FINANCIAL TECHNOLOGY ASSOCIATION

July 27, 2026

Mr. Benjamin W. McDonough
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

FTA Comment Letter re: Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests
(Docket ID OP-1878)

The Financial Technology Association (FTA)[1] appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's proposed revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests establishing a new Payment Account framework.[2]

FTA strongly supports the Board's objective of expanding direct access to Federal Reserve payment services and appreciates that the proposal incorporates several recommendations advanced in FTA's February 6, 2026 comment letter[3], including a predictable application review timeline, a payment-volume-based balance framework, and a more streamlined review process.

However, unless the final framework includes access to the Federal Reserve's Automated Clearing House (FedACH) network, the proposed Payment Account will not provide practical access to the nation's core payment infrastructure and will not achieve its stated policy objectives. While the proposal represents meaningful progress, the continued exclusion of FedACH substantially limits the utility of the Payment Account and prevents it from delivering key benefits to end-users, including consumers and small businesses.

Since the Fed's initial exploration of a Payments Account and FTA's earlier comment letter, the policy landscape has continued to evolve. The President's Executive Order, *Integrating*

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[1] FTA is a network of fintech leaders shaping the future of finance. We champion the power of technology-driven financial services to catalyze innovation and advocate for modernized policies and regulations that reflect this digital transformation.
[2] Federal Reserve (2026) *Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests*, Docket No. OP-1878. Available at: https://www.federalregister.gov/documents/2026/05/26/2026-10375/proposed-revisions-to-the-federal-reserve-policy-on-payment-system-risk-and-the-guidelines-for.
[3] Financial Technology Association (2026) *FTA Comment Letter re: Request for Information and Comment on Reserve Bank Payment Account Prototype* (Docket No. OP-1877). Available at: https://www.ftassociation.org/wp-content/uploads/2026/02/FTA-Comment-Letter-on-Fed-Payments-Account-Proposal.pdf.

Financial Technology Innovation into Regulatory Frameworks,[4] establishes a federal policy of reducing unnecessary barriers to entry, encouraging financial innovation, and evaluating opportunities to expand access to Reserve Bank payment accounts and payment services where legally permissible. The Executive Order further requests that the Board evaluate its legal authority to expand access to Reserve Bank payment accounts and payment services, identify legal impediments to broader participation, consider options for expanding such access where legally permissible, and establish transparent application procedures supported by timely decision-making.

Additionally, it is now well recognized that the U.S. remains the only G7 nation that has not yet expanded participation in its national payments system. Fortunately, the Board has an opportunity to build upon the important progress reflected in this proposal and take an important step toward modernizing the U.S. payments system.

Accordingly, FTA respectfully offers the following comments and recommendations:

- Recognize and reconfirm that all eligible institutions under the Federal Reserve Act, including Tier 2 and Tier 3 banks, are legally eligible for a Master Account and that the Payments Account is intended to be an optional, streamlined, and viable path for limited Fed services.
- Include appropriately risk-managed FedACH access—including by setting technical requirements to be implemented by participants—so that the Payment Account can achieve its intended policy objectives and provide meaningful access to the nation's core payment infrastructure.
- Preserve the proposal's important updates by finalizing predictable application timelines, payment-volume-based balance limits, and a supervisory framework calibrated to payment-specific operational risks.

I. Because All Covered Institutions Under the Federal Reserve Act are Legally Eligible for Full Master Accounts, the Payments Account Must Remain Optional, Effective, and Non-Exclusionary

As a threshold matter, it is critical to underscore that all eligible institutions, including Tier 2 and Tier 3 banks, are statutorily eligible for full Master Accounts, including FedACH access. Such eligibility is recognized by the Board's Account Access Guidelines, which are intended to be applied by the Reserve Banks on a "case-by-case, risk-focused basis."[5] Based on the statute—

[4] White House (2026) *Executive Order 14405: Integrating Financial Technology Innovation into Regulatory Frameworks.* https://www.whitehouse.gov/presidential-actions/2026/05/integrating-financial-technology-innovation-into-regulatory-frameworks/.

[5] Federal Reserve (2022) *Guidelines for Evaluating Account and Services Requests*, Docket No. OP-1747. Available at: https://www.federalreserve.gov/newsevents/pressreleases/files/other20220815a1.pdf.

and as recognized by the Board—eligible institutions may choose to apply for a Master Account and all of the Fed services associated with such an account.

Against this backdrop, a Payments Account should be confirmed as an *optional* and more streamlined regulatory pathway for certain banks that may not be seeking access to all Fed services. As the Board has recognized, the business of banking is constantly evolving. Governor Waller noted in 2025 that "we are well into a technology-driven revolution in payments, and I am here to say that the Federal Reserve intends to be an active part of that revolution."[6] The advent of new entrants focused on improving payments in the United States is a positive development—one that will advance competition, innovation, and overall systemwide resilience. Consistent with the White House Executive Order and the Board's stated objectives, modernization of payments should be welcomed and facilitated.

The proposed Payment Account holds significant promise in meeting these objectives. By recognizing that certain new entrants may not desire all Fed services often associated with a Master Account, a more streamlined Payment Account can serve as a more efficient and tailored way to increase payment system participation and advance payment system modernization.

In order to succeed, however, the Payment Account must be viable for Tier 2 and Tier 3 banks, effective in promoting payment system modernization, and non-exclusionary to the key services institutions are eligible to access. To this end, and as we detail later in our letter, FedACH access remains a lynchpin: it is central to the attractiveness and viability of the Payment Account for eligible institutions; it is central to advancing payment system modernization given its dominant role in domestic payments; and it is central to ensuring that an entire category of eligible institutions are not arbitrarily excluded from such access.

This last point becomes even more problematic if it is perceived that the Board or Reserve Banks are seeking to channel Tier 2 and Tier 3 banks into a Payment Account. The creation of a Payment Account should expand access—not redefine or narrow the statutory pathways established by Congress. This principle is particularly important in light of the Board's temporary pause on processing certain Tier 3 Master Account applications while the Payment Account framework is being finalized. If an eligible Tier 2 or Tier 3 bank is unable to access FedACH through a Payment Account—and full Master Account access is precluded in practice—then a statutorily eligible category of banks are being arbitrarily excluded absent an individualized risk assessment. This would contravene the Federal Reserve Act and the authority of a Reserve Bank to assess an applicant on a case-by-case and risk-based basis. It would further create an unlevel playing field with prior Tier 2 or Tier 3 banks that have been approved for a Master Account.

[6] Waller, C.J. (2025) *Embracing New Technologies and Players in Payments*. Board of Governors of the Federal Reserve System, 21 October. Available at: https://www.federalreserve.gov/newsevents/speech/waller20251021a.htm.

We accordingly urge the Board to develop the Payment Account within the context of an institution's eligibility to pursue a full Master Account. By emphasizing the optional nature of the Payment Account and avoiding unnecessary exclusion of FedACH access, the proposal can create a viable and effective path for streamlined access to the national payments systems. As discussed in the next section, the Board can simultaneously pursue measures to mitigate risks associated with such FedACH access, while meeting its key public policy goals in modernizing and improving payments in the U.S.

II. The Board Should Include FedACH Access within a Payment Account and Take Steps to Mitigate Identified Risks, Including by Requiring Applicants to Implement Corresponding Technical Controls

As discussed in the section above, the principal remaining issue—and the one that ultimately determines whether the Payment Account will achieve its intended purpose—is appropriately risk-managed access to FedACH.

As FTA detailed in its February 6, 2026 comment letter, FedACH remains a foundational component of the U.S. payments system. It supports payroll, direct deposit, recurring consumer and business payments, government disbursements, account funding, bill payments, subscriptions, and numerous other high-volume payment activities that consumers and businesses rely upon every day. Reflecting its critical role, FedACH saw its total payment volume jump by over $10.2 trillion between 2021 and 2024, reaching $104.06 trillion and expanding its share of aggregate U.S. noncash payment value to 74 percent.[7] While the proposal appropriately provides access to the Fedwire Funds Service, FedNow Service, and the National Settlement Service, those services perform different functions within the payments ecosystem and are not substitutes for ACH. As a result, Payment Account holders would continue to rely on intermediary banking relationships for a substantial portion of their payment activity, limiting the efficiencies and benefits that direct access is intended to achieve.

Notably, broader FedACH access would strengthen the resilience of the U.S. payments ecosystem. Payment firms would otherwise continue routing a substantial portion of ACH activity through intermediary banks, perpetuating existing concentration in ACH origination, where just two banks currently account for approximately 50 percent of U.S. ACH transactions.[8] Maintaining a framework that requires well-regulated Tier 2 and Tier 3 banks, including those with a Fed Payment Account, to depend on a small number of intermediary institutions does not reduce systemic risk—it reinforces concentration, limits operational diversification, and constrains competition in one of the nation's core payment rails. It also increases the risk that

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[7] Federal Reserve (2025), *Federal Reserve Payments Study (FRPS) National Payment Volumes, Top-Line Data (CY 2015-24)*. Available at: https://www.federalreserve.gov/paymentsystems/frps_cy2015_24_topline.htm.

[8] Nacha (2025) *2024 Top Ach Originators By Volume*. Available at: https://www.nacha.org/sites/default/files/2025 03/Top-50_Originators_and_Receivers_2024.pdf

payment firms serving particular customer segments could lose access to essential payment infrastructure for debanking reasons unrelated to their operational resilience or compliance posture.

The potential benefits of payment system modernization can only be fully realized if the Payment Account framework broadly incorporates the capabilities of leading payments-focused providers. Without FedACH access, the framework cannot fully deliver the lower costs, operational efficiencies, increased competition, and broader innovation that direct participation in Federal Reserve payment services is intended to support.

The NPRM concludes that FedACH should remain unavailable because, unlike Fedwire Funds Service and FedNow Service, the ACH network does not include automated controls designed to prevent overdrafts. In doing so, the proposal declines to adopt the calibrated risk-management approaches FTA advanced in its February 6, 2026 comment letter, concluding that categorical exclusion remains the appropriate response to these operational concerns.

FTA appreciates the Board's focus on protecting the integrity of the payment system and agrees that robust safeguards are essential. However, we continue to believe the proposal adopts an unnecessarily binary approach by treating exclusion as the only available means of addressing stated concerns.

To this end, the Board already possesses a broad range of supervisory and operational tools capable of managing risks, including appropriately calibrated prefunding and collateralization requirements, balance limits, supervisory oversight, and operational controls. In particular, for the activity a Payment Account holder itself originates, the residual return risk can be sized in advance and absorbed by the holder—through prefunding together with a reserve or collateral cushion calibrated to the holder's own expected return rate—so that the credit risk from returns on the holder’s activity does not rest with the Reserve Banks. Rather than relying on categorical exclusions, the Board should continue employing tailored, activity-based risk-management measures that reflect the actual risks presented by the specific Payment Account holder. This approach would more closely align supervisory expectations with operational risk while preserving the benefits of broader participation in the payments system.

FTA recognizes that the Board may nevertheless conclude that additional operational safeguards are appropriate before permitting broader FedACH participation. If so, we respectfully suggest that the appropriate response should not be categorical exclusion of Payment Account holders from one of the nation’s core payment rails. While FedACH may lack certain automated controls to prevent overdrafts, there is an opportunity for the Board to specify technical controls that *applicants* could be required to implement in order to reach the same risk mitigation outcome. Repeated failures by an approved bank in properly operationalizing such controls could result in either suspension or revocation of access to the FedACH network.

The Board should accordingly continue working with industry stakeholders, including NACHA, to identify operational solutions and technical controls that safely expand participation, while preserving payment system integrity.

Potential approaches and controls could include:

- **Establishing ACH Credit-Only Participation as a Transitional Framework.** Permitting ACH Credit participation serves as a potential interim measure while the Board continues to evaluate broader ACH functionality and potential controls to be implemented by applicants. Because ACH Credit transactions represent an outbound push of funds, they inherently eliminate many of the operational and overdraft concerns identified by the Board. This model would immediately unlock critical, high-volume use cases—such as on time payroll distribution and business-to-business (B2B) supplier payments—without introducing major settlement vulnerabilities.

  However, the Board must view credit-only participation strictly as a transitional milestone rather than a permanent substitute for full network access. Modern consumers and small businesses rely ubiquitously on ACH Debits for essential financial activities, including recurring bill payments, programmatic subscription services, account funding, and loan repayments. A permanent restriction to credit-only rails would ultimately leave Payment Account holders structurally disadvantaged and heavily dependent on legacy intermediary relationships.

- **Implementing Participant-Side Enhanced Prefunding and Real-Time Balance Verification Controls.** The NPRM highlights that, unlike the Fedwire and FedNow services, the ACH network lacks native, automated controls to prevent daylight or overnight overdrafts. The Board can directly solve this operational vulnerability by mandating enhanced prefunding mechanisms or real-time balance verification protocols specifically for Payment Account participants. Given the batch nature of ACH—which creates a temporal gap between file submission and settlement, as well as the potential for returns and reversals—the Board could further require that prefunding levels include an appropriate buffer for contingencies.

  By requiring institutions to maintain a pre-staged settlement balance that accounts for both the expected transactional volume and this risk buffer, or clear a real-time ledger check prior to file processing, the Federal Reserve can effectively reduce settlement and credit risk to near zero. This approach leverages applicants' modern technological capabilities to build a robust safety wrapper around a legacy rail, protecting the integrity of the Reserve Banks without locking out eligible institutions.

- **Leveraging NACHA's Existing Governance and Operational Frameworks.** Rather than designing an entirely parallel regulatory structure from scratch, the Board should actively collaborate with NACHA to develop limited-purpose participation models and specialized operational safeguards. Such safeguards do not necessarily require the Federal Reserve to build new capacity and instead can leverage industry capabilities. For example, NACHA's existing rule-making and risk-monitoring infrastructure is equipped to manage participant-specific risks. By utilizing NACHA's established frameworks, the Board can enforce targeted risk management rules tailored specifically to the risk profiles of Payment Account holders. This collaborative oversight can help ensure high compliance standards while preserving standard payment system architecture.

- **Executing a Phased, Milestone-Driven Implementation Roadmap.** To ensure systemic safety, the Board can introduce FedACH access through a structured, phased rollout. Initial access could be granted under a strictly monitored pilot program featuring compressed volume thresholds, capped transaction values, and heightened reporting frequencies. As a Payment Account holder successfully demonstrates sustained operational maturity, settlement history, and compliance with operational controls, the Reserve Bank can systematically graduate the institution to expanded transactional capacities. A milestone-driven pathway replaces arbitrary, categorical exclusion with a merit-based framework that rewards proven operational excellence.

These options represent potential pathways for safely expanding participation if the Board concludes that additional operational safeguards remain appropriate. FTA respectfully submits that, unless the final framework includes appropriately risk-managed FedACH access, the Payment Account will remain an incomplete solution that falls short of the broader modernization, competition, and innovation objectives reflected in both this proposal and the White House Executive Order.

III. The Board Should Continue to Clarify a Properly Tailored, Risk-Based Supervisory Framework for Payment Account Holders

FTA appreciates that the Board adopted several recommendations advanced in its February 6, 2026 comment letter. The proposed 90-day application review expectation, the replacement of the original prototype balance cap with a payment-volume-based framework, and the Board's recognition that Payment Account applications warrant a more streamlined review than traditional Master Account applications represent meaningful improvements over the original proposal.

FTA encourages the Board to preserve these important improvements in the final guidelines. Together with the remaining recommendations discussed in this letter—including appropriately risk-managed FedACH access and preservation of existing Master Account pathways—these improvements would establish a more complete and durable framework.

Specifically, FTA supports:

- **Codifying a 90-day review expectation for complete applications.** Predictable review timelines reduce unnecessary regulatory uncertainty and provide applicants with greater confidence in the application process. The Board should also clarify that requests for supplemental information should not indefinitely suspend or restart the review period absent written justification and a clearly defined process. FTA further encourages the Board to consider establishing an overall maximum review period to ensure the application process remains timely, transparent, and predictable, while preserving the Board's ability to request information necessary to evaluate an application.

- **Replacing the original prototype balance cap—the lesser of $500 million or 10 percent of assets—with a payment-volume-based framework.** This approach more appropriately aligns overnight balance limits with expected payment activity rather than arbitrary balance-sheet metrics. As institutions demonstrate sustained operational maturity and increased transaction throughput, the Board should consider permitting Reserve Banks to adjust individual balance limits above $1 billion, where appropriate.

- **Implementing a tailored supervisory framework.** FTA appreciates the Board's recognition that Payment Account applications warrant a more streamlined review than traditional Master Account applications. At the same time, the final rule should further clarify that supervisory expectations remain calibrated to payment-specific operational risks—including operational resilience, cybersecurity, Bank Secrecy Act/anti-money laundering (BSA/AML), and sanctions compliance—rather than prudential standards designed primarily for institutions engaged in lending and maturity transformation. To address broader concerns regarding BSA/AML risk, the Board should explicitly underscore that any eligible institution under this framework remains fully subject to the BSA and its implementing regulations. These institutions are already bound by rigorous compliance obligations and are actively subject to ongoing supervision and examination against those standards by their regulators.

FTA also encourages the Board to continue evaluating the long-term design of the Payment Account framework. As operational experience grows, the Board should remain open to additional enhancements that further strengthen the utility and competitiveness of the framework while maintaining appropriate safeguards. This includes evaluating whether additional operational flexibilities may become appropriate as the framework matures, including whether Payment Account balances should ultimately be eligible to earn interest on reserves.

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FTA appreciates the Board's consideration of these comments and its efforts to modernize access to Federal Reserve payment services. We look forward to continued engagement on these issues and would welcome the opportunity to discuss these recommendations further.

Sincerely,

Penny Lee
President and Chief Executive Officer
Financial Technology Association