

# EARLY WARNING SERVICES, LLC, BEN CHANCE

## Proposal and Comment Information

**Title:** Check Services - Request for Information and Comment on the Future of the Federal Reserve Banks' Check Services, OP-1874

**Comment ID:** FR-2025-0077-01-C306

## Submitter Information

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**Organization Type:** Company

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Please see attached.

March 9, 2026

Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551

Re: Request for Information and Comment on the Future of the Federal Reserve Banks' Check Services [Docket No. OP-1874]

To Whom It May Concern:

Early Warning Services, LLC ("EWS") appreciates the opportunity to submit comments in response to the Board of Governors of the Federal Reserve System's ("Board") Request for Information and Comment on the Future of the Federal Reserve Banks' Check Services (the "RFI").

EWS supports a reliable, efficient, and inclusive U.S. payments system through financial institution-network risk and fraud capabilities and industry collaboration. While EWS is not a check processor and does not directly use Federal Reserve Bank ("Reserve Bank") check services, EWS plays an important role in enabling and facilitating payment processing and has a strong interest in system-wide outcomes that may be affected by changes to check services. These outcomes include fraud and dispute dynamics, account compromise risk, transition pathways from legacy instruments to electronic payments, and the potential impacts on consumers, businesses, and communities as check usage continues to decline.

## **I. Executive Summary**

***Although changes in check usage warrant re-evaluation and re-calibration of Reserve Banks' check services, abrupt changes could carry numerous risks.***

Check usage in the United States continues to decline in volume, but checks remain meaningful by value and for certain users and use cases, including specific business-to-business workflows and populations facing barriers to digital adoption. In EWS's view, strategies for the future of Reserve Bank check services should avoid abrupt changes that create operational, liquidity, and consumer harm – particularly for vulnerable populations, small businesses, and community financial institutions.

***Maintaining the reliability of services during any transition is critical.***

Given the length of time this transition may take to complete, EWS encourages the Board to pursue a strategy that maintains baseline reliability and nationwide reach in the near term, while enabling a deliberate and orderly transition to electronic payment alternatives over

the long term. Importantly, declining check volumes combined with increasing levels and rates of check fraud in recent years suggest that any changes that reduce service reliability would likely exacerbate fraud, disputes, and operational challenges rather than reduce them.

As part of any phased approach, industry and the Reserve Bank should implement monitoring frameworks to track fraud, disputes, and operational risk indicators throughout the transition. Clear benchmarks would enable the adjustment of the pace of service reductions – slowing or accelerating the phase-out as needed – based on observed risk trends.

***The Board’s long-term strategy should be to manage the use of checks to facilitate the transition to electronic payment alternatives. The Board should work closely with industry to ensure that this transition happens in a thoughtful manner that avoids harm to consumers and other stakeholders.***

Even though it is critical for the Reserve Bank to provide reliable check services in the near term, we believe that the long-term strategy for the Board and the payment industry should be to support a collaborative approach to manage the use of checks while simultaneously focusing on the adoption of electronic alternatives. This should be accomplished through a phased approach that is combined with targeted modernization, supported by clear multi-year roadmaps and industry coordination to expand adoption of reliable, secure, and cost-effective electronic alternatives.

EWS believes the Federal Reserve System is uniquely positioned to support this transition by partnering with industry as it continues to innovate to establish data standards that accurately verify both the sender and receiver of a transaction, interoperability that allows verification of multiple payment rails through a shared network, and risk controls that proactively identify potential bad actors in the financial system.

## **II. About Early Warning Services**

EWS helps power payments innovation across the United States banking sector – enabling financial services access, advancing reliable and fast payments for consumers and small businesses, and helping banks and credit unions protect the people and businesses they serve. The company tackles industry challenges at scale – including Zelle®, one of the nation’s most widely used person-to-person payment services; Paze®, a digital wallet improving online checkout; and a unified portfolio of fraud and identity risk solutions used by thousands of institutions.

For more than 35 years, EWS has provided payment- and risk-related capabilities to financial institutions of all sizes, businesses, and federal and state government agencies.

EWS's role focuses on supporting trust and confidence in payments through fraud prevention, risk management, and collaboration across the financial ecosystem.

In 2025 alone, EWS screened 2.66 billion checks totaling more than \$9 trillion. Of those transactions, \$26 billion were flagged as high risk, helping prevent an estimated \$1.7 billion in potential fraud losses across the financial system.

The U.S. Treasury's Bureau of the Fiscal Service has leveraged EWS solutions across multiple initiatives. First, in collaboration with the Bureau and four financial institutions, EWS supported the launch of the Treasury Check Verification Service (TCVS) API last year to significantly reduce U.S. Treasury check payee name fraud. Second, EWS has been used to screen payments prior to disbursement to safeguard taxpayer funds. Through its Financial Agent, EWS screened 200 million payments in 2024 and 2025. Previously, EWS helped prevent an estimated 134,000 improper Economic Impact Payment and Advance Child Tax Credit disbursements, totaling \$129 million. In partnership with the Federal Emergency Management Agency (FEMA), EWS also helped avert an additional \$80.5 million in fraudulent disbursements. EWS remains actively engaged in supporting the onboarding of additional federal agencies.

This ongoing collaboration demonstrates how effective public-private partnerships can combat fraud and strengthen consumer protection across the U.S. financial system. Continuing this collaboration is even more important because despite check fraud prevention services and other industry efforts, check fraud continues to increase.

Given its role in the payments ecosystem – including as the operator of the peer-to-peer payment service Zelle® - and its strong relationships with financial institutions, EWS brings unique insight into fraud trends, customer experience considerations, and adoption challenges as payment activity shifts from checks to electronic alternatives.

While EWS does not rely directly on Federal Reserve Bank check services, its role in de-risking and protecting payment issuers and recipients – including in the check ecosystem – gives the company a significant interest in the Board's proposal.

### **III. Framing Principles for Evaluating Check-Service Strategies**

EWS recommends that potential strategies for Reserve Bank check services be evaluated against the following principles:

- **Reliability.** Preserving resiliency and consistent settlement expectations, while supporting risk controls that reduce fraud and downstream impacts such as account takeover and unauthorized debits.

- **Efficiency.** Promoting predictable operations, standardized processes, and reduced exception handling, and minimizing avoidable disruptions that shift costs to financial institutions and their customers.
- **Access.** Recognizing persistent reliance on checks among elderly, rural, low- and moderate-income populations, and certain small-business segments, and ensuring changes do not leave communities without viable payment alternatives.
- **Market stability.** Providing clear timelines and transparency so financial institutions and service providers can plan, invest, and migrate customers in an orderly manner.

#### **IV. Key Considerations Regarding the Future of Reserve Bank Check Services**

In assessing potential strategies for Reserve Bank check services, the Board should balance the benefits of modernization, cost efficiency, and reduced operational complexity against the risks of systemic disruption, uneven impacts across institutions and communities, increased disputes if services are reduced too quickly, and transition risk caused by misaligned timing. A phased, transparent approach that maintains baseline reliability while enabling migration to reliable, secure, and cost-effective electronic alternatives can help mitigate these risks and support the long-term health of the U.S. payments system.

Reserve Bank check services continue to play an important near-term stabilizing role in the U.S. payments system. Although check volumes have declined, checks remain meaningful by value and continue to be used in specific contexts, including certain business-to-business transactions, low-technology acceptance environments, and by populations that face barriers to adopting electronic payment methods. Over the next several years, Reserve Bank check services will continue to provide a nationwide, predictable option that supports continuity for smaller institutions and communities. Thus, EWS encourages the Board to be cautious in phasing out Reserve Banks' check services too quickly. Doing so risks operational disruption that could hurt both businesses and consumers. Even if the Board determines that it is appropriate to begin scaling back Reserve Banks' check services, it should ensure that these services continue to be highly reliable.

Alternative providers and payment methods are expected to continue developing and adoption increasing, but availability and competitiveness may remain uneven in the near term, particularly for smaller institutions and certain regions. The Federal Reserve System's unique value lies not only in its operational role, but also in its ability to provide nationwide reach and system-wide coordination. Over time, as electronic alternatives mature, the Reserve Banks can continue to play a constructive role in promoting standards and interoperability that support resiliency and inclusion. In the meantime, it is important that the Reserve Banks continue to provide check services that will fill gaps in existing

electronic payment offerings while charting a path toward introducing and encouraging adoption of alternative electronic methods with a national reach.

Over a longer horizon, the Board should work to facilitate an orderly migration away from checks. The eventual transition from checks to electronic alternatives is inevitable. The Board has a critical role to play in ensuring that the transition occurs in a way that minimizes adverse impacts on consumers and industry stakeholders.

From a system-wide perspective, the most critical aspects of current check services are those that prevent broad disruption and downstream costs. These include operational reliability and resiliency, predictable settlement and funds-availability expectations, and robust handling of returns, exceptions, and discrepancies. FedForward, FedReturn, FedReceipt, and Check Adjustments Services are examples of four core check services that enable end-to-end clearing and returns and are worth preserving. These functions reduce cascading disputes, manual processing, and liquidity uncertainty across the banking system. Any effort to simplify check services should be designed carefully to avoid unintentionally shifting costs and complexity to financial institutions and consumers.

When evaluating potential strategies, it is critical that Reserve Banks' check services continue to meet high standards of reliability. Check volumes are declining but check fraud rates remain high. An abrupt shift of investment and focus from fighting check fraud to solely focusing on alternative payment methods will lead to a reduction in reliability and could exacerbate check fraud, disputes, and consumer harm. Simplification of services can be viable if it is phased, transparent, and supported by clear timelines, minimum service levels, and transition tools. As part of this effort, check screening verification and account verification for electronic payments should be utilized to minimize fraud across both channels – checks and electronic payments. A substantial wind-down of Reserve Bank check services may be feasible only with a predictable runway and with confidence that alternative payment methods are broadly accessible across institutions, geographies, and user groups. Investments to upgrade check-processing infrastructure may be appropriate to preserve baseline safety and reliability, but such investments should be right-sized to declining volumes.

If the Federal Reserve decides to increase costs for check-related services, then we strongly encourage the Federal Reserve to be transparent about the changes and tie those increased costs to investments designed to reduce risk and ensure service continuity. As volumes decline and unit costs rise, sensitivity to pricing will increase. Phased pricing and transparency over such changes will help institutions plan migration and make informed choices. Similarly, investments in security enhancements are most effective when

coordinated across the industry, rather than implemented in a fragmented manner that could increase complexity and uneven adoption.

Checks continue to be used because of familiarity, broad acceptance in certain sectors, low-technology accessibility, integration with legacy business workflows, and perceived cost advantages in some cases. Many of these attributes can be replicated by electronic payment methods if those methods offer ubiquitous acceptance, simple enrollment, strong confirmation and receipt features, predictable posting and dispute resolution, and transparent pricing. Barriers to adoption, such as onboarding complexity, fragmented user experiences, lack of standardized payment request or invoicing data, and the digital divide, remain important considerations in shaping transition strategies.

EWS supports the continued transition from paper checks to digital payment options, while emphasizing that the shift should be deliberate, community-aware, and designed to avoid disruption – particularly for consumers and small businesses that still rely on checks. As part of this phased approach, industry and the Federal Reserve should implement clear monitoring and control frameworks to track fraud rates and related risk indicators throughout the transition. Establishing measurable benchmarks would allow the Federal Reserve and market participants to assess whether risk levels are stabilizing or increasing and to adjust the pace of service reductions accordingly – slowing, pausing, or accelerating elements of the phase-out based on observed outcomes. A data-driven approach would promote accountability, reduce unintended consequences, and help ensure that modernization efforts do not inadvertently increase systemic risk or consumer harm.

Modern account-to-account payment capabilities demonstrate that funds can be delivered within minutes to a recipient's verified bank account using simplified credentials, reducing the need to collect or store sensitive account and routing numbers. As the operator of the Zelle Network®, EWS has experience supporting this type of secure, financial institution-based digital disbursement at scale. Today, Zelle is offered through more than 2,300 financial institutions representing over 82 percent of U.S. demand deposit accounts, and, in 2025 facilitated more than \$1.2 trillion in payments across 4.2 billion transactions. These figures illustrate the existing reach and capacity of bank-based digital payment infrastructure to serve as a viable alternative to checks.

At the same time, a successful transition away from checks will require thoughtful incentives to encourage electronic adoption, robust consumer education and outreach, accessible options for unbanked and underbanked populations, and continued accommodation for critical use cases such as government disbursements and disaster-related payments. Ongoing cross-sector collaboration to strengthen security, reduce fraud,

and build user confidence will be essential to ensuring that the migration from checks to digital alternatives is inclusive, secure, and sustainable.

## **V. Recommendations**

Based on the considerations above, EWS respectfully recommends that the Board:

- Avoid degrading reliability while implementing strategies to maintain core nationwide consistency during any transition from checks to electronic payment alternatives.
- Encourage adoption of reliable and cost-effective electronic alternatives, including tokenized electronic payments (such as Zelle® and ACH).
- Adopt a phased simplification plan with clear milestones, ample notice and feedback opportunities, minimum baseline service levels, and risk-based monitoring.
- Use clear coordination and partner with industry on standards for exceptions, returns, and operational data to reduce consumer friction.
- Pair operational changes with a migration enablement roadmap that supports community banks and credit unions, small businesses, and vulnerable communities.

## **VI. Conclusion**

EWS appreciates the Board's thoughtful engagement on the future of Reserve Bank check services. In EWS's view, preserving baseline reliability in the near term, simplifying services through a phased and transparent process, and supporting an orderly migration to electronic alternatives will best promote reliability, efficiency, access, and confidence in the U.S. payments system.

Respectfully submitted,

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