in a request for an extension.
7. The Board asked if the Reserve Banks should update their criteria for extending the closing time of Fedwire to include a higher value threshold; if a \$5 billion threshold would be appropriate; and if our institution would need to make any operational changes to adjust to a \$5 billion threshold. We suggest the Reserve Banks should modify the criteria for extending the closing time of Fedwire to include a higher value threshold. A higher threshold would not require operational changes. We recommend adjusting the \$1 billion threshold established in 1997 for inflation and observed changes in the average daily value of transactions. Financial institution customers would benefit from a more detailed explanation of how any new threshold accounts for these factors. We also suggest consideration of a tiered threshold for extensions, with a lower threshold for a single extension, and a higher threshold for a subsequent extension request from the same requestor for the same event.
8. The Board asked if Reserve Banks should update their criteria for extending the closing time of Fedwire to reduce the targeted two-hour window between the closing and reopening of Fedwire. It asked if a window of 90 minutes (or some other period) between the closing and reopening of Fedwire would provide sufficient time to perform end-of-day processes at our institution, and what operational or technical changes our institution would need to make (if any) to adjust to a reduced window. In the current processing environment, we require 90 minutes to perform end-of-day processes on the systems affected by the Proposal. A reduced window would allow for minimal flexibility or margin of error. We will find efficiencies to ensure completion of all processes within acceptable margins.
9. The Board asked if, given the risks of more-frequent delays to the reopening of Fedwire, the Federal Reserve should simultaneously raise the value threshold for extensions to \$5 billion and reduce the window between the closing and reopening of Fedwire. Rather than simultaneously raising the threshold and reducing the window, we believe the Board should consider an incremental approach that begins with an increased threshold, followed after a period of time by a reduced window. This would give financial institutions more time to find efficiencies in their end-of-day processing.
10. The Board asked if our institution would need to implement changes to adjust to a \$5 billion threshold or a reduced window between the closing and reopening of Fedwire, when our institution would be ready to implement those changes. Changes in the near future (e.g., ISO 20022) have imposed a heavy, active development and testing schedule. Development associated with a new threshold or a reduced window has not been fully scoped. The Board also asked if our institution is not ready to implement any required changes by March 2021, which is NACHA's current effective date for implementing the later same-day ACH window, whether the Federal Reserve

should delay implementation of the proposed changes to NSS and Fedwire. We believe the industry should strive to meet the March 2021 date without additional delay.

11. The Board asked if there are any other potential benefits, consequences, risks, or costs that the Federal Reserve should consider when evaluating the adoption of the proposed changes to NSS and Fedwire, including potential risks to financial stability. While financial stability and risk to the U.S. financial system need to be carefully considered for any large change to clearing and settlement systems, we believe the Proposal will result in a positive change for U.S. customers nationally, and especially for elements of the western economy that transact through the ACH network. By facilitating adoption of a later Same-Day ACH window, we believe the proposed changes ultimately enhance financial stability and support equitable servicing. This is especially apparent in the benefit to consumer Receivers of Same-Day ACH transactions in cases involving emergency payroll.

### **Conclusion**

Wells Fargo appreciates the Federal Reserve's efforts to engage the payments industry on potential improvements to the ACH payment system.

Wells Fargo's vision is to satisfy our customers' financial needs and help them succeed financially. This aligns with the Federal Reserve's proposal. The addition of a late-day window for Same-Day ACH increases the ability of ACH participants to take advantage of this ubiquitous network's capability to transact securely, efficiently, and equitably. The proposed enhancements will provide value to consumers and businesses alike, providing flexibility in managing their money and providing capability to send and receive funds much later in the business day. Wells Fargo realizes this common vision would not be possible without the Federal Reserve's role in serving as a catalyst for change in modernizing the U.S. payments infrastructure.

Thank you for your consideration of our comments. If you have any questions or wish to discuss any of our responses, please contact Wells Fargo Senior Vice President Douglas Berg at 612-667-4578, or [douglas.l.berg@wellsfargo.com](mailto:douglas.l.berg@wellsfargo.com)

Sincerely,



Avid Modjtabai  
Senior Executive Vice President  
Payments, Virtual Solutions and Innovation  
Wells Fargo & Company