



July 12, 2021

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

Docket No. OP-1747

Re: Proposed Guidelines for Evaluating Account and Services Requests

To Whom It May Concern:

Financial Innovation Now (“FIN”)¹ offers the following comments in response to the request for comment (the “Request for Comment”) on the proposed guidelines to evaluate requests for accounts and services at the Federal Reserve Banks (the “Reserve Banks”) published by Board of Governors of the Federal Reserve (the “Board”) on May 11, 2021. FIN promotes policies that enable technological innovation to make financial services more accessible, safe and affordable for everyone, and the comments provided herein are consistent with those goals.

FIN members support the adoption of the proposed guidelines, which we believe would promote greater consistency and transparency in the Reserve Banks’ decision-making with respect to requests for access to Reserve Bank accounts and services. For institutions with non-traditional bank charters, FIN members believe that the proposed guidelines would be particularly helpful in clarifying the expectations and standards of the Reserve Banks for granting Reserve Bank access.

FIN members also appreciate the Board’s recognition that there may be net benefits to the U.S. financial system in enabling a wider range of institutions, including those with technology-oriented business models, to have direct access to the Reserve Banks. At a time of significant technological change, we believe that innovative institutions can deliver new benefits to consumers, businesses and the broader U.S. economy—to include increased competition, greater financial inclusion and enhanced and innovative delivery of financial services. FIN members therefore encourage the Board to ensure that the proposed guidelines, as well as any implementation of such guidelines, promote responsible innovation in the financial services industry and do not result in unduly limited Reserve Bank access for non-traditional charter types.

¹ FIN is an alliance of leading innovators—Amazon, Apple, Google, Intuit, PayPal, Square and Stripe—working to modernize the way consumers and businesses manage money and conduct commerce. For more information regarding FIN’s policy priorities and principles, please visit <https://financialinnovationnow.org>.

Legal Eligibility

The Board notes that it is considering whether in the future it would be helpful to clarify the interpretation of legal eligibility under the Federal Reserve Act (“FRA”) for access to Reserve Bank accounts and services. Under the FRA, Reserve Bank access is generally limited to Federal Reserve member banks and “other depository institutions,”² which include both Federal Deposit Insurance Corporation-insured banks and any banks that are eligible to be insured by the Federal Deposit Insurance Corporation.³ FIN members believe that the policy goals articulated in the proposed guidelines would be best served by providing Reserve Bank access to the full range of institutions that satisfy the eligibility requirements under the FRA and the risk management criteria set out in the proposed guidelines. In particular, given the significant changes occurring in how consumers and businesses are using banking services, we urge the Board to preserve eligibility for institutions with non-traditional federal and state charters and innovative business models. We further note that additional guidance from the Board may be useful in promoting innovation by making clear the specific charter types that are eligible for access to Reserve Bank accounts and services.

FIN members also believe that the development of the proposed guidelines and any future clarification of the current statutory criteria for Reserve Bank access also provide a useful opportunity to examine the potential benefits of broadening the statutory criteria for Reserve Bank access. As noted above, innovative, non-traditional institutions can provide significant benefits. As such institutions and other financial services companies play an increasingly important role in the economy, FIN members believe it would be appropriate to consider whether providing those institutions and entities that meet rigorous regulatory and risk-management criteria direct Reserve Bank access would best support a broad set of important policy goals, such as promoting financial inclusion, competition and financial stability.

Extending Reserve Bank access in this way could also enable a wider range of institutions and regulated entities to innovate, and to shape a more responsive payments ecosystem and take greater operational and financial responsibility for that infrastructure. The proposed guidelines would provide a useful opportunity to initiate discussion of what factors and requirements are suitable to protect and advance those public policy goals, and those which may no longer be suitable given advances in financial services innovation. In the near future, it would be constructive for the Board to ask Congress to amend federal law to expand Reserve Bank access eligibility to a wider range of institutions and regulated entities, including entities that are regulated under a state regulatory or licensing scheme.

FIN members believe that institutions and regulated entities that adhere to robust risk management practices appropriately tailored to their business models should be able to benefit from direct access to Reserve Bank accounts and services rather than having to operate through sponsored bank models. For instance, regulated entities that must work through sponsored banks may be limited by the technological capabilities of the sponsor banks and in terms of the types of customers that they can serve (*i.e.*, the regulated entities can only serve customers that banks are willing to support). Furthermore, such models place the responsibility for system design and the cost of payments infrastructure on traditional financial institutions, rather than sharing such responsibility with non-bank entities. This may result in higher transaction times and costs, limits on innovation and negative impacts with respect to financial inclusion.

² 12 U.S.C. § 342.

³ 12 U.S.C. § 461(b)(1)(A).

We note that there are active initiatives and discussion in other jurisdictions regarding broadening access to central bank accounts and services. For example, in the United Kingdom, the Bank of England is already permitting non-bank payment service providers to hold accounts in its Real Time Gross Settlement (RTGS) service for processing payments and is in the process of undertaking a significant, multi-year renewal of its RTGS service with the aims of expanding access, promoting innovation and supporting greater competition and resilience in the payments sector. Other countries, such as Canada, Mexico, Singapore, Australia and Japan, as well as the European Union, are also currently considering or advancing initiatives that would enable non-bank regulated entities, including fintech companies, to access central bank payment systems. Additionally, the Financial Stability Board recently recommended that countries review and consider improving direct access to payment systems, including for non-bank entities.⁴

Risk Management

FIN members appreciate that the proposed guidelines outline a thorough risk management framework for evaluating access to Reserve Bank accounts and services. FIN members also recognize that the Reserve Banks can play an important role in expanding Reserve Bank access for institutions with non-traditional charters by carefully evaluating the risks presented by such institutions when making any access decisions. As the proposed guidelines indicate, non-federally insured institutions may require more due diligence in Reserve Banks' evaluations of access requests. We encourage the Reserve Banks to resist the inclination to be skeptical of non-traditional charters. While FIN members recognize the need for some form of increased diligence for non-traditional charter types, FIN members also encourage the Board and Reserve Banks to examine the ways in which technology-oriented institutions and companies are particularly well-situated to manage and mitigate certain risks. For example, some fintech companies are already able to employ artificial intelligence technology to evaluate credit risk, to enhance fraud detection and to assist in identifying suspicious activity in accordance with anti-money laundering obligations.

FIN members support the adoption of the proposed guidelines for evaluating requests for access to Reserve Bank accounts and services. If the proposed guidelines are implemented, FIN members urge the Board and Reserve Banks to provide Reserve Bank access to the full range of institutions that satisfy the eligibility requirements under the FRA and the risk management criteria set out in the proposed guidelines. In doing so, FIN members encourage the Board and Reserve Banks to give proper consideration to eligible institutions with non-traditional charter types. FIN members believe that providing a greater range of eligible institutions access to Reserve Bank accounts and services is critical to supporting continued innovation in the financial services industry, and that the proposed guidelines ensure that such access will lead to net benefits to consumers, businesses and the broader U.S. economy.

⁴ Financial Stability Board, "Enhancing Cross-border Payments: Stage 3 roadmap," October 13, 2020, <https://www.fsb.org/wp-content/uploads/P131020-1.pdf>.

FIN appreciates the opportunity to comment on the Board's Request for Comment and looks forward to continuing engagement with the Board on these issues.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "B. Peters", with a stylized flourish at the end.

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