

WISCONSIN BANKERS ASSOCIATION, ROSE OSWALD POELS

Proposal and Comment Information

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

Comment ID: FR-2025-0083-01-C52

Subject

Docket No. OP-1877 - Comments

Submitter Information

Organization Name: Wisconsin Bankers Association

Organization Type: Organization

Name: Rose Oswald Poels

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I received an error when attempting to submit through the agency website portal. Please find attached WBA's comments regarding Docket No. OP-1877.

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Scott Birrenkott

Director – Legal, Wisconsin Bankers Association

Phone 608.441.1244

Email sbirrenkott@wisbank.com<<mailto:sbirrenkott@wisbank.com>>

Web www.wisbank.com<<http://www.wisbank.com>>

Address 4721 South Biltmore Lane, Madison, WI 53718

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February 6, 2026

VIA E-MAIL ONLY

Benjamin W. McDonough,
Deputy Secretary,
Board of Governors of the Federal Reserve System,
20th Street and Constitution Avenue NW,
Washington, DC 20551
Docket No. OP-1877

Re: Request for Information and Comment on Reserve Bank Payment Account Prototype

Dear Mr. McDonough,

The Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing nearly 180 state and nationally chartered banks, savings banks, and savings and loan associations of all sizes located in Wisconsin, their branches, and over 30,000 employees. WBA appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System (Board) Request for Information (RFI) regarding the proposed special-purpose Reserve Bank Payment Account (Payment Account).

The Board has requested feedback on a special-purpose Reserve Bank account prototype designed solely for the clearing and settlement of an institution's payment activity. The prototype includes limited account functionality, requires prefunding of all payments, does not permit daylight overdrafts or other forms of intraday credit, pays no interest on balances, and does not allow access to the discount window. WBA believes that, with appropriate safeguards and clear supervisory expectations in place, this framework can offer a responsible and limited avenue for eligible institutions to participate in payment activities while ensuring that the strength and stability of the Federal Reserve Banks and the broader financial system remain protected. In response to the RFI, WBA offers the following comments.

WBA agrees with the Board's analysis in the RFI that a Payment Account with clear limitations can provide a controlled means for eligible institutions to clear and settle payments. Because potential applicants may have varying supervisory expectations or operational frameworks, WBA believes that access should depend not only on legal eligibility, but also on an institution's demonstrated capabilities in governance, risk management, internal controls, and compliance. Institutions seeking Payment Accounts should maintain strong programs for BSA, AML, cybersecurity, and operational resilience. These functions should be subject to direct federal banking agency oversight as a condition of access in order to ensure consistent standards and to avoid supervisory gaps.

WBA also supports a phased and carefully monitored approach to activity within Payment Accounts. Although the prototype's prefunding requirement and prohibition on intraday credit already reduce credit risk, WBA agrees that Reserve Banks should impose conservative initial transaction limits and expand those limits only after an institution demonstrates a sustained ability to manage its operations effectively and comply with all supervisory expectations. WBA also supports requiring financial assurances, such as a surety bond sized to anticipated activity, to help protect Reserve Banks and other payment system participants from losses arising from operational failures or compliance lapses.



WBA supports the proposed overnight balance limit, which serves to discourage the accumulation of large idle balances and supports the account's narrow purpose. While the proposed limit is based on the lesser of a dollar threshold or a percentage of assets, WBA recognizes that an activity-based approach may align more closely with actual payment needs and reduce operational risk over time. Any changes to the balance limit should occur through a transparent process and favor conservative parameters, especially during early stages of the program.

WBA strongly supports the prohibition on paying interest on Payment Account balances and on granting Payment Account holders access to the discount window. Not paying interest helps ensure that Payment Accounts are used only for payment activity and do not become a form of overnight investment. Prohibiting discount window access helps ensure that institutions using Payment Accounts are not able to access liquidity facilities designed for full-service, prudentially supervised depository institutions. WBA encourages codifying these prohibitions to provide clarity and stability for the long term.

WBA believes transparency in application processes, expectations, and review timelines are important aspects to remain mindful of. The Board should publish clear criteria relating to business model risk, governance, compliance capabilities, cybersecurity, and operational readiness. Standardizing account agreements across Reserve Banks will support consistent treatment and reduce confusion. While the Board indicates anticipation that review of Payment Account applications will generally be completed within ninety days after all required materials are submitted, Reserve Banks should have flexibility to take additional time when the risk profile warrants further review. Clear communication throughout the process will help ensure predictability and fairness for all applicants.

Finally, WBA supports the Board's intention to define the enforcement tools available should a Payment Account holder fall out of compliance with expectations. Clear expectations should be set regarding Payment Account access, and conditions that the privilege can be withdrawn if an institution fails to maintain appropriate controls. Requiring applicants to maintain credible recovery and resolution strategies appropriate to the size and nature of their activities is an important safeguard for mitigating risks associated with operational disruptions or institutional failures.

WBA appreciates the Board's deliberate and measured approach to the Payment Account prototype. With the safeguards, supervisory expectations, and clarifications described in this letter, WBA believes the framework can promote responsible payments innovation while supporting the safety, stability, and integrity of the U.S. payment system.

Thank you for considering our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Rose Oswald Poels".

Rose Oswald Poels
President/CEO