



April 22, 2022

Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
Submitted Via Email to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

**Re: [Docket No. OP-1765: Proposed Guidelines for Evaluating Account and Services Requests](#)**

Dear Ms. Misback:

Wise (formerly TransferWise) appreciates the opportunity to submit comments to the Board of Governors of the Federal Reserve System (Federal Reserve) in response to its proposed guidelines (Account Access Guidelines) for Federal Reserve Banks (Reserve Banks) to utilize in evaluating requests for access to Reserve Bank master accounts and services (accounts and services).

Wise applauds the Federal Reserve for establishing increased clarity related to eligibility for accessing accounts and services. With financial services and customer expectations changing rapidly due to innovation, Wise agrees with the Federal Reserve's emphasis on the need for a safe and innovative payments system. Wise urges the Federal Reserve to exercise its full powers to further support financial innovation, and define "depository institution" as broadly as reasonably practicable, and then determine whether institutions are unduly risky based on clear criteria.

**Background**

Wise is a global payments company<sup>1</sup> building the best way to move money around the world. Twelve million people and businesses use Wise, which processes over \$8 billion in cross-border transactions every month, saving customers over \$1.5 billion a year. Wise launched in the United Kingdom in 2011 under its original name TransferWise, and is traded on the London Stock Exchange under the ticker symbol "WISE PLC." In the United States, Wise is a licensed money transmitter in 48 states<sup>2</sup> and is also appropriately licensed and/or regulated in every country where it operates. It satisfies its compliance requirements with large in-house financial crime, identity verification, due diligence, and customer support teams. Wise has over 3,000 employees in 18 offices, including U.S. offices in New York City, Tampa, Florida, and Austin, Texas.

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<sup>1</sup> In addition to directly providing services to consumers and small businesses, Wise also serves customers by partnering with banks, credit unions, and enterprises that might not otherwise offer their customers cross-border payments service on efficient terms.

<sup>2</sup> Wise offers its services only in the states in which it is licensed or that do not currently require it to be licensed, which includes all states except for Nevada, where a partner financial institution offers a Wise-branded money transmission service.

## **Access to Services**

Wise has closely followed and engaged in the Federal Reserve's modernization of participation requirements for the use of Federal Reserve services. Wise responded<sup>3</sup> to the Federal Reserve's previous request for comment<sup>4</sup> on Proposed Guidelines for Evaluating Account and Services Requests [OP-1747]. We note that the Board's approach to determining whether to provide institutions with accounts and services remains consistent with its previous Proposal, where access is dependent on whether the institution is "legally eligible" to obtain an account, and therefore only available to depository institutions that are either insured by the FDIC or eligible to make an application to become insured by the FDIC.

The Proposal acknowledges there has been an increase in novel charters. As noted in the initial Proposal<sup>5</sup>, this is due to a "payments landscape that is rapidly evolving." Institutions considering novel charter applications do not necessarily engage in the full suite of traditional banking services, but instead seek a charter due to lack of regulatory options specific to the types of specific services the applicant offers.

We previously wrote that the Federal Reserve should consider facilitating direct access to Federal Reserve services, with or without direct access to master accounts or correspondent services, by decoupling direct access to master accounts from direct access to Federal Reserve services to the extent possible.

Allowing access to Federal Reserve services by qualifying payments companies, and making the criteria for their participation clear, would be an important step in encouraging these developments.

Today, while deposit-taking and lending activities are inherently linked, payments services are a separate function and carry both a different set of benefits to society and a different set of risks. A company that provides specific types of payment services, such as the cross-border payments services offered by Wise, could provide those services efficiently and safely without a bank charter. This would be possible with access to certain Federal Reserve services without a need for a master account. This rationale is consistent with guidance from international bodies like the United Nations,<sup>6</sup> who have called for the accessibility and affordability of remittances, and the Financial Stability Board,<sup>7</sup> who have identified "improving payment infrastructures and arrangements to support the requirements of the cross-border payments market" as a central focus. Cross-border payments present important and discrete problems unrelated to traditional banking.

As noted in Wise's previous response on the topic, we believe the Federal Reserve should consider granting further access to payments systems. For example, the Federal Reserve could permit nonbank payments companies to submit ACH entries directly to the FedACH service, even if those entries are settled through the master

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<sup>3</sup> Wise, "[Docket No. OP-1747: Proposed Guidelines for Evaluating Account and Services Requests](#)" (July 2021).

<sup>4</sup> Federal Reserve, "[Proposed Guidelines for Evaluating Account and Services Requests](#)" (May 2021).

<sup>5</sup> Federal Reserve, "[Proposed Guidelines for Evaluating Account and Services Requests](#)" (May 2021).

<sup>6</sup> UN Global Forum on Remittances, Investment and Development, "[Blueprint for Action](#)" (November 2020).

<sup>7</sup> FSB CPMI, "[Enhancing Cross-Border Payments](#)" (October 2020).

account of a correspondent bank. Similarly, such policies should be considered for the upcoming FedNow service. Doing so may permit those payments companies to achieve a higher level of risk management and control over the settlement of customer transactions. This would also allow the Federal Reserve oversight over retail payments to reduce risks, competition issues, and costs and inefficiencies associated with using a commercial bank to act as a correspondent.

As Wise indicated in our previous letter, the status quo presents significant competition and risk issues. Two banks originate nearly 50% of ACH transactions<sup>8</sup> in the U.S., and it's these same two banks that originate payments for many large payments companies, adding single point of failure risks to these systems. Further, in the U.S., the direct cost of a FedACH origination is only .35 cents,<sup>9</sup> or less but banks may charge other financial institutions as much as 35 cents or more for origination services, a potential markup of 100x. End users ultimately absorb these costs. Countries including the United Kingdom,<sup>10</sup> Canada,<sup>11</sup> the European Union,<sup>12</sup> Singapore,<sup>13</sup> Australia<sup>14</sup>, and Japan,<sup>15</sup> have embraced payments modernization, and in countries where Wise has direct access, our customers have directly benefited from lower costs, faster payments, and increased predictability. In the U.K, for example, Wise dropped prices by 20% for our customers and the average payment speed improved from 15 minutes to less than 20 seconds. Wise supports the modernization of the payments system to improve competition, risk, price, and speed of payments.

### **Clarity on Tiered System**

Wise appreciates the Federal Reserve's efforts to provide increased clarity, with a tiered review framework, on the process for requests for Reserve Bank accounts and services. Wise recommends that any requirements in the Proposal be specific to identifiable risks, as conditions that are not would undermine the Federal Reserve's goal in "promoting a safe, efficient, inclusive, and innovative payment system."

Additionally, any new requirements on applicants should not be duplicative or inconsistent with their existing requirements. As a financial institution, money transmitters like Wise must register with the Financial Crimes Enforcement Network (FinCEN), and are subject to various federal laws and regulations including the Bank Secrecy Act, Regulation E of the Electronic Fund Transfer Act, and the Gramm-Leach-Bliley Act. Money transmitters must also register with and be regulated by states where they operate. Payments companies are required to hold

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<sup>8</sup> NACHA "[Nacha Releases the 2020 Top 50 Financial Institution ACH Originators and Receivers](#)" (March 2021).

<sup>9</sup> Federal Reserve, "[FedACH Services 2021 Fee Schedule](#)" (January 2021).

<sup>10</sup> Bank of England, FCA, Pay.UK, "[Access to UK Payment Schemes for Non-Bank Payment Service Providers](#)" (December 2019).

<sup>11</sup> Government of Canada, "[Report on the Review of the Canadian Payments Act](#)" (February 2019).

<sup>12</sup> European Commission, "[Targeted consultation on the review of the Directive on settlement finality in payment and securities settlement systems](#)" (February 2021).

<sup>13</sup> NFIs that are licensed as major payments institutions under *The Payment Services Act* will be allowed to connect directly to Fast and Secure Transfers (FAST) and PayNow, *see* Monetary Authority of Singapore, "[Non-Bank Financial Institutions to have Access to FAST and PayNow](#)" (November 2020).

<sup>14</sup> Australian Government, "[Payments system review: From system to ecosystem](#)" (June 2021).

<sup>15</sup> In Japan, money transmitters are not subject to the Deposit Insurance Corporation, the prudential insurance afforded to banking institutions in Japan. However, these types of licensees can set up collateral measures to secure their customer obligations (generally in the amount calculated on a daily basis) and they may keep customers' funds beyond the period necessary for fund transfer purpose. For instance, acceptance of customer funds is not allowed, unless it has a specific transfer amount, transfer date and known recipient designated by the transferor. Jones Day, "[Japan's Amended Payment Services Act Could Prompt More Nonbank Entries Into Traditional Banking Services](#)" (May 2021).

“permissible investments,” which are exempt from their bankruptcy estates, pursuant to state laws, and are held should the company fail. Payments companies licensed as money transmitters must also maintain capital reserves to mitigate business risk and must demonstrate proper risk mitigation and operational resiliency programs, such as compliance with New York Department of Financial Services regulation on cybersecurity (23 NYCRR 500), one of the most stringent cyber regulations in the nation. Further, for many applicants, the OCC and FDIC ensure capital and liquidity requirements and that an applicant is limited in its ability to influence the operations of the bank. Any requirements from the Federal Reserve should not impose duplicate or inconsistent commitments when an applicant is already subject to these or other commitments.

Finally, Wise believes both the Federal Reserve and commercial banks are concerned that nonbanks will use master accounts to hold funds that should sit in the banking system as deposits and that if held at large scale could affect the Federal Reserve’s ability to implement monetary policy. To address these concerns, Wise urges the Federal Reserve to state in regulations what is appropriate with respect to account usage and business model, including in times of market stress. The Federal Reserve should also state why it may presume that an institution would hold funds in reserve accounts just because an institution is permitted to do so under its charter, and how to rebut that presumption. If given access to a Federal Reserve account, Wise would use the account to maintain enough funding to meet its obligations, as well as a buffer and required collateral, as it does with the U.K. Faster Payments Scheme today.

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We appreciate the opportunity to share our views, and the recent efforts of the Federal Reserve to modernize the U.S. payments system. Please do not hesitate to contact us if you have questions regarding these comments or if we can be of any assistance.

Sincerely,

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