



January 14, 2022

Via Electronic Submission

CPMI Secretariat (cpmi@bis.org)
Committee on Payments and Market Infrastructures
Bank for International Settlements

Re: Consultative Report – Extending and aligning payment system operating hours for cross-border payments

To Whom It May Concern:

The Clearing House Payments Company L.L.C. (“TCH”)¹ appreciates the opportunity to comment on the public consultative report that the Committee on Payments and Market Infrastructures (“CPMI”) published regarding extending and aligning payment system operating hours for cross-border payments (the “Consultative Report”).² As a payment system operator and as a user of the Fedwire® Funds Service (“Fedwire”), TCH is very supportive of the overall G-20 effort to enhance cross-border payments and we are dedicated to providing services that meet the needs of financial institutions and their customers. TCH launched the U.S.’s first 24x7, end-to-end real time inter-bank payment system, the RTP® system, in 2017 and we are actively exploring the expansion of operating hours of our high-value funds transfer system, CHIPS.

As discussed in more detail below, we strongly support the work and approaches outlined in the Consultative Report, and we encourage real-time gross settlement (“RTGS”) systems to continue to expand their operating hours. With respect to implementation, TCH suggests as additional considerations the necessary infrastructure when planning for expanded hours as well as analysis of what 24-hour period should constitute a “day” for purposes of posting payments. While we believe the actions CPMI has taken

¹ Since its founding in 1853, The Clearing House has delivered safe and reliable payments systems, facilitated banked payments innovation, and provided thought leadership on strategic payments issues. Today, The Clearing House is the only private-sector ACH and wire operator in the United States, clearing and settling approximately \$2 trillion in U.S. dollar payments each day, representing half of all commercial ACH and wire volume. It continues to leverage its unique capabilities to support bank-led innovation, including launching the RTP® system, a real-time payment system that modernizes core payments capabilities for all U.S. financial institutions. As the country’s oldest banking trade association, The Clearing House also provides informed advocacy and thought leadership on critical payments-related issues facing financial institutions today.

² CPMI, Consultative Report, Extending and aligning payment system operating hours for cross-border payments (Nov. 2021), available at <https://www.bis.org/cpmi/publ/d199.pdf>.

so far have done much to increase the focus on enhancing cross-border payments, we now urge CPMI members to move more quickly towards implementing the measures discussed in the Consultative Report.

Discussion

1. TCH supports CPMI’s approach towards expanding operating hours in order to enhance crossborder payments.

TCH fully supports the efforts of CPMI and its members in the pursuit to address long-standing challenges in the cross-border payments market, including the focus on expanding operating hours across jurisdictions as a means to increase the speed of cross-border payments.³ Reducing the gap between operating hours of different RTGS systems is an important element in reducing friction and therefore progressing towards the overall goal of enhanced cross-border payments.

As evidenced in the Consultative Report, the extent to which daily and weekly RTGS systems’ operating hours overlap across jurisdictions has important effects on the speed and cost of cross-border payments between them. Limited operating hours contributes to delays in clearing and settling crossborder payments, and this is even more pronounced in corridors where the gap in operating hours may exceed 20 hours per day.

a. End States

The Consultative Report suggests three potential end states for consideration when extending RTGS system operating hours, ranging from an incremental increase in operating hours to full 24x7 operations. It further notes that end states could be achieved incrementally over time or through a “big bang” approach in which an end state is reached in a single step. Each end state would likely require differing levels of effort and paths of implementation depending on the jurisdiction. TCH supports the incremental approach given that each jurisdiction will have its own circumstances, needs, and challenges on its path to implementation. RTGS systems support a variety of payment use cases and goals, and the complications and risks associated with expanding operating hours quickly are likely to impact those other use case areas as well. Hence, these aspects must be clearly understood and impacts appropriately evaluated, which we do not think is feasible with a “big bang” approach. While a move to 24x7 operations is not without challenges, we believe that expansion is achievable once the decision is made to do so.

a. Global Settlement Window

The Consultative Report introduces the concept of a “global settlement window” as the time frame during which the highest number of RTGS systems across jurisdictions are concurrently open. The global settlement window is meant to provide a common target for RTGS systems to extend their

³ While we believe there is clear demand for USD 24x7 operations, we recognize that there must be a similarly compelling business case for other RTGS systems and their domestic markets.

operating hours in order to meaningfully add to this window. At present, the global settlement window is best characterized as the time period from 6:00 to 11:00 Greenwich Mean Time (“GMT”) on working days, which correlates to 1:00 am to 6:00 am Eastern Time (“ET”). In the U.S., the central bank RTGS system, Fedwire, currently operates each business day from 9:00 pm ET on the preceding calendar day and ends at 7:00 pm ET.⁴ Hence, Fedwire already overlaps with the global settlement window. While the idea that more RTGS systems could overlap their operating hours with the global settlement window is positive progress, we view such overlap as merely an interim step. Ultimately central bank RTGS systems need to expand beyond the global settlement window with the goal of reaching 24x7 operations in order to meaningfully tackle the challenge of low speed in the cross-border payments market.

2. TCH believes there are additional considerations that CPMI should review as part of expanding operating hours.

a. Infrastructure

It is vitally important that each central bank RTGS system consider its infrastructure when planning for expanded operating hours. Transitioning into new hours, even incrementally, has a variety of implications associated with it, including operational and technical adjustments as well as business continuity planning by both payment system operators and participants. The extent of these adjustments will be contingent on the end state that is pursued. Although advances in technology have enabled payment systems to perform more reliably with less downtime for end-of-day system maintenance, such maintenance is still required. It is important to consider infrastructure requirements early in order to properly lay the foundation for 24x7 operations. Central bank RTGS system operators should take a holistic view when planning and deploying changes to operating hours with the intention that one day operating hours will be 24x7. Further, central bank RTGS system operators may want to consider additional ways in which they can support private sector infrastructures, such as supporting positive balances in a joint account.

b. The 24-Hour Period that Constitutes a “Business Day” in 24x7 Operations

An important issue that needs to be addressed as central banks consider expanding operating hours with a goal of 24x7 operations is how the additional hours may impact the concept of a “business day” for accounting, payment posting, and interest calculations. For instance, the U.S. RTGS system, Fedwire, opens at 9:00 pm ET on the preceding calendar for business the next day. Under this model, activity during the three hours from 9:00 pm to 12:00 am ET are posted for the next business day. However, under a 24x7 operating model, it may be worth considering whether the business day should start at 12:00 am.⁵ Similar to the approach outlined in the Consultative Report for expansion of operating

⁴ Regardless of whether the U.S. is on Standard or Daylight Savings Time, Fedwire is open during the entire global settlement window.

⁵ TCH’s RTP system, which currently offers 24x7 services, uses the 24 hour Eastern Time calendar as its business day.

hours, such a move to change the hours of a business day could be done through incremental moves or in one “big bang”.

We believe further industry discussion is needed on this issue between payment system operators and their participants in both the public and private sector. Consideration must be given to the impact of one RTGS system’s decision of how to treat the 24-hour period on other RTGS systems who may employ a different approach. This issue will require coordination and discussion across the industry, and RTGS systems should work to align their approach with each other as the industry continues to move towards 24x7 payment operations globally.

3. TCH strongly encourages RTGS systems to move more quickly towards 24x7 operations.

TCH appreciates CPMI’s work in developing the Consultative Report and we urge CPMI members to commit to quicker action to implement the end states identified in the Consultative Report, with particular emphasis on moving towards 24x7 operations in markets like the U.S. where there is a clear and compelling business case and the issues have been under consideration for several years. Indeed, as the Financial Stability Board (“FSB”) stated in its most recent progress report on enhancing cross-border payments, “[t]he Roadmap [for enhancing cross-border payments] will not be achieved merely on paper through analyses and recommendations.”⁶ Yet, as described in the FSB report, the effort to expand and align operating hours of key payments systems has three associated actions with the final action concluding with central banks and payment system operators working with participants to consider each potential end state and seek consensus on if and how best to move forward.⁷ The current timeline for this final action is June 2022 through May 2023.⁸ Thus central banks and payment system operators would not finish discussing with participants how best to move forward with extending operating hours—or even whether to extend operating hours—until May 2023, after which the substantive work would begin. We believe this timeline is too long and we urge faster action.

The FSB further notes in its report that “[c]entral banks must improve their own core payment systems and thus enable the private sector that often relies on their systems to follow suit.”⁹ We note that there are now real-time 24x7 payment systems from the private sector across multiple jurisdictions. In the U.S., TCH operates the RTP system, a real time inter-bank payment system that operates 24x7. The private sector has already moved towards 24x7 operations for real-time payment systems, and is not waiting for the public sector to do so first. However, the absence of a central bank RTGS system to support the private sector systems during all hours does create risk, and the industry would benefit if systemically important central bank RTGS systems were to follow suit.

⁶ FSB, G-20 Roadmap for Enhancing Cross-border Payments, First consolidated progress report, at 1 (Oct 13, 2021).

⁷ FSB, Enhancing Cross-border Payments, Stage 3 roadmap (Oct. 13, 2020).

⁸ FSB, G-20 Roadmap for Enhancing Cross-border Payments, First consolidated progress report (Oct 13, 2021).

⁹ *Id.* at 1.

Ultimately TCH believes that to achieve faster speed targets and enhance cross-border payments many central bank RTGS systems, including Fedwire in the U.S., will eventually need to move towards 24x7 operations. Indeed, the Federal Reserve Board has been studying this issue since at least 2019.¹⁰¹¹ We strongly encourage the Federal Reserve Board to accelerate its plans and “fully evaluate the relevant operational, risk, and policy considerations with expanded hours for the Fedwire Funds Service.”¹¹ In this regard we note that 24x7 availability of central bank RTGS systems, services that are subject to the heightened standards applicable to systemically important financial market utilities, has become critical to the services’ ability to be “efficient and effective in meeting the requirements of [their] participants and the market[s] [they] serve.”¹²

While it is true that expanding RTGS systems’ operating hours may take additional planning, we believe it is achievable in the near future and is absolutely necessary. TCH is committed to expanding the operating hours of our high-value payment system, CHIPS, and the industry would benefit if the central bank were to follow suit. Thus, we strongly encourage CPMI members to commit that they will move forward with implementing extended hours and eventual 24x7 operations as a top priority.

¹⁰ While the Federal Reserve has indicated a willingness to consider 24x7 operating hours for Fedwire Funds Service, it has not taken public action to advance such an effort. *See* Federal Reserve Actions to Support Interbank Settlement of Faster Payments, 84 Fed. Reg. 39297 (Aug. 9, 2019) (“[T]he Federal Reserve intends to explore expanded hours for the Fedwire® Funds Service and the National Settlement Service, up to 24x7x365, to support a wide range of payment activities, including liquidity management in private-sector real-time gross settlement services for faster payments. Subject to the outcome of additional analysis of relevant operational, risk, and policy considerations, the Board will seek public comment separately on plans to expand hours for the Fedwire Funds Service and the National Settlement Service.”).

¹¹ Fed. Reg. 48522, 48532 n. 61 (Aug. 11, 2020).

¹² Principles for Financial Market Infrastructures, Principle 21.