



August 21, 2024

VIA ELECTRONIC TRANSMISSION

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

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

Dear Ms. Misback:

The Depository Trust & Clearing Corporation ("DTCC"), together with its subsidiaries, The Depository Trust Company ("DTC"), Fixed Income Clearing Corporation ("FICC"), and National Securities Clearing Corporation ("NSCC"), appreciates the opportunity to provide comments to the Board of Governors of the Federal Reserve System ("FR Board") on its proposed expansion of operating hours for the Fedwire Funds Service and National Settlement Service ("NSS" and collectively, with the Fedwire Funds Service, the "FR Services") to include weekends and holidays ("Proposal").

Background

DTCC is the parent company of DTC, FICC, and NSCC, which are registered clearing agencies regulated and supervised by the Securities and Exchange Commission. DTC is a central securities depository, providing settlement services for virtually all equity, corporate and municipal debt trades, and money market instruments in the United States. FICC and NSCC are central counterparties ("CCPs") providing clearing, settlement, risk management, and CCP services for trades in the U.S. cash securities markets.

Each registered clearing agency has been designated as a systemically important financial market utility ("SIFMU") by the Financial Stability Oversight Council pursuant to Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. In addition, DTC is also licensed as a New York Limited Purpose Trust Company and state member bank of the Federal Reserve System and, as such, is subject to supervision and examination by the New York State Department of Financial Services and the Federal Reserve Bank of New York under delegated authority from the FR Board.

Discussion

DTCC appreciates the Federal Reserve's ongoing efforts to meet its objectives of improving the speed and efficiency of the payment system in the United States. This latest round of expanding the FR Services' operating days is another good step towards enabling even more efficient payment, clearance, and settlement activities. To this end, DTCC supports the proposed expansion of the FR Services' current operating day from business days to all 365 days per year. DTCC believes there could be potential use cases to DTCC for the additional operating days. For example, it could enable better



alignment of collection timelines for risk-management purposes (e.g., margin or liquidity) with actual exposures and reduce the need for anticipatory calls or calls based on estimates.¹

Further, DTCC supports the FR Board's intention to retain optionality with respect to participation in a 22x7x365 environment. Consistent with what the FR Board noted in its Proposal, DTCC's SIFMUs use the FR Services for settlement of time-critical payments. DTC also uses the FR Services to facilitate and effect different types of asset servicing payments for the securities industry. DTCC has appreciated the participation optionality that the FR Services offer, as our settlement times do not currently require the use of, for example, the FR Services' overnight hours, but their availability can nevertheless be useful in contingency situations. In this regard, DTCC notes for the FR Board's consideration two current industry practices that were established based on the FR Services' current operating days and could be affected by the proposed expansion into weekends and U.S. holidays ("non-business days"):

- Certain types of operational testing provided by the Federal Reserve and required of certain participants (e.g., business continuity/contingency testing, production environment testing) currently take place over the weekend hours when the FR Services are offline.² There are also other industry-wide contingency tests requiring substantial resources from a broad base of participation, which are scheduled for weekends.³ Given that certain participants are required to test with the Federal Reserve, any changes to the testing windows themselves could be compelling a change at certain participants.
- Certain market practices related to securities' issuance and asset servicing payments have developed around the FR Services' existing business hours. Certain securities servicing payments (e.g., interest, principal) are scheduled at issuance and sometimes with only generic language on timing such as "the first day of the month." Because the FR Services do not operate on weekends and U.S. holidays, the generally accepted market practice for when such a scheduled payment lands on a non-business day is to roll to the next business day. Because this is longstanding market practice, the treatment of payment during non-business days is not always expressly referenced in a securities issuance's governing document. Should the FR Services' hours be expanded to non-business days, this could create some level of ambiguity for the timing of non-business day payments going forward.

In addition to the implementation, cost, and risk considerations raised in the Proposal, DTCC believes it would be helpful for the FR Board to consider and clarify how the above-mentioned existing industry practices and market conventions may be affected by an expansion of the operating day into weekends. Importantly, to the extent the proposed additional weekend hours may affect such practices, it could offset the FR Board's intention to retain its optional participation approach. DTCC recommends engaging, at a minimum, with FR Services participants to consider factors such as the feasibility of retaining current testing windows and the impact on asset servicing payments, before the FR Board finalizes its proposal to expand operating hours into the weekend.

¹ Potential use cases may evolve based on changing market conditions and the operating environment. DTCC would expect to conduct a thorough analysis, as informed through consultation with relevant stakeholders (internal and external), after such expanded hours are in effect.

² <https://www.frb.services.org/financial-services/wires/testing/production-test.html>.

³ For example, the industry-wide business continuity test and testing pursuant to the SEC's Regulation Systems Compliance and Integrity ("Reg SCI testing") that is coordinated by SIFMA on an annual basis.

<https://www.sifma.org/resources/general/industry-wide-business-continuity-test/>



Conclusion

DTCC appreciates the opportunity to provide comments on the Proposal and your consideration of the views expressed in this letter. DTCC welcomes the opportunity for further discussions and engagement on the topics we raised. Further, DTCC recognizes that the FR Board is not considering changes to the Fedwire Securities Service (“FSS”) operating hours at this time. To the extent the FR Board seeks to change FSS operating hours in the future, we would appreciate the opportunity to engage with the FR Board on this topic. DTCC uses FSS for settlement and collateral management purposes; any changes to FSS could be impactful to DTCC’s risk management processes and operations. If you have any questions or need further information, please contact me at bsteale@dtcc.com.

Sincerely,

Signed by:



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Brian Steele

Managing Director

President, DTCC Clearing & Securities
Services