

INSTITUTE OF INTERNATIONAL FINANCE, JESSICA RENIER

Proposal and Comment Information

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Mr. Benjamin W. McDonough
Deputy Secretary
Board of Governors of the Federal Reserve System

By email: publiccomments@frb.gov



Dear Deputy Secretary McDonough,

Request for Information and Comment on Reserve Bank Payment Account Prototype [Docket No. OP-1877]

The Institute of International Finance (IIF) appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System’s (Board) [Request for Information \(RFI\)](#) published in the Federal Register on December 23, 2025. The IIF brings a global perspective as it represents approximately 400 globally active financial institutions from over 60 geographies.

Our diverse membership comes from the banking, insurance, securities, asset management, payments and other sectors, including digital asset exchanges and stablecoin issuers. We welcome the Board’s efforts on the proposed Reserve Bank Payment Account Prototype (“Payment Account”) and the broader framework for granting limited-purpose payment account access to eligible institutions. Across our global membership there is strong support for providing a constructive, internationally informed response focused on practical implementation considerations.

The IIF and its members recognize the Board’s objective of improving the payment system, in part by expanding access to Federal Reserve payment services, which could have the effect of enhancing payment innovation, increasing settlement speed, and strengthening operational efficiency. Governor Waller’s recent remarks – broadening access to payment rails, reducing review and onboarding timelines, and mitigating credit, liquidity, operational, and compliance risks¹ – resonate with our members.

The goal of the IIF’s response is to offer specific insights to help the proposal achieve its intended objectives while safeguarding financial stability, monetary policy transmission, and the integrity of the U.S. payment system. As part of the IIF’s response, we share our members’ global observations – with a particular focus on the U.K., which in 2017, opened access to systems settling in central bank money and to central bank accounts to non-bank payment service providers (**NBSPs**) – the first G7 country to do so.

Key Findings

Please see our members’ responses to your questions in **Annex 1**. The IIF’s comments are organized according to the eight question areas outlined in the Federal Reserve’s RFI.

Our members’ key points include:

- **Protect trust in the payment system – balance innovation with core policy objectives.** Payments innovation is valuable, but it should not come at the expense of financial stability, effective monetary policy transmission, or without consideration for the broader impact on the cost of credit. Firms with a Payment Account must comply with the Federal Reserve’s Operating Circulars. Requirements should track risk – how well those

¹ Christopher J. Waller, [Embracing New Technologies and Players in Payments](#), Oct. 21, 2025.

risks are managed by the applicable supervisory and regulatory framework – and should reflect the reality that liquidity management practices, and operational, AML/BSA/CFT, and cyber risks are similar across banks and non-banks.

- **Clear, consistent eligibility standards and supervisory expectations.** Access should be conditioned on enhanced due diligence, pre-access examinations, third-party certification, and demonstrated regulatory performance for an appropriate period. Reserve Banks should apply a transparent, uniform review process in addition to considering legal eligibility and incorporating the 2022 Guidelines’ risk evaluation framework. Applicants with systemic potential should face heightened scrutiny and be required to submit credible business continuity plans – to mitigate risks associated with granting a Payment Account to firms without full federal supervision.
- **Prevent regulatory arbitrage.** Safeguards should apply to all Payment Account holders, and include prohibitions on nested flows, restrictions on affiliate transactions, and bans on acting as a sponsor institution. Firms with a Payment Account should be subject to a set of minimum requirements, commensurate with the risks they pose to the payments system, including information and data security, AML, sanctions, operational resilience, and cyber risk standards. These measures help ensure a level playing field and prevent indirect access by ineligible entities.
- **Refine account-level controls.** Key mitigants – no interest, no daylight overdrafts, no intraday credit, and strict balance caps – should be retained. Clear criteria are needed for any adjustments to balance limits. A trial period with limited transaction volumes would allow the Fed to validate operational readiness.
- **Robust operational and technical safeguards.** The Board should implement mandatory system and operational testing, endpoint-security certification, 24/7 monitoring, scalable risk-monitoring tools, and strong cyber-access validation. These measures protect the Federal Reserve’s infrastructure and support a cautious, incremental rollout.

Please see **Annex 2** for a comparative analysis of U.S., UK, and EU central bank systems that highlight account features and overall observations.

Further engagement

The IIF and its members stand ready to engage in additional discussions and consultations on these topics, or to clarify any aspect of our submission. For example, if desired we could convene a meeting of interested IIF members with Board officials to discuss the RFI and this submission further.

We thank you again for the opportunity to contribute to this important RFI.

Yours sincerely,



Jessica Renier
Managing Director, Digital Finance

Annex 1

Answer to RFI Questions

1. Would the design of the Payment Account prototype support payment activities of eligible institutions?

IIF members suggest that the Payment Account could support payment activity for eligible institutions, provided its design is paired with a clear, risk-sensitive, and operationally robust framework. IIF members noted that direct access can enhance efficiency and competition but may also introduce operational and systemic risks that require strong mitigants. Applicants should be able to demonstrate their ability to meet eligibility criteria and comply with any required technical and operational requirements. Enhanced due diligence, pre-access examinations, transparent account reviews, and ongoing supervision are viewed as foundational, alongside consistent expectations for enterprise risk management, cybersecurity, AML/BSA/CFT, liquidity, and fraud controls. Limits on account usage to the clearing and settlement activities of the Payment Account holder, balance caps, and limits on transaction volumes are seen as practical tools for ensuring that access remains safe and appropriately scoped.

Recommendations. IIF members suggest that all Payment Account holders should be required to comply with Federal Reserve Operating Circulars governing electronic access and participation in each payment rail.² Further, the account agreements that account holders enter into with their Reserve Bank should contain appropriate account parameters and limitations, as well as any needed variations from provisions in Operating Circulars.³

Ensure a transparent account review process. Although the RFI's Term Sheet acknowledges that Reserve Banks retain discretion to deny applications and must apply the 2022 Guidelines,⁴ IIF members flag that a streamlined review process could lead Reserve Banks to focus more on legal eligibility rather than on conducting a transparent, meaningful, risk-based assessment consistent with the 2022 Guidelines' risk review framework. IIF members suggest that such assessments should begin by considering legal eligibility and then consider an applicant's potential systemic importance, with a focus on firms that could become significant payment-system participants. Additionally, account agreements should be transparent and could be standardized across Reserve Banks to promote consistent application of requirements for access to Federal Reserve payments services.

UK and EU – reference frameworks. The UK allows NBPSPs to hold accounts in the Bank of England's (BoE) Real-Time Gross Settlement (RTGS) system. The EU recently granted NBPSPs access to central-bank-operated payment systems under the Instant Payments Regulation.⁵ Both the UK and EU's efforts pair direct access to support payments and innovation with a harmonized regulatory framework, well-defined safeguards and functional clarity. Notably, the supervisory framework for eligible entities in the U.S. is fragmented, with varying federal and state-level requirements and oversight depending on charter type. This underscores the importance of aligning permitted features that support intended policy goals with a clear risk-based rationale and ensuring that regulatory requirements, supervisory oversight, and operational expectations are transparent and consistently applied.

² The Federal Reserve Financial Services (FRFS), [Federal Reserve Banks Operating Circular No 5, Electronic Access](#), effective Oct. 28, 2024.

³ FRFS, [Rules and Regulations – Operating Circulars](#).

⁴ Federal Reserve System (FRS), [Guidelines for Evaluating Account Service Request \(2022 Guidelines\)](#), Aug. 15, 2022.

⁵ European Central Bank (ECB), [Eurosystem sets policy on access by non-bank payment service providers to its central bank payment systems](#), Jul. 19, 2024.

Direct access Payment Accounts are limited purpose. Prior to 2017, only banks were permitted to hold settlement accounts at BoE and to connect directly to Clearing House Automated Payment System (CHAPS), Faster Payments (FPS), and Bankers' Automated Clearing System (BACS). In 2017, the UK opened central bank payment systems to NBPSPs – permitting them to obtain direct access to its RTGS system. BoE and FCA also developed coordinated supervision – with BoE focusing on payment system resilience and settlement risk, while the FCA oversees conduct and prudential requirements. In the U.S., firms seeking a Payment Account should be required to meet bank-equivalent operational and risk management standards, maintain adequate capital and liquidity, and demonstrate strong governance.

Customer funds must be properly safeguarded. The UK has taken a proactive approach to providing NBPSPs direct access to payment systems.⁶ Payment Institutions (PIs) and Electronic Money Institutions (EMIs) are required to protect customer funds through prescribed safeguarding mechanisms, and this obligation is independent of whether they have access to central bank or system-operator accounts.⁷ In the UK and EU, accounts used to execute payment transactions are distinct from the settlement accounts available to NBPSPs, which exist for settlement and are not used to meet safeguarding requirements for client funds. In the U.S., firms seeking access to a Payment Account must be required to operate within a robust supervisory framework, including appropriate safeguarding of customer funds and adherence to operational and security standards.

Standards equivalent to those applied to banks. Since 2017, CHAPS, FPS, and BACS were opened to non-bank direct participants, allowing them to offer real-time retail payments and high-value sterling transfers under their own names. BoE's RTGS Renewal Programme⁸ – with a focus on enhancing supervisory safeguards – further improved accessibility through adoption of ISO 20022 messaging – extended operating hours, application programming interface (API)-based connectivity, along with enhanced resilience and supervisory safeguards to support new payment models.⁹ In the U.S., firms seeking and maintaining direct access must be required to demonstrate the enterprise programs and operational capability and resiliency required for a Payment Account.

Robust supervision is essential to limiting and preventing risks. Failures can result when compliance and risk frameworks do not align operational practices with safeguarding and regulatory expectations. In 2018, Ipagoo was the first NBPSP given access to CHAPS. However, within a year, because they could not fulfill capital requirements and were unable to properly segregate customer funds, Ipagoo entered “administration” and was ordered by the FCA to stop all regulated activity.¹⁰ Ipagoo provides an important case study on the need for a measured iterative approach to adopting a direct access model, and ensuring that appropriate supervision, controls, and preventative measures are in place to protect the integrity of the payment system and to avoid placing increased or disproportionate risk on other participants.

⁶ FCA, [PS17/19: Implementation of the revised Payment Services Directive \(PSD2\)](#), Sept. 19, 2017, updated Aug. 30, 2023 (beginning with the implementation of the Electronic Money Regulations 2011 and continuing through PSD2 and the Payment Services Regulations 2017 (PSRs), the UK established a harmonized authorization and supervisory regime for PIs and EMIs across the UK, EU, and EEA).

⁷ FCA, [Payment Services Regulations 2017 and Electronic Money Regulations 2011](#), Oct. 21, 2015, updated Dec. 17, 2025 (unlike banks, PIs and EMIs are not authorized to accept customer deposits, but can provide services such as credit transfers, direct debits, electronic credit card transactions and money transfers).

⁸ BoE, [RTGS Renewal Programme](#), updated Apr. 30, 2025.

⁹ BoE, [ISO 20022: Implementing the global payments messaging standard within CHAPS and RTGS](#), updated Dec. 19, 2025.

¹⁰ FStech, [Ipagoo enters administration](#), Jul. 8, 2019.

Emphasis on operational resilience frameworks. UK regulators have faced constant pressure to manage the risks posed by NBPSPs, including ensuring that these firms meet resilience standards comparable to banks, monitoring the systemic importance of rapidly scaling NBPSPs, and coordinating oversight across multiple authorities.¹¹ In response, the UK introduced new regulatory measures to strengthen operational resilience and risk-management expectations for all payment-system participants.¹² The UK expanded and diversified settlement arrangements by allowing eligible NBPSPs to hold settlement accounts. This reduced reliance on a small number of intermediary institutions and helped mitigate concentration risk, while also supporting competition, innovation, and overall payment-system resilience. In the U.S., while a Payment Account may enable firms to offer specialized services, facilitate competition, and accelerate product innovation, incident reporting, business continuity and disaster recovery plans, impact tolerances, and third-party risk management is necessary to ensure the safety and soundness of the payments system.

Clear operational rules and strong safeguards help reduce risks. IIF members emphasize the need for calibration and operational clarity. In the UK, NBPSPs that hold settlement accounts at BoE do not earn interest on RTGS balances – see **Annex 2**. While risk-mitigating design elements such as no interest, no overdrafts, restrictions on the availability of certain Fed services, and low balance caps help preserve monetary policy transmission and limit credit risk – IIF members recommend additional safeguards for higher-risk or less-supervised applicants, including trial periods, restrictions on affiliate flows, clear criteria for adjusting balance caps, and credible recovery and resolution plans.

Continued testing and iterative refinement would help ensure that the Payment Account supports innovation while simultaneously maintaining the stability and reliability expected of the U.S. payments system.

2. What payment activities or use cases would a Payment Account best facilitate (or be unable to facilitate)?

IIF members shared that the Payment Account is positioned to facilitate a range of predictable, or real-time payment activities, particularly those that do not rely on credit provision or large liquidity buffers. Payment Accounts could support routine transactional use cases – such as customer initiated payments, merchant disbursements, bill payments, and other straightforward transfers – where institutions require direct access to core payment rails without engaging in broader banking functions.¹³ This aligns with UK experience, where settlement-only RTGS accounts have supported retail-focused and platform-based payment providers, while institutions with more complex or liquidity-intensive needs generally continue to rely on full RTGS access and broader liquidity facilities.

Recommendations. IIF members note that eligibility should be grounded in functional need, supervisory readiness, and risk management capacity rather than institutional type alone. The Payment Account’s proposed structural constraints – such as overnight balance caps, the absence of intraday credit, and restrictions on correspondent or nested flows – may limit its ability to support high-value, high-volume, or liquidity-intensive payment models. Careful calibration and iterative adjustments can help promote innovation without compromising system safety or stability.

¹¹ BoE, [Operational resilience of the financial sector](#), updated Jan. 1, 2026, and FCA, [PS21/3 Building operational resilience](#), Mar. 29, 2021, updated Mar. 31, 2022 (enhancing resilience requirements for financial institutions with a focus on core regulatory framework, third-party risk management, and incident reporting).

¹² *Id.*

¹³ Leyla Beriker, [The Economic Impact of Instant Payments and Dollar-Linked Digital Currencies in the U.S.](#), Jul. 16, 2025.

Federal Reserve Operating Circulars. Tied to Federal Reserve Operating Circulars – with clear articulation of permitted payment functions and refinement of balance and throughput parameters – the Payment Account could support a broader set of modern payment applications while maintaining the Federal Reserve’s risk management objectives. Insights from the UK suggest that careful calibration and iterative adjustments can help ensure that direct access enhances innovation without compromising system safety or stability.

Balance innovation with the risks to the payments and financial system. In the UK, NBPSPs hold RTGS settlement accounts,¹⁴ which differ from the reserves accounts held by traditional banks. NBPSPs do not hold reserves accounts, as they are ineligible to participate in the Sterling Monetary Framework (SMF) because they don’t undertake maturity transformation activities.¹⁵ These settlement accounts are provided for the purpose of meeting payment obligations and are subject to maximum holding balances.¹⁶ NBPSPs can choose to settle payment obligations using either their own funds or client funds. Subject to BoE’s approval process, settlement participants in prefunded payment systems may obtain prefunding accounts with the BoE.¹⁷ In the U.S., all firms seeking a Payment Account should demonstrate the ability to meet account requirements to ensure the safety and soundness of the payments system.

Depending on the specific facts and circumstances, the Payment Account may not be appropriate for certain higher-risk or more complex use cases, particularly as supervisory frameworks and risk-management expectations for emerging sectors continue to evolve. Nonetheless, with the implementation of appropriate controls, the Payment Account is capable of facilitating a clearly defined range of low-risk payment activities.

3. What barriers to innovation in payments would a Payment Account eliminate or alleviate?

IIF members suggest that the Payment Account could help alleviate several longstanding barriers to innovation by giving eligible institutions more direct and predictable access to Federal Reserve payment services. Direct access has the potential to reduce reliance on correspondent banks in some instances, shorten settlement chains, and lower operational friction – factors that sometimes slow product development and increase costs for payment providers.¹⁸ The ability to hold limited customer funds in central bank money could also reduce safeguarding and settlement risks, offering a more stable foundation for real-time and digital-first payment models.

Recommendations. The Payment Account could alleviate barriers created by inconsistent or opaque access pathways. A transparent, consistent review process across Reserve Banks – supported by enhanced due diligence, pre-access examinations, and ongoing oversight – could give eligible institutions clear expectations and a predictable path to participation. This policy

¹⁴ Pay.UK, [About Us](#) (Pay.UK runs the UK’s retail payment operations, including BACS, FPS, and the Image Clearing System; through settlement accounts, eligible NBPSPs can directly access UK payment systems that settle in central bank money, including CHAPS, FPS, and BACS).

¹⁵ BoE, [Access to UK payment systems for \[NBPSPs\]](#), updated Apr. 8, 2025.

¹⁶ BoE, [Access policy for RTGS settlement account and services](#), Apr. 3, 2025 (mandating that funds in these accounts must cover capped obligations, with the cap-based limit set by the payment system operator; rather than a single regulatory cap – the specific amount is tailored to a participant’s transaction volume and risk profile).

¹⁷ Supra note 15 (each payment system operator has a structured application process for direct access, and NBPSPs must contact the relevant operator directly – for example, BoE for CHAPS, or Pay.UK for the retail payment systems).

¹⁸ Pillsbury, [Federal Reserve Governor Waller Proposes “Payment Accounts”: A Potential New On-Ramp for Payment Innovators](#), Oct. 27, 2025.

shift will reshape the payments landscape, potentially removing longstanding structural barriers and enabling a wider range of firms to develop and deliver new payment solutions.

Need for ongoing oversight. IIF members emphasize that the Payment Account’s benefits will depend on ongoing oversight and how risk controls and operational parameters are effectively calibrated. In the U.S., strong supervisory readiness paired with clear functional justification can help ensure that direct access supports innovation and reduces operational complexity while maintaining the resilience and integrity of the broader payment system.

Consistency across Reserve Banks and transparent account review process. IIF members note that a standardized account type with clear expectations, consistent review processes, and transparent supervisory requirements could reduce onboarding uncertainty, which has historically been a major obstacle for new entrants. The UK and EU have pursued similar objectives by granting direct central bank access for NBPSPs. Reports suggest that well-structured access can broaden competition and support innovation without compromising system safety.¹⁹ These international experiences highlight the value of predictable rules, clear functional boundaries, and risk-appropriate safeguards in enabling new business models to develop more efficiently.

Prohibit nested flows or use of Payment Account for the benefit of an affiliate. Restrictions on affiliate flows are also essential to prevent ineligible entities from using an eligible institution as a conduit. Likewise, prohibiting payment account holders from acting as sponsor institutions is necessary to avoid nesting risks and regulatory arbitrage. Finally, meaningful, risk-based review – rather than a narrow focus on legal eligibility – is critical, particularly for applicants that could become systemically important.

Balance risks and opportunities with direct access. Allowing a wider range of firms with a Payment Account to settle directly can support a more competitive and innovative payments landscape, encourage diverse business models, and enhance overall system resilience. Opening RTGS access helped to address these issues by broadening participation in central bank money settlement. BoE published that granting direct access increased the share of transactions settled in central bank money, reducing settlement and counterparty risk, and supporting a more level competitive environment.²⁰

Steady but modest growth observed. While direct access may remove barriers related to settlement, safeguarding, and reliance on intermediaries, design constraints such as balance caps, the absence of intraday credit, and a potential one-size-fits-all overnight account limit may not meet the needs of liquidity intensive, high-intensive, or high-volume models.²¹ In the UK, direct access has also delivered operational improvements that strengthened NBPSPs’ ability to offer efficient services.²² Settling on their own behalf reduced dependency on intermediaries, enabling faster and more cost-effective payments and helping to reduce tiering within the system. These changes support broader policy goals, including improvements to cross-border payments identified in the G20 Roadmap for Enhancing Cross-Border

¹⁹ Bank for International Settlements (BIS), [Building block 10: Improving \(direct\) access to payment systems by banks, non-banks and payment infrastructures](#), EY, [A spotlight on UK payments regulation. What to look out for in 2025](#), and MK Fintech Partners, [ECB Opens Payment Systems to \[NBPSPs\]](#), Jul. 15, 2025.

²⁰ BoE, [Reviewing access to RTGS accounts for settlement](#), Feb. 8, 2024.

²¹ See generally, FRB, A. Capponi and J. Chang, [Settlement Speed and Financial Stability](#) (2025) (noting that a one-size-fits-all approach to settlement speed may be suboptimal, given the heterogeneity in network structures).

²² Id. (noting that the number of CHAPS direct participants grew from 15 in 2008 to 38 in 2023).

Payments.²³ IIF members noted that given their observations, it is unclear how many firms may seek a Payments Account.

Applicant education and outreach. IIF members suggest that there should be continued recognition by the Board that direct access may not be the ideal solution for some providers and that educating firms about the different available options for indirect access is beneficial. For example, BoE’s website provides a link to information on “Access to payment systems” hosted by Pay.UK which provides a useful overview for organizations to aid with choosing direct or indirect access.²⁴ Additionally, because Payment Account participants may be new to federal oversight, IIF members stress that the firms with a Payment Account understand the prohibition against misleading marketing – especially suggestions that their activities are backed by the U.S. government.

For these reasons, while the Payment Account can alleviate access-related barriers to innovation, its ability to do so safely depends on robust safeguards, disciplined oversight, and a measured approach that prioritizes system integrity alongside innovation.²⁵

4. Would the design of the Payment Account prototype potentially increase the range of risks to the payment system identified in the Guidelines? If so, in what ways?

IIF members suggest that the Payment Account could introduce certain additional risks to the Federal Reserve payment system if not carefully calibrated, particularly as direct access is granted to institutions with diverse business models and supervisory regimes. Granting direct access to Federal Reserve payment services before frameworks – for example, for payment stablecoins – are fully developed heightens the potential for operational disruptions, cyber incidents, fraud events, and other failures stemming from insufficient controls or limited supervisory experience.²⁶ Without strong safeguards, the Payment Account could inadvertently introduce new vulnerabilities into critical payment rails.

Recommendations. IIF members cited concerns with liquidity, operational, settlement, illicit finance, and cybersecurity risks. Payment Account features such as overnight balance caps, pre-funding, the absence of intraday credit, and strict account-use limitation may help contain some exposures and could meaningfully reduce liquidity risk with Payment Account participants. However, these features can also create new challenges – especially for firms with variable funding needs or limited treasury capabilities. Observations from the UK show that granting central bank access can be done safely, but only when paired with strong due diligence, clear operational expectations, transparency regarding eligibility criteria, and consistent supervisory oversight.

Need for pre-access examination and third-party certification. The UK’s multilayered framework authorized PIs and EMIs to access systems that settle in RTGS and open settlement accounts directly after demonstrating strong governance, safeguarding, financial crime controls, full operational readiness under a comprehensive supervisory assessment that may include a Section 166 review, and firms may be placed under enhanced

²³ FSB, [G20 Roadmap for Enhancing Cross-Border Payments](#), Oct. 9, 2025.

²⁴ Pay.UK, [Access to payment systems](#) (providing entities with factors including: (1) customer proposition, (2) type and volume of payments, (3) connection preferences, and (4) willingness to take on the obligations and responsibilities of direct participation).

²⁵ Mondaq, [ECB Opens Payment Systems to Non-Bank Payment Service Providers](#), Jul. 18, 2025 (describing ECB policy change to grant direct access).

²⁶ Michael S. Barr, [Statement of Payment Account Request for Information](#), Dec. 19, 2025 (supporting concept of a Payment Account while voicing concern about insufficient safeguards to protect accounts from being used for money laundering or terrorist financing by institutions the Federal Reserve does not supervise).

supervision.²⁷ IIF members noted risks related to supervisory fragmentation, especially for state-chartered or lightly regulated entities, underscoring the need for consistent expectations across charter types.

Need for capital and liquidity stress testing. Liquidity management emerged as a particularly important area for refinement. While balance caps are viewed as a prudent safeguard, they may create intraday liquidity pressures, procyclical behavior during stress events, and operational “cliff effects” as institutions work to meet end-of-day requirements. Observations from the UK suggest that quantitative limits can be effective when paired with supervisory oversight, transparent adjustment criteria, and strong real-time monitoring. Their framework relies on layered controls, coordinated oversight, independent verification, and ongoing supervision to enable NBPS access to central bank payment rails while managing systemic risk. IIF members note that the Board’s approach to Payment Account balances strikes an appropriate approach between promoting innovation and competition in payments and addressing prudential and financial stability risks.

Enhanced due diligence and supervision reduces risk to the payments systems. IIF members emphasized that the introduction of new participant types could heighten risks related to AML/CFT compliance, sanctions screening, operational resilience, and cyber readiness.²⁸ Historically, Reserve Banks have relied on established regulatory and supervisory frameworks. Where comparable frameworks exist for payment providers, they should be able to rely on them in the same way, with a strong focus on clear standards and effective supervision. Insights from BoE’s RTGS access model highlight the importance of vigorous onboarding assessments, ongoing monitoring, and clear functional boundaries to prevent regulatory arbitrage and ensure that all participants meet equivalent standards of safety and soundness. With safeguards in place, Payment Accounts with direct access can reduce certain risks by shortening settlement chains and lowering reliance on intermediaries.

IIF member observations point toward the need for a robust supervisory framework that maintains safeguards with an appropriately tailored compliance program that fulfills the regulatory policy of the proposed cap, while refining operational parameters to ensure that the Payment Account supports innovation without expanding systemic and operational risks. As the role of intermediaries changes, supervisory pressures will reflect new or different stressors that may require increased attention from supervisory frameworks.

5. What are the benefits and challenges of imposing an overnight balance limit on a Payment Account? Are there adjustments to the proposed formula for setting the balance limit that the Board should consider if it decides to establish a Payment Account?

IIF members shared that overnight balance limits can provide important policy and risk-management benefits when thoughtfully calibrated. Caps can help reinforce the transactional nature of a Payment Account, reduce the risk that it becomes a de facto deposit substitute, and limit the migration of funds away from traditional banking channels. This is especially important because innovation – while a laudable policy goal – cannot come at the expense of effective monetary policy transmission or without consideration for the broader impact on the cost of credit. Caps can also support monetary policy transmission and mitigate concerns about “narrow bank” dynamics or deposit flight in periods of stress. Observations

²⁷ FCA, [Skilled person reviews](#), Apr. 4, 2016, updated Nov. 24, 2025, [Information on FCA S166 reviews](#), Oct. 18, 2024, and BoE, [Reviewing access to RTGS accounts for settlement](#), Feb. 8, 2024 (describing that after the FCA issues a non-objection, firms may be placed under enhanced supervision and must meet all RTGS Terms and Conditions, ensuring their settlement accounts do not function as reserve accounts and protecting the Bank of England’s balance sheet and monetary policy framework).

²⁸ See generally, IIF, [IIF Response to FSB Peer Review of Crypto-Assets Framework](#), Mar. 28, 2025.

from the UK indicate that quantitative limits – including the limit on overnight balances – when paired with clear rules and strong oversight, can be a useful tool for ensuring that settlement-only accounts remain focused on payments rather than balance-sheet intermediation.

Recommendations. Feedback from IIF members points toward retaining and refining the overnight limit concept when Payment Accounts mature. Establishing an overnight balance limit on a Payment Account offers benefits for reserve management and operational risk mitigation. The overnight balance limit based on total assets may not reflect actual payment needs, potentially leading to either excess or insufficient balances. If the cap is set too low, account holders may face payment delays or failures, especially during periods of high activity. Rather than basing the cap on total assets, the Board could determine the overnight balance cap by analyzing actual payment flows. The Board could refine the proposed formula for setting overnight balance limits to ensure it is both risk-sensitive and consistently applied. This approach would align the cap with actual usage and could help reduce operational risk. These caps could also be regularly reviewed for evolving payment patterns.

Need for robust risk management and strong governance. Any move to adjust the proposed formula for overnight holding of client funds requires careful assessment. Potential benefits should be carefully balanced against the risks that could arise from granting direct access to the Reserve Bank’s balance sheet, as well as the wider implications such access may have for monetary policy transmission and overall financial stability. IIF members observe that overnight balance limits can function as a tool for mitigating systemic risk while still enabling safe, innovation-supportive participation in the payment system. The balance limit could help maintain sufficient liquidity, reduce operational risk, and support the smooth functioning of payment systems.

Overnight balance limits are manageable and an appropriate safeguard. The Payment Account’s proposed balance limit may reduce the scale of potential losses or disruptions if an account holder experiences an operational failure, cyber incident, or run – thereby mitigating network contagion risk and protecting trust in the payment system. These safeguards are necessary for changing banking and financial systems with new entities whose risk-management frameworks are in various stages of development and for those who have limited experience with federal supervision. In this context, the overnight balance limit serves as a necessary guardrail to constrain potential systemic exposure while allowing for direct and controlled participation in Federal Reserve payment rails.

If not appropriately calibrated, overnight balance limits can create operational friction. At the same time, IIF members highlight several potential operational challenges associated with strict overnight limits. For institutions with high transaction volumes or time-critical payment obligations, a one-size-fits-all cap may complicate intraday liquidity planning, increase the frequency and volatility of funding movements, and introduce “cliff effects” as firms work to reduce balances before end-of-day. These dynamics could be particularly acute for smaller or less sophisticated institutions and for financial market infrastructures that rely on predictable liquidity to manage settlement risk, including potential payroll providers that need to move large and concentrated sums of funds at predictable intervals. Insights from the UK suggest that limits may be most effective when supervisors retain flexibility to adjust them in response to market conditions, operational incidents, or the specific risk profile of different participant types.

Overnight balance limits are an effective mechanism for managing risk. Because NBPSPs cannot hold client funds overnight in RTGS or open reserves accounts, they must continue safeguarding customer funds with commercial banks, a structure that maintains clear regulatory boundaries while limiting BoE’s balance-sheet exposure. The overnight balance limits are designed to manage prudential and monetary-policy risks, and should be effective in

ensuring that a firm's Payment Account is used strictly for payment purposes rather than as de facto reserve or safeguarding accounts.

Based on IIF member insights, potential future adjustments after Payment Accounts reach maturity could preserve the policy benefits of balance caps while improving usability and reducing unintended constraints on safe, innovative payment activity.

6. What are the benefits and drawbacks of paying no interest on overnight balances in a Payment Account?

IIF members suggest that paying no interest on overnight balances offers several policy and risk-management benefits. A zero-interest framework helps maintain a clear distinction between Payment Accounts and traditional deposit products, reducing incentives for institutions to hold large, stable balances at the Federal Reserve. This supports monetary policy transmission, minimizes competitive distortions with commercial banks, and reinforces the Payment Account's intended role as a transactional, payments-only tool. The approach is broadly consistent with practices in the UK and emerging frameworks in the EU, where settlement-only accounts for NBPSPs are structured to avoid becoming substitutes for interest-bearing deposits.

Recommendations. IIF members view that removing any yield incentive to hold large or persistent balances could support low balance caps, reduce incentives to hold excess liquidity, and reduce the scale of potential losses or disruptions if an account holder experiences an operational failure, cyber incident, or run. However, the opportunity cost of holding non-interest-bearing balances may encourage certain institutions to minimize end-of-day positions which may increase the frequency of funding movements and complicate intraday liquidity management. For firms with high-volume or time-critical payment flows, this could heighten intraday liquidity risk or reduce the settlement utility of the Payment Account. Nonetheless, the no-interest feature is important given the potential operational, cyber, and governance risks associated with some new applicants that may lack mature risk-management frameworks and supervisory regimes as they remain under development.

Need for ongoing federal monitoring. IIF members point to the importance of monitoring how the no-interest feature interacts with other design elements – particularly overnight balance caps – and ensuring that institutions have access to predictable funding windows, and clear settlement timelines. Transparency and consistency are essential to maintaining confidence and ensuring that the Payment Account supports innovation without introducing new liquidity or operational risks.

The absence of interest encourages holders to limit overnight balances, keeps the focus on clearing and settlement, and reduces the impact on the central bank's balance sheet. Like BoE's decision not to pay interest on NBPSP settlement accounts, doing so with Payment Accounts reinforces their limited purpose – that these accounts are meant solely for clearing and settlement, not for storing value or participating in monetary policy. Because Payment Accounts are not Master Accounts – and therefore cannot hold reserves or access interest-bearing facilities – the combination of zero-interest and strict overnight balance limits keeps their balances small, protects Reserve Bank balance sheets, and ensures that only banks perform core monetary policy functions.

In this context, the no-interest feature is not merely a design choice – it is a foundational safeguard. This helps ensure that Payment Accounts do not introduce undue risk to the payment system while still enabling carefully controlled innovation.

7. How might the Federal Reserve condition access to a Payment Account on the applicant having an acceptable AML, Bank Secrecy Act (BSA) and Countering

the Financing of Terrorism (CFT) compliance programs and, more generally, how can the Federal Reserve best constrain AML/BSA/CFT risks associated with a Payment Account?

IIF members emphasize that conditioning access on strong AML/BSA/CFT program requirements is central to the credibility of a Payment Account framework.²⁹ To avoid regulatory arbitrage and to protect the integrity of Federal Reserve payment services and the U.S. payments system, IIF members broadly agree that standards and supervisory frameworks for Payment Account holders should be as stringent as those applied to traditional financial institutions with access.³⁰ In practice, Payment Account applicants should be required to demonstrate comprehensive customer due diligence, robust automated monitoring and reporting, independent testing and audits, clear governance and board oversight, and a proven history of compliance and operational maturity before access is granted.³¹

Recommendations. IIF members emphasize that the Board’s expectations should be formalized through clear terms, account and participation agreements, electronic access agreements, cybersecurity and operational risk attestations, or any other agreement or contract required for access. Suggestions include requiring documented, independently tested AML/BSA/CFT programs; prohibitions on nested or indirect access that obscure end-customer identity; effective supervision by an appropriate federal banking or payments authority; information sharing arrangements between the Federal Reserve and the primary supervisor; and regular reporting and senior management attestations on the effectiveness of financial crime controls. Experience in the UK and designs in the EU – where broader central bank access for NBPSPs has been paired with strong financial crime safeguards – underscores the importance of aligning direct access with explicit, risk-based compliance expectations.

Control potential elevated risk of illicit activity with Payment Account. IIF member feedback highlights that addressing AML/BSA/CFT risk is not solely a matter of initial program design but also requires ongoing supervision and regulatory clarity. Reserve Banks should conduct a transparent, clear and consistent, uniform review process across districts to avoid inconsistent application or a drift toward mere checks of legal eligibility.³² For entities without federal supervision, the Federal Reserve should step in to provide consistent oversight, coordination with state or foreign regulators where applicable, and clearly defined reporting and monitoring obligations essential to maintaining system integrity. Under such a supervisory framework, the proposed Payment Account has the potential to reduce net AML/CFT risk from the U.S. payments system over time. International experience, including recent European work on AML obligations in the context of broader access, suggests that clear guidance and coordinated supervision can enable innovation while containing illicit-finance risk.

Limit potential systemic risks. Given the timing of this initiative, the Federal Reserve may have a process in place to grant direct access before the broader regulatory architecture for these sectors is fully in place, including GENIUS Act implementation and ongoing digital asset market-structure negotiations.³³ It is important to distinguish between risk as it relates to the U.S. national payments system and the Federal Reserve System. This reality underscores a

²⁹ See generally, IIF, [PIE taskforce consultation](#), Jan. 20, 2025 (responding to the BIS CPMI consultation on cross-border payments, emergence of NBPSPs, and challenges around AML/CFT, and importance of clarifying roles and responsibilities of payment service providers).

³⁰ See generally, IIF, [Questionnaire on Cross-border Payments and Data Flow](#), Mar. 7, 2025 (responding to the OECD’s questionnaire for enhancing cross-border payments related to sanctions screening, fraud detection, AML/CFT, and related topics).

³¹ See generally, BIS, [FSI Insights – Policy responses to fintech: a cross-country overview](#), Jan. 2020.

³² See generally, Federal Financial Institutions Examination Council, [BSA/AML Manual, Assessing Compliance with BSA Regulatory Requirements](#).

³³ IIF, [IIF Response to U.S. Treasury GENIUS Act Request for Comment on Digital Assets and Illicit Finance](#), Oct. 17, 2025.

deliberate approach that necessitates a functioning regulatory regime prior to granting access, and the need for strong safeguards to ensure that innovation does not come at the expense of system integrity, effective monetary policy transmission, or the broader cost of credit.

Establish and maintain a transparent, risk-based, and consistent AML/KYC/CFT supervisory framework. IIF members noted that a firm seeking a Payment Account must be able to demonstrate real-world AML/KYC/CFT compliance in operation, rather than relying solely on documented policies. BoE and FCA expect firms to evidence that their systems and controls operate effectively through continuous monitoring and proper risk-based governance. Firms authorized by the FCA as PIs or EMIs are required to comply with AML/CFT obligations set forth in the PSRs and the Electronic Money Regulations 2011 (EMRs).³⁴ Depending on the services they provide, some NBSPs are supervised by His Majesty's Revenue and Customs (HMRC) for AML purposes. Where HMRC is the relevant AML supervisor, its oversight forms part of the assurance required before BoE considers an application for RTGS access.³⁵

An effective AML/KYC/CFT supervisory framework depends on strong governance and clear accountability. An effective framework ensures that only firms with suitable AML/KYC/CFT systems are permitted to participate and maintain access to payment infrastructures. As discussed in Question #4, a Section 166 review can be a required component of the AML/CFT assessment for NBSPs seeking RTGS access.³⁶ Before a Reserve Bank grants direct access, certain firms with the potential to have a systemic impact should be required to undergo enhanced supervision or review to assess the adequacy and effectiveness of their AML/CFT framework.

IIF member insights point toward a supervisory framework in which direct access to Federal Reserve payment rails is paired with rigorous, transparent, and consistently enforced AML/BSA/CFT standards. These safeguards allow the Federal Reserve to support responsible innovation while ensuring that AML/BSA/CFT risks are rigorously controlled and that the Payment Account does not introduce vulnerabilities into the broader payment system.

8. Are there additional features or limits that the Board should consider in the design of the Payment Account prototype?

IIF members believe that additional features and guardrails could strengthen the Payment Account and help ensure that it does not introduce new vulnerabilities – especially for entities seeking Payment Accounts that may lack the operational maturity, controls, and experience with supervisory oversight needed to manage the risks associated with direct access to critical payment rails. As reflected in responses to Questions #1 through #7, IIF members emphasized the importance of reinforcing operational resilience, cybersecurity, and federal supervisory oversight.

Recommendations. Given the importance of balancing innovation while mitigating risks, measures such as clear expectations for governance, capital and liquidity standards tailored to payment activity, limits on certain transaction types or risk profiles, and mandatory contingency funding or stress-testing frameworks were highlighted as ways to ensure that a Payment Account remains strictly transactional and does not evolve into a substitute for

³⁴ Supra note 7.

³⁵ HMRC, [Anti money laundering supervision: detailed information](#), Feb. 8, 2024, updated Oct. 29, 2025 (providing a collection of guidance on registering, reporting, compliance checks, and guidance for specific business types).

³⁶ FCA, [Reporting requirements: payment service providers and e-money issuers](#), May 12, 2015, updated May 30, 2024, and [Electronic money and payment service providers: conduct of business requirements](#), Jul. 29, 2015, updated Aug. 30, 2023.

traditional banking services. Again, observations show that broader access can be successful when paired with strong, enforceable safeguards and transparent supervisory expectations.

Account controls limit systemic risks while promoting innovation. IIF members note that additional technical and operational features could improve the usability and reliability of the Payment Account while maintaining appropriate risk controls. Suggestions include standardized APIs for account access and reconciliation, real-time balance and transaction notifications, and clearly defined service-level expectations for payment processing. These enhancements could help ensure that the account can support modern, high-velocity payment models without compromising safety. As an added benefit, focusing activity in FedNow could strengthen the platform by driving investment and volume into the service most-aligned with the Payment Account’s intended purpose. Insights from the UK – where onboarding, testing, and interface standardization have been critical to scaling access – underscore the value of investing early in consistent technical frameworks and operational readiness.

Risk-based regulatory requirements and federal oversight. Requirements should be risk-based. Between banks and non-banks, the need to control AML/CFT exposure in payments is similar and should therefore be held to the same standard. The Federal Reserve should address differences in supervision and regulatory obligations across charter types. The Board should require bank-like minimum standards for AML, sanctions compliance, operational resilience, and cyber risk as a condition of access, regardless of charter type. These standards should be reinforced through ongoing federal supervision and control testing.

Enhanced due diligence and review for direct access. Finally, IIF members encourage the Board to ensure that Payment Account eligibility criteria aligns with the rules and regulations for depository institutions, interactions with private payment systems, and expectations for crisis management and orderly wind-down.³⁷ To mitigate risks, the Board could require enhanced due diligence for new or novel charter types – including pre-access examinations, third-party certification, and a requirement that applicants demonstrate effective regulatory performance for an appropriate period. Transparent review criteria, clear approval and revocation processes, and periodic evaluations of the Payment Account’s market impact would support predictability and help institutions assess whether direct access aligns with their business models.

These measures not only mitigate operational and illicit-finance risks, but also support a measured, incremental rollout – starting small, granting access only as warranted, and learning from other jurisdictions. Collectively, these insights point toward a framework that balances innovation with robust safeguards, drawing on international experience to ensure that the Payment Account promotes competition and efficiency while maintaining the resilience and integrity of the U.S. payment system.

Conclusion

The Payment Account represents a forward-looking step toward modernizing access to Federal Reserve payment services. Drawing on observations from the UK experience – which has a harmonized NBPSF framework that is aligned with the EU’s approach – the Board has an opportunity to design a framework that promotes payments and innovation, strengthens operational resilience, and preserves the safety and integrity of the U.S. financial system. By creating a risk-contained pathway to participation, the Board can support responsible innovation while reinforcing the safety, resilience, and integrity of the U.S. payment system.

³⁷ Board of Governors of the Federal Reserve System, [110th Annual Report of the Board of Governors of the Federal Reserve System](#), 2023.

Innovation is an important policy objective, but it should not come at the expense of effective monetary policy transmission or without consideration for the broader impact on the cost of credit. The considerations outlined above highlight the importance of a measured, incremental approach that ensures requirements track risk, acknowledges real differences in supervisory regimes within the U.S., and incorporates robust safeguards across AML/CFT, operational, cyber, credit, and liquidity domains. They also underscore the need for clear expectations around eligibility, meaningful risk review under the 2022 Guidance, and transparent criteria for granting Payment Accounts.

The IIF appreciates the Federal Reserve's thoughtful approach to developing a limited-purpose Payment Account framework. Our members believe the considerations outlined above can help the Board strike the right balance between promoting innovation, supporting competition, and maintaining financial stability.

IIF members share a strong interest in contributing constructively to the development of a framework that enhances payment system efficiency while upholding the safety and soundness of the broader financial system. We appreciate the opportunity to provide comments and look forward to ongoing collaboration as the Federal Reserve refines this important work.

We welcome continued engagement as this initiative evolves and stand ready to support further dialogue.

ANNEX 2

**Non-Bank Payment Service Provider (NBPSP) Access to Central Bank Systems
in the U.S., UK, and EU**

	U.S. Current Master Account Regime	U.S. Proposed Payment Account	UK	EU
Primary Authorities	FRB and Federal Reserve Banks for accounts and services; prudential bank regulators (OCC, FDIC, state supervisors) for chartered institutions	Payment Account would be a special-purpose Reserve Bank account; same authorities as current regime	BoE for RTGS system, CHAPS; FCA and PRA for firm authorization, supervision; PSR for payment systems	ECB and the Eurosystem oversee TARGET services (including T2 and TIPS); National Central Banks (NCBs) manage participant access to these systems; national competent authorities authorize/supervise Eis and EMIs
Status of NBPSP Access	Limited; no dedicated NBPSP regime; governed by 2022 Guidelines; ³⁸ non-banks must hold an eligible charter, approvals are case-by-case	Proposed direct access; Fed issued an RFI on a Payment Account with limited-feature access for eligible payment innovators (Docket No. OP-1877)	Announced in April 2017 for authorized PIs, EMIs with RTGS settlement accounts; in April 2018, TransferWise (now Wise) was first NBPSP ³⁹	Access to TARGET newly enabled under the Eurosystem's 2024 policy framework; implementation being carried out by NCBs, early stages of rollout
Who Can Access Directly?	Eligible depository institutions, with state or federal charter	Eligible depository institutions, with state or federal charter	FCA-authorized PIs, EMIs; systemically important payment systems	PIs under PSD2; EMIs under Second Electronic Money Directive (EMD2) – subject to Eurosystem's 2024 access policy and NCB implementation
Legal Entity Requirements	Must qualify for a master account, defined under the Federal Reserve Act – generally a bank-type charter such as an	Entity supervised under federal or state framework	UK incorporated; FCA authorized PI, EMI; meet risk and safeguarding requirements	EU or European Economic Area (EEA) entity; authorized by national competent authority; meet funding and safeguarding requirements

³⁸ Supra note 4.

³⁹ BoE, [First non-bank payment service provider \(PSP\) directly accesses UK payment system](#), Apr. 18, 2018.

	U.S. Current Master Account Regime	U.S. Proposed Payment Account	UK	EU
	insured depository or special-purpose bank			
Types of Central Bank Accounts	Master accounts and related sub-accounts; joint, prefunding accounts for services; NBPSPs without a qualifying charter cannot hold their own Fed account	Payment Account concept considered a limited-purpose account that would allow a payment-focused institution to clear and settle its own payments, without access to broader central bank facilities	For banks and eligible NBPSPs, settlement accounts in BoE, access to RTGS and CHAPS	TARGET accounts – payment module (PM) accounts for settlement in TARGET2/T2; TIPS – dedicated instant payment settlement accounts, and ancillary system accounts; now open to PIs, EMIs for relevant services
Limitations on Balances	No specified cap; subject to risk-based oversight and intraday credit rules; NBPSPs using commercial bank money subject to sponsor limits	Balances to be limited and used only for clearing and settlement, not for holding general reserves or excess funds	No standard cap; risk-based limits for NBPSPs imposed by BoE based on payment flows and operational needs	No standard cap, or required minimums for PIs, EMIs – but risk-based collateral requirements may apply; balances limited to settlement needs
Key Restrictions	Six-factor risk review under the 2022 Guidelines (i.e., legal, operational, financial, risk management, AML/CFT, and impact to monetary policy); NBPSPs without an eligible charter cannot directly access Fedwire, FedNow, ACH	Narrow functionality; no access to discount-window, intraday credit, and interest on balances	Must comply with BoE operational resilience, safeguarding, governance standards, and risk management framework; comply with payment system rules; accounts are for settlement of own payment business	PIs, EMIs must meet TARGET, TIPS participation requirements; comply with Instant Payments Regulation and Eurosystem risk controls
Prefunding / Liquidity Model	Intraday credit available for eligible institutions; daylight overdraft permitted with collateral requirements	Prefunded model, self-contained settlement account; no intraday credit; overnight balances capped	NBPSPs – prefunded model with no access to intraday credit; intraday liquidity facilities available to PRA-regulated credit institutions	Credit institutions can access intraday credit against eligible collateral; PIs and EMIs cannot access intraday credit – must prefund their TARGET/TIPS accounts, may use liquidity pooling tools to manage own liquidity

	U.S. Current Master Account Regime	U.S. Proposed Payment Account	UK	EU
Payment of Interest on Balances	Eligible reserve balances may earn interest; many NBPSPs lack direct accounts and so do not receive interest at the Fed level	No interest on balances – to keep the account narrow and low-risk	No interest on settlement accounts; BoE remunerates certain RTGS balances for eligible institutions	Typically, PIs and EMIs not paid interest; under ECB deposit facility, credit institutions receive interest on excess reserves
Payment Types Allowed	Fedwire – RTGS, FedNow – instant payments, ACH – batch payments; NBPSPs usually access via sponsors	Allows access to basic Fed payment services (FedNow, Fedwire Funds, National Settlement Service, Fedwire Securities (free transfers only), but not broader central bank facilities or third-party intermediation	CHAPS; FPS – retail and instant payments; BACS – bulk electronic payments system	TARGET – high-value and urgent credit transfers; TIPS – instant payments
Cross-border payments	Fed systems are domestic; cross-border flows via correspondent banking; SWIFT for international transfers	Not directly addressed in propose; likely same as current regime	Correspondent banking, SWIFT; UK participating in cross-border instant payment initiatives (UK-IXB to connect FPS with BIS' Project Nexus) ⁴⁰	Correspondent banking and SWIFT; Single Euro Payments Area (SEPA – 27 EU and 11 non-EU jurisdictions); ⁴¹ participating in cross-border payment and CBDC interoperability initiatives (Project Agora) ⁴²

⁴⁰ BIS, [Project Nexus: enabling instant cross-border payments](#), Aug. 27, 2025.

⁴¹ European Payments Council, [EPC list of Countries in the SEPA Schemes' Geographical Scope](#), May 22, 2025.

⁴² BIS, [Project Agora: exploring tokenisation of cross-border payments](#), Oct. 14, 2025.