

FEDERAL RESERVE SYSTEM

Order Concerning the Payment of Interest on RTP Joint Account Balances

The Clearing House Payments Company, L.L.C. (“The Clearing House”), operates RTP[®], a payments system that allows participating depository institutions to initiate credit transfers, receive final and irrevocable settlement for credit transfers, and make available to their receiving customers funds associated with such credit transfers.¹ Payments effected through the RTP system are settled between sending and receiving participants through credits and debits to ledger positions that RTP maintains. Positions on the RTP ledger are backed by funds held in a joint account at the Federal Reserve Bank of New York (the “New York Fed” and, such account, the “RTP Prefunded Balance Account”).² The Clearing House is the agent for and operator of the RTP Prefunded Balance Account, on behalf of the subset of RTP participants who jointly own the RTP Prefunded Balance Account (the “Joint Account Holders”).³

In 2020, the Board concluded that interest should be paid on balances maintained in the RTP Prefunded Balance Account in connection with the launch of the Federal Reserve Banks’ FedNow ServiceSM.⁴ The Federal Reserve recently announced

¹ The Clearing House, [RTP[®] System Operating Rules](https://www.theclearinghouse.org/payment-systems/rtp/document-library), 13 (Jan. 1, 2023), at <https://www.theclearinghouse.org/payment-systems/rtp/document-library>. RTP operates twenty-four hours a day, seven days a week, fifty-two weeks per year.

² The Clearing House, [RTP[®] Prefunded Settlement Model and Reconciliation for Funding Participants](https://www.theclearinghouse.org/payment-systems/rtp/document-library), 6 (Nov. 2020), at <https://www.theclearinghouse.org/payment-systems/rtp/document-library>.

³ *See generally* “Final Guidance for Evaluating Joint Account Requests,” 82 Fed. Reg. 41951 (Sept. 5, 2017).

⁴ “Service Details on Federal Reserve Actions to Support Interbank Settlement of Instant Payments,” 85 Fed. Reg. 48522, 48537–38 (Aug. 11, 2020). Consistent with Board policy, the Board conducted a competitive impact analysis in connection with its

that the FedNow service will start operating in July 2023.⁵ In connection with the launch of the FedNow Service, the Board is setting forth the terms and conditions under which the New York Fed will pay interest on balances maintained in the RTP Prefunded Balance Account.

Section 19(b)(12) of the Federal Reserve Act (the “FRA”) provides that balances maintained by or on behalf of eligible institutions in accounts at a Reserve Bank may receive earnings to be paid by the Reserve Bank at least once each quarter, at a rate or rates not to exceed the general level of short-term interest rates.⁶ Section 19(b)(12) also provides that the Board may prescribe regulations concerning the payment of earnings on balances at a Reserve Bank. Section 204.10 of the Board’s Regulation D (12 CFR Part 204) includes specific provisions for the payment of interest on certain types of balances, such as master accounts,⁷ and more generally provides that the payment of interest shall be subject to such other terms and conditions as the Board may prescribe.⁸

approval of the FedNow Service. Among other things, the Board explained that participants in the FedNow Service use master accounts at the Reserve Banks, which bear interest, and that participants in RTP prefund a joint account, which does not bear interest. Although the Board concluded that the use of master accounts for the FedNow Service would not create a direct and material adverse effect on the ability of RTP to compete effectively, the Board noted that it “remain[ed] committed to creating as much competitive parity as possible, including by paying interest on the joint account.” *Id.*

⁵ “Federal Reserve announces July launch for the FedNow Service,” (March 15, 2023), <https://www.federalreserve.gov/newsevents/pressreleases/other20230315a.htm>. For more information regarding the FedNow Service, see “FedNow Service,” <https://www.frbservices.org/financial-services/fednow>.

⁶ 12 U.S.C. 461(b)(12)(A). “Eligible institutions” include “depository institutions” and certain other institutions as specified in the FRA. *See* 12 U.S.C. 461(b)(1)(A) and (b)(12)(C).

⁷ 12 CFR 204.10(b)(1), (c), (d) and (e).

⁸ 12 CFR 204.10(a)(4).

Pursuant to Section 19(b)(2) of the FRA and § 204.10(a)(4) of the Board's Regulation D, the New York Fed shall pay interest on balances maintained in the RTP Prefunded Balance Account subject to the following terms and conditions:

1. Each Joint Account Holder must be authorized under Federal law to receive earnings on balances it maintains at a Federal Reserve Bank.
2. Interest will be paid in the same manner and in the same amount as interest is paid, pursuant to Regulation D, on balances maintained in a "master account" (as defined in Regulation D).
3. Interest will begin to accrue on, or as soon as practicable following, the date, to be announced by the Federal Reserve, on which the FedNow Service becomes available for live end-user customer transactions.
4. All interest will be for the benefit of the Joint Account Holders, and The Clearing House shall have no right thereto. The Clearing House shall pass back to each Joint Account Holder such share of any interest paid that is attributable to the balances of the RTP Prefunded Balance Account funded by such Joint Account Holder.

By Order of the Board of Governors,⁹ effective June 7, 2023.

(signed)

Ann E. Misback
Secretary of the Board

⁹ Voting for this action: Chair Powell, Vice Chair for Supervision Barr, Governors Bowman, Waller, Cook and Jefferson.