

U.S. FASTER PAYMENTS COUNCIL, REED LUHTANEN

Proposal and Comment Information

Title: Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers Through the Fedwire Funds Service and the FedNow Service, R-1891

Comment ID: FR-2026-0011-01-C31

Submitter Information

Organization Name: U.S. Faster Payments Council

Organization Type: Organization

Name: Reed Luhtanen

Submitted Date: 06/09/2026

See attached PDF



June 9, 2026

INTRODUCTION

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

Re: Docket No. R-1891 – RIN 7100-AH23— Regulation J Amendments

Dear Sir or Madam:

The U.S. Faster Payments Council (FPC) appreciates the opportunity to comment on Federal Reserve Proposal R-1891, which would extend the FedNow® Service functionality to cross-border payments by allowing banks to participate in the network as intermediaries.

As an industry-led membership organization whose mission is to facilitate a world-class payments system where Americans can safely and securely pay anyone, anywhere, at any time, and with near-immediate funds availability, the FPC represents a diverse array of stakeholders across the payments ecosystem. This submission consolidates the collective insights, experiences, and recommendations developed through the work of FPC members and our work groups and aims to provide comprehensive input on how the Federal Reserve Board of Governors can — collaboratively or independently — advance the safe and effective expansion of instant payments in the United States.

The FPC offers comments on two subject areas:

- **Settlement finality and intermediary credit risk.**
The proposal invokes Article 4A of the Uniform Commercial Code (UCC) but does not clearly address what happens when an intermediary bank fails to complete a transaction. This is particularly significant for smaller institutions, which may not have frameworks in place for managing such an event.
- **ISO 20022 data integrity and intermediary standards.**
The Federal Reserve should promote consistent implementation of ISO 20022, require preservation of the full data record, and establish a registry of intermediaries whose compliance practices are documented and transparent.



The FPC remains committed to fostering an environment that encourages innovative cross-border solutions while safeguarding the integrity of real-time networks. By collaboratively addressing these core themes of settlement certainty, data integrity, and operational proportionality, the Federal Reserve can establish a more secure, efficient, and trustworthy international payment system for all.

Sincerely,

Reed Luhtanen

Reed Luhtanen, CEO

Special thanks to the following individuals, who helped compile these comments:

Cross-Border Work Group Leaders

Mark Majeske (Alacriti), Chair
Jonathan Holland, Vice Chair
Aaron McPherson (AFM Consulting), Group Lead
Angela Hendershott (U.S. Faster Payments Council)

Cross-Border Work Group Contributors

Divyarani Raghupatruni (Alacriti)
Maria Arminio (Avenue B Consulting)
Steve Mott (BetterBuyDesign)
Hannah Melton (BVNK)
Rodman Reef (Reef Karson Consulting)
Maharaja Subramanian (Volante Technologies)
Mark Graves & Anthony Serio (7T World)

The following sections provide detail.

DETAILED COMMENTS

Settlement Finality, Article 4A, and Intermediary Credit Risk

The FPC supports the Board’s proposed amendment to § 210.42(a) and agrees that UCC Article 4A is the appropriate reference point for routing number reliance. The Board’s discussion in the preamble—especially the statement that immediate funds availability under § 210.44(b)(1) “would continue to apply only when a beneficiary’s bank, rather than an intermediary, accepts a payment order”—naturally raises several related questions that warrant explicit treatment in the final rule or commentary.

I. Settlement Finality and Credit Risk

A key question is whether the originating institution’s master account debit becomes final upon the FedNow® Service acceptance even if the designated intermediary has not completed the cross-border leg. If so, the substitution of a non-Reserve Bank intermediary for a Reserve Bank materially changes the credit-risk profile.

When the Federal Reserve acts as intermediary, the originating institution’s settlement counterparty is the central bank, and credit risk is effectively zero. Substituting a private intermediary increases the risk.

The Fedwire cross-border model has not eliminated this risk; instead, it has managed it over time through several mitigants, including:

1. Concentration of cross-border USD correspondent activity in a small group of highly supervised global institutions.
2. Intensive supervision by the Federal Reserve, OCC, and home-country regulators.
3. Detailed bilateral correspondent agreements that allocate warranties, correction procedures, and choice of law.
4. Article 4A remedies on the domestic leg, including intermediary duties under 4A-302–305 and the 4A-402(c)–(d) money-back guarantee.
5. Incidental delays created by Fedwire’s non-continuous hours.
6. For FX settlement, use of CLS (Continuous Linked Settlement) Bank’s payment-versus-payment (PvP) utility.

The proposed FedNow cross-border framework weakens or removes several of these mitigants without specifying replacements. In particular:

- Systemic risk may increase as banks and credit unions potentially designate a broader range of intermediaries.

- FedNow operates 24x7x365 with instant finality, shrinking the processing time and potentially reducing the time available to detect and prevent problems.
- Less sophisticated or nascent designating participants may lack the sophisticated correspondent agreements that current market participants use to allocate risk.

The FPC encourages the Board to address the credit-substitution implications of the §210.44(b)(1) intermediary-versus-beneficiary distinction directly and to state which mitigants it expects to function in the FedNow cross-border context, and which will need to be replaced or supplemented via supervisory guidance, Operating Circular amendments, or eligibility criteria for designated intermediaries.

II. Intermediary Acceptance Under 4A-209 and the Reach of Regulation J

The FPC believes a designated intermediary's acceptance of a FedNow payment order should constitute acceptance under UCC 4A-209, creating an independent obligation to complete the onward payment or return the funds if completion is not possible. This interpretation aligns with Fedwire practice and is important for both contract drafting and supervisory review of intermediary arrangements.

The FPC asks the Board to clarify whether Regulation J is intended to preempt state-law Article 4A on this point, supplement it, or operate in parallel. Without clarity, participants and intermediaries face uncertainty about which law and forum will govern disputed transactions.

III. Choice of Law and Warranty Equivalence: Two Approaches for Board Consideration

The cross-border leg of a FedNow payment may be governed by foreign law, a non-U.S. payment-system rulebook (e.g., SEPA Instant, U.K. Faster Payments, Pix), or hybrid contractual terms. Article 4A-507 already supplies a segmented choice-of-law rule for cross-border transfers. In the Fedwire context, this has worked largely because the originating institution retains a 4A-402 money-back-guarantee remedy against its domestic correspondent, which absorbs many warranty asymmetries on the foreign leg.

Instant finality under FedNow may limit the effectiveness of that domestic backstop if the correspondent has already irrevocably credited downstream before the originator can act.

The FPC therefore offers two possible approaches:

- **Framing A – Mandatory warranty-equivalence representations.**
Require designating participants to obtain representations from their intermediaries covering choice of law and warranty equivalence before designation is effective. This goes beyond current Fedwire practice but directly addresses asymmetries.

- **Framing B – 4A-507 clarification, disclosure, and supervisory guidance.**

Alternatively, the Board could:

- Confirm in commentary how 4A-507 applies to FedNow cross-border transfers.
- Require designating participants to disclose, rather than warrant, the legal and warranty regime applicable to the cross-border leg.
- Issue supervisory guidance on expected diligence for selecting intermediaries.

Framing B would work within the existing Article 4A framework and impose a lighter burden, particularly for community banks and credit unions that may lack the resources to negotiate complex representations.

IV. Master-Account Debit Timing and Operating Circular 8

Because Operating Circular 8 governs master-account debit timing, and because the credit-substitution analysis turns on exactly when the debit becomes final relative to FedNow acceptance and the intermediary's onward payment obligation, the FPC urges the Board to signal whether conforming OC-8 amendments are anticipated alongside R-1891. A clear signal in the final rule or a related supervisory communication would materially aid implementation planning.

V. Intersection with Regulation E

The FPC urges the Board to clarify whether a cross-border transaction through FedNow constitutes a "remittance transfer" under Regulation E, and make appropriate adjustments based on the answer.

VI. Accommodations for Smaller Financial Institutions

One of the benefits of opening FedNow to cross-border funds transfers is enhanced competition, as smaller financial institutions will now have a standardized way to execute such transfers, whereas before they might have lost that business to larger competitors. However, as noted above, such institutions will not have the sophistication and wherewithal to manage the full compliance requirements involved in cross-border payments, in particular sanctions and anti-money laundering (AML) compliance. For this, they will need to rely on the intermediary.

The FPC recommends that the Board:

- Provide explicit guidance on the scope of BSA/AML obligations for FedNow legs of cross-border transactions where the participant is acting as a “pass-through,” analogous to past correspondent banking guidance issued by FinCEN and the banking agencies.
- Calibrate due-diligence expectations to institution size and cross-border volume.
- Coordinate with FinCEN on whether existing Travel Rule protocols for wire transfers are sufficient in a real-time gross-settlement environment, or whether supplemental guidance is needed.

ISO 20022 Integrity & Non-Reserve Bank Intermediary Registry

The FPC urges the Board to add guidance on data standards and intermediary qualifications in the proposed amendments to § 210.45(b).

According to Swift, 97 percent of cross-border payment instructions now use ISO 20022 messaging.¹ Despite this progress, interoperability gaps across implementations can degrade data quality and payment performance.

Two issues are particularly important:

- **Implementation divergence.**
Most schemes use PACS.008² for customer credit transfers, but mandatory field sets differ. Fields populated by FedNow may be treated as optional and dropped by a Swift correspondent, degrading data relied upon for sanctions screening and Funds Travel Rule compliance.
- **Investigation message interoperability.**
Today, FedNow investigations are limited to domestic participants. R-1891 introduces cross-network investigations, which may require manual workarounds where no native messaging exists between schemes. Swift will mandate CAMT.110 and CAMT.111³ across cross-border correspondent banking by November 2027, and Fedwire Funds Service has adopted the same messages domestically; FedNow, by contrast, does not currently support investigation messages in its ISO 20022 catalog, leaving a gap in the structured-investigation rail for US instant payments.

¹ SWIFT, “Global financial community completes switch to ISO 20022...”, 25 Nov 2025, <https://www.swift.com/ja/node/310429>

² PACS.008 is the ISO 20022 message for originating international funds transfers.

³ CAMT.110 and CAMT.111 are the ISO 20022 transaction types for dispute resolution.

Recommendation 1. Require ISO 20022 Implementation Fidelity

For any intermediary designation under § 210.45(b) to be valid, the FPC recommends that intermediaries be required to attest in writing that:

1. They will preserve the full structured dataset of the originating FedNow order through completion of the cross-border leg; and
2. The complete dataset will be available to the originating FedNow participant as a verifiable post-transaction record.

The attestation should cover:

- Native ISO 20022 processing with all mandatory FedNow fields preserved through Swift CBPR+ (Cross-Border Payments and Reporting Plus) without field loss or code substitution.
- Where translation layers are used, there should be a supplementary mechanism to deliver the complete original dataset back to the originating FedNow participant upon completion.
- Use of structured or hybrid address formats consistent with Swift's November 2026 mandate.

The FPC's preferred implementation path is to incorporate this attestation requirement directly into Regulation J as a condition of § 210.45(b) designation. Relying solely on Operating Circular 8 amendments would create timing uncertainty, and purely bilateral contract provisions are inadequate for originators that cannot independently audit compliance.

The FPC also asks the Board to publish a roadmap for FedNow-side investigation message equivalents to CAMT.110 and CAMT.111 alongside finalization of this rule.

Recommendation 2: Establish a Reserve Bank-Administered Public Registry

To standardize expectations and reduce the due-diligence burden on smaller institutions, the FPC recommends that the Board mandate a public registry of eligible non-Reserve Bank intermediaries through Regulation J. Registry inclusion should be a condition precedent to valid designation.

The registry would:

- Provide a common baseline for responsible designation across all FedNow participants.
- Transform the attestation requirement in Recommendation 1 from a private commitment into a public disclosure subject to Board oversight and market scrutiny.

At minimum, the registry should collect:

- **Legitimacy and reach:** Legal Entity Identifier, primary regulator and regulatory standing, jurisdictions served, and memberships in foreign payment systems.
- **Data integrity and last-mile delivery:** ISO 20022 native processing or explicit translation-layer disclosure; preservation of all mandatory FedNow fields through CBPR+; compliance with structured/hybrid address requirements; and last-mile delivery through an instant payment or RTGS system that is ISO 20022-compliant or committed to a published timetable.
- **Operational resilience and track record:** Business continuity arrangements (including fallback intermediaries), real-time incident notification commitments, and a history of material operational incidents and regulatory actions over a defined lookback period.

For governance, the Board should clarify denial and revocation authority within § 210.42(a), including materially false attestations as explicit grounds for removal. The registry should begin accepting applications before R-1891 becomes effective so that eligible intermediaries are listed on day one.

Since there are multiple instant payment operators, it would be ideal if the registry were operated by a neutral third party and open to all interested industry participants. The FPC stands ready to assist in the creation of the registry and its operation as needed.

Conclusion

The FPC supports the Board's effort to extend FedNow to cross-border payments and urges the Federal Reserve to address the legal, operational, and supervisory consequences of placing private intermediaries inside a real-time, final-settlement system. The Board should clarify how Regulation J, UCC Section 4A, Regulation E, and Operating Circular 8 interact when private intermediaries assume responsibilities traditionally borne within Swift correspondent and CBPR+/HVPS+ frameworks. The FPC further recommends structural protections to preserve ISO 20022 data integrity end-to-end, align FedNow's investigation-message capabilities with the CAMT.110/.111 standards taking effect on Swift in November 2027, and lower the due-diligence burden on community banks and credit unions through clear participation standards and a public intermediary registry. These changes will allow the final rule to advance innovation, competition, and cross-border efficiency without compromising transparency, legal certainty, or risk discipline within the FedNow Service. The FPC and its members stand ready to engage further with the Board as the final rule is developed.