

MERCHANT ADVISORY GROUP, JOHN DRECHNY

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-C32

Submitter Information

Organization Name: Merchant Advisory Group

Organization Type: Organization

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Submitted Date: 06/09/2026

The Merchant Advisory Group (MAG) respectfully submits these comments in response to the Request for Comment on the Collection of Checks and Other Items by Federal Reserve Banks and Fund Transfers Through the Fedwire Funds Service and the FedNow Service issued by the Board of Governors of the Federal Reserve System (Board). The MAG appreciates the opportunity to comment on this important issue.

MAG members are encouraged by the Board's proposal to enable FedNow to support cross-border transactions. Cross-border transactions are currently the most expensive type of transaction to settle, and accordingly the most in need of reform, competition, and transparency. The Board's proposal carries significant potential to improve these historically slow and costly transactions for international customers. This is especially true if FedNow access is opened to nonbank payment providers, as the Board has recently proposed, consistent with the recent Executive Order on Integrating Financial Technology Innovation into Regulatory Frameworks. In order to ensure the proposal yields the intended cost and efficiency benefits and lays a strong foundation for future expansion of FedNow access, the MAG respectfully suggests that the Board consider additional transparency and non discrimination measures outlined herein.

Please see our attached comment letter.

June 9, 2026

Benjamin W. McDonough, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Via <https://www.federalreserve.gov/apps/proposals/>

Re: Request for Comment on the Collection of Checks and Other Items by Federal Reserve Banks and Fund Transfers Through the Fedwire Funds Service and the FedNow Service, Docket No. R-1891, RIN 7100-AH23

Dear Mr. McDonough:

The Merchant Advisory Group (MAG) respectfully submits these comments in response to the Request for Comment on the Collection of Checks and Other Items by Federal Reserve Banks and Fund Transfers Through the Fedwire Funds Service and the FedNow Service issued by the Board of Governors of the Federal Reserve System (Board). The MAG appreciates the opportunity to comment on this important issue.

MAG members are encouraged by the Board's proposal to enable FedNow to support cross-border transactions. Cross-border transactions are currently the most expensive type of transaction to settle, and accordingly the most in need of reform, competition, and transparency. The Board's proposal carries significant potential to improve these historically slow and costly transactions for international customers. This is especially true if FedNow access is opened to nonbank payment providers, as the Board has recently proposed, consistent with the recent Executive Order on Integrating Financial Technology Innovation into Regulatory Frameworks.¹ In order to ensure the proposal yields the intended cost and efficiency benefits and lays a strong foundation for future expansion of FedNow access, the MAG respectfully suggests that the Board consider additional transparency and non-discrimination measures outlined herein.

I. Background

About the MAG. The MAG is a global organization dedicated to driving positive change and innovation in the payments industry through merchant collaboration, education, and advocacy. Representing over 200 of the world's leading merchants across many industries, including

¹ See <https://www.federalreserve.gov/newsevents/pressreleases/files/other20260520a3.pdf>; <https://www.whitehouse.gov/presidential-actions/2026/05/integrating-financial-technology-innovation-into-regulatory-frameworks/>.

airlines, retail, restaurants, insurance, amusement parks, grocery, and software, the MAG facilitates strategic engagement across North America, Europe, and Asia.

U.S. merchants welcome the Board taking a more active role to bring down costs of international transactions. Cross-border payments are currently fraught with high fees and lengthy processing times, due to weak competition and a lack of regulation. Merchants are encouraged by the possibility that FedNow can provide a much-needed pathway for instant cross-border payment rails. Inbound cross-border payments from merchants' customers typically move on card rails or through digital wallets, which can be costly and slow. The Board's proposal, taken together with its stated intent to allow FedNow access for alternative payment companies, raise the prospect of future cross-border purchases that bypass these expensive pathways and allow customers to pay directly from their bank accounts, a potentially transformative scenario for merchants.

II. Protect FedNow's Cost and Efficiency Advantages for End Users

The MAG appreciates the Board's efforts to align FedNow's cross-border capabilities with those of FedWire. FedNow is a vital service supporting fast and reliable real-time payments, lowering payment acceptance costs for merchants and consumers. However, FedNow's retail-facing use cases demand stronger merchant and consumer protections in the intermediary layer than those applicable to FedWire, which is a wholesale, bank-to-bank system. Without guardrails, there is a risk that cross-border payment intermediaries may add successive percentage-based markups unrelated to processing costs that increase the total cost of acceptance for cross-border payments. To that end, the MAG recommends that the Board impose rules to ensure that international payments via FedNow provide a safe, efficient, lower-cost alternative to currently available pathways.

III. Recommended Measures to Safeguard Competition

Because fees associated with cross-border transactions through FedNow will likely be borne by the sender, excessive costs or operational inefficiencies in the FedNow cross-border channel could materially undermine adoption. In that event, the proposal would fail to create meaningful incentives to shift transactions to FedNow and instead would preserve reliance on legacy payment systems that are less secure and more costly. MAG recommends the following safeguards to promote efficient and fairly priced cross-border payments available on equal terms regardless of institution type or transaction volume.

Cost-Based Fee Structure

The FedNow cross-border framework should not evolve into a system where multiple intermediaries extract percentage-based rents unrelated to actual processing costs. Without appropriate safeguards, there is a risk that additional layers in the transaction will impede

transparency for merchants. The implementation of the ISO 20022 standard has reduced the risk of fraud, processing delays, and fraud in global transactions, significantly lowering the cost of processing these payments. The Board should guard against the emergence of layered assessment, access, FX, messaging, or intermediary fees that replicate the economics of payment card network pricing. Instead, the Board should require transparent cost-based pricing models for cross-border payment services.

Fee Disclosure

As merchants have seen in the payment card context, intermediaries may impose additional costs that become apparent only after the transaction is completed, undermining merchants' and consumers' ability to choose the lowest-cost payment option. Costs should all be known and disclosed at the time of the transaction, not after it is completed. To that end, the Board should also require disclosure of fee schedules by all participants operating in a FedNow cross-border payment chain, similar to the Consumer Financial Protection Bureau's remittance rule for outbound payments.²

Access Terms

The Board should require that intermediaries allow nonbank payment processors access on a non-discriminatory basis.

Routing Transparency

The Board should require disclosure of payment routing pathways so that merchants can choose options that provide the most efficient, low-cost, and secure processing. The Board should discourage practices analogous to network routing restrictions seen in the payment card ecosystem. Instead, the Board should require participants to select the lowest-available-cost routing options, analogous to FINRA's requirement that broker-dealers route orders to ensure the best possible prices in the market.³

Interoperability Standards

The Board should establish minimum interoperability standards to support transparent routing and reconciliation. Cross-border intermediaries should be subject to oversight obligations commensurate with those applicable to FedNow participants for conduct within the FedNow-connected chain.

² See 12 CFR § 1005.31(b).

³ See [FINRA Rule 5310](#).

Limitations on Use of FedNow for Domestic Transactions

The Board should also take steps to ensure that the intermediary solution does not open the door for a new transfer channel or fee structure that leverages and is competitive with the FedNow network for domestic transfers. By enabling FedNow participants to use intermediaries other than Reserve Banks to transact via FedNow, the proposal leaves open the possibility that a domestic transaction initiated on FedNow could be routed through a correspondent bank and then routed through a different network. This would circumvent the cost and efficiency benefits of FedNow for transactions within the U.S. The Board should clarify that intermediaries may only participate in the cross-border leg of a transaction. The Board should also clarify that only one additional leg is permitted outside of FedNow.

IV. Conclusion

The MAG appreciates the Board's consideration of the merchant perspective. U.S. merchants welcome the prospect of much-needed cost savings and efficiency gains in cross-border transactions. Cross-border functionality in tandem with direct settlement access for payment-focused firms on FedNow would lower costs and improve transaction timing for U.S. merchants and their customers. However, we urge the Board to carefully consider transparency and non-discrimination measures necessary to enhance competition and ensure that cost savings from the proposal reach merchants and consumers.

Respectfully,



John Drechny
CEO
Merchant Advisory Group