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Proposal and Comment Information

Title: Request for Information and Comment on Reserve Bank Payment Account Prototype, OP-1877

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Submitter Information

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Comment on Docket No. OP-1877 – Reserve Bank Payment Account Prototype

Thanks for the opportunity to comment on the proposed Reserve Bank Payment Account prototype. This is a meaningful step toward modernizing payments infrastructure, but modernization without governance simply moves legacy problems onto faster rails.

Even when the entire payment lifecycle becomes digital, many of the same structural frictions remain. The challenges are not about paper they are about incentives, fragmentation, fees, fraud, and accountability. Digitization improves speed and convenience, but it does not resolve network economics, settlement rules, interoperability gaps, or regulatory complexity.

For this reason, AML/BSA/CFT and compliance risk management must be designed as a system level governance model, not as a standalone control checklist.

1. Governance & Oversight

Effective oversight requires coordination across:

Federal Reserve – payments infrastructure

U.S. Treasury – financial crime policy (FinCEN, OFAC, sanctions, AML)

SEC & FINRA – market conduct and enforcement

CFPB – consumer protection and dispute resolution

DOJ – criminal enforcement

DHS – national security and infrastructure protection

CISA – cybersecurity resilience

Department of Commerce (NIST) – risk frameworks and governance standards

Department of Labor – where payments intersect with wages, payroll, and algorithmic workforce systems

State financial regulators – MSB licensing and consumer protection

No single regulator owns the full payment lifecycle. Fragmented oversight creates blind spots. A coordinated supervisory model is essential to prevent regulatory arbitrage and inconsistent enforcement.

2. Required Control Framework

Payment Accounts should be subject to layered controls, including:

Risk-based customer due diligence

Continuous transaction monitoring

Sanctions screening and escalation protocols

SAR filing workflows

Independent validation of monitoring models

Clear accountability and escalation paths

Immutable audit logs and data lineage

Defined data retention and regulator access standards

These controls must be embedded operationally, not retrofitted after deployment.

3. Technology & Automation

As automation and AI are introduced:

Errors propagate faster

False positives scale

Explainability becomes critical

Model governance must be enforced

Institutions should maintain:

Human oversight of automated decisions

Independent testing of monitoring tools

Transparent alert logic

Documentation for regulatory review

Innovation cannot come at the expense of auditability.

4. Structural Risks Digitization Does Not Solve

Even fully digital systems still face:

High intermediary fees

Settlement delays

Fragmented integrations

Manual exception handling

Network governed disputes

Data quality failures that cascade downstream

These are governance problems, not technology problems.

Conclusion

The Payment Account prototype is cool, but its success depends on strong, coordinated governance. Faster rails without stronger oversight simply accelerate existing risks.

Real modernization requires:

Clear accountability

Standardized risk frameworks

Continuous monitoring

Cross-agency coordination

Auditable controls

Innovation should move fast but governance must move with it.