

ELECTRONIC TRANSACTIONS ASSOCIATION, PATRICK RUSSELL

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-C34

Submitter Information

Organization Name: Electronic Transactions Association

Organization Type: Organization

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See Attached

JUNE 9, 2026

BENJAMIN W. MCDONOUGH
SECRETARY
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
20TH STREET AND CONSTITUTION AVENUE NW
WASHINGTON, DC 20551

RE: PROPOSED AMENDMENTS TO REGULATION J RELATING TO THE FEDNOW SERVICE AND FEDWIRE FUNDS SERVICE; DOCKET NO. R-1861; RIN 7100-AG94

DEAR MR. MCDONOUGH:

The Electronic Transactions Association¹ (ETA) appreciates the opportunity to comment on the proposed amendments to Regulation J governing the FedNow Service. ETA represents the broad spectrum of the modern payments ecosystem, including banks, payment processors, fintech companies, payment networks, technology providers, and other companies responsible for enabling secure, reliable, and innovative electronic payments for consumers and businesses throughout the economy. Because ETA's membership spans the full payments value chain, our members have direct experience developing, operating, and supporting payment systems that must balance speed, security, resiliency, consumer expectations, regulatory compliance, and operational risk management. ETA therefore appreciates the Board's continued efforts to modernize the U.S. payments system and explore innovative approaches that can improve payment efficiency, expand consumer choice, and support evolving market demands.

ETA generally supports the Board's proposal to permit the use of intermediary institutions in connection with FedNow transactions, particularly where doing so could facilitate faster and more efficient cross-border payment capabilities and better align FedNow with the operational realities of modern payments markets. Consumers and businesses increasingly expect payment experiences that operate in real time, across borders, and outside traditional banking hours, and the payments industry continues to develop

¹ The Electronic Transactions Association (ETA) is the world's leading advocacy and trade association for the payments industry. Our members span the breadth of significant payments and fintech companies, from the largest incumbent players to the emerging disruptors in the U.S. around the world. ETA members make commerce possible by processing approximately \$52.7 trillion annually in purchases and P2P payments worldwide and deploying payments innovation to merchants and consumers. ETA's membership spans the breadth of the payments industry to include independent sales organizations (ISOs), payments networks, financial institutions, transaction processors, mobile payments products and services, payments technologies, and software providers (ISV) and hardware suppliers. For more information, visit electran.org.

solutions designed to meet those expectations responsibly and securely. The industry continues to see significant demand from businesses and consumers for faster, always-on payment capabilities, including solutions that can support international transactions in a safe and transparent manner.

ETA agrees that harmonizing certain aspects of the FedNow Service with the Fedwire Funds Service could promote innovation and improve interoperability across payment rails. In particular, allowing intermediary institutions to participate in payment flows may provide additional flexibility for financial institutions seeking to leverage existing correspondent relationships and support more seamless cross-border settlement arrangements.

As the Board considers how to support these evolving consumer and market demands, ETA believes several important policy, supervisory, operational, and risk-management questions would benefit from additional clarification prior to implementation.

First, ETA encourages the Board to provide greater clarity regarding which entities may serve as intermediaries within the proposed framework and what standards such entities would need to satisfy in order to participate. While the proposal states that the amendments would not alter which entities may connect directly to the FedNow Service, it remains unclear how the proposal may affect the roles of various types of institutions in the movement of funds through the system.

ETA further encourages the Board to clarify whether entities serving as intermediary institutions under the proposal would be limited to institutions holding traditional master accounts as eligible depository institutions under the Federal Reserve Act, or whether the proposal contemplates participation by entities operating pursuant to alternative Federal Reserve account-access frameworks. In particular, ETA encourages the Board to clarify the relationship between this proposal and the Board's recently proposed payment account framework, which would permit certain eligible institutions to access Federal Reserve payment services, including FedNow, through a specialized payment account structure.² Because the Board notes that intermediary institutions may facilitate correspondent banking relationships and support cross-border payment activity, additional clarity would be helpful regarding whether payment account holders would be permitted to serve as intermediaries within FedNow payment chains or whether intermediary status would remain limited to traditional account holders. If payment account holders would be eligible to act as intermediaries, the Board should clearly identify the standards, responsibilities, and risk-management expectations associated

² Board of Governors of the Federal Reserve System. (2026, May 26). Proposed revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Evaluating Account and Services Requests. Federal Register, 91 Fed. Reg. 45893. <https://www.federalregister.gov/documents/2026/05/26/2026-10375/proposed-revisions-to-the-federal-reserve-policy-on-payment-system-risk-and-the-guidelines-for>

with that role. If they would not be eligible, the Board should clarify which categories of institutions may serve as intermediaries and the basis for those distinctions.

The proposal would also benefit from additional discussion of consumer protection and fraud-loss allocation in the context of intermediary-enabled instant payments. As use of the FedNow Service expands, it would be helpful to clarify how the Board expects institutions to allocate responsibility for unauthorized transfers, account takeovers, and scam-related payments, including the role of originating institutions, receiving institutions, and intermediaries in error resolution and consumer remediation.

Liquidity and settlement operations associated with 24/7 instant payments likewise merit additional consideration. Because intermediary relationships may create additional funding, prefunding, and contingency-planning needs, the Board should clarify any expectations regarding liquidity management, settlement timing, and operational resiliency during periods when participants may not have access to normal back-office support functions.

Further explanation regarding supervisory and examination responsibilities applicable to intermediary entities would help promote consistent implementation of the framework. As intermediary arrangements become more prevalent, additional clarity regarding operational resiliency, cybersecurity, fraud prevention, sanctions compliance, and other risk-management expectations would help promote consistent oversight and support confidence in the integrity of the FedNow ecosystem.

Additional detail would also be helpful regarding the application of existing BSA/AML, sanctions compliance, and suspicious activity monitoring obligations across intermediary relationships, regardless of participant type. Although the Board notes that correspondent banking arrangements are already well established within the Fedwire environment, the real-time and always-on nature of the FedNow Service may present distinct operational considerations that should be carefully evaluated.

We would urge the Board to consider providing clarifications in two areas. First, the Board should clarify how correspondent banks should handle customers' instructions regarding rail selection, including Fedwire or FedNow, when applicable. Second, the Board should establish a field or mechanism that clearly identifies the last leg of an international transfer to allow firms to better screen those payment legs.

The Board should also consider whether the introduction of additional intermediary relationships could create operational or cyber-risk concentrations that warrant further guidance, including scenarios where participants rely on third-party providers or nested relationships. Additional transparency around risk allocation, liability expectations, and

contingency planning would help support broader industry confidence as the service evolves.

Overall, ETA supports efforts to modernize U.S. payment infrastructure and strongly supports policies that enable innovation, competition, and the development of faster and more flexible payment capabilities that meet the evolving needs of consumers, businesses, and financial institutions. ETA is encouraged by the Board's continued focus on enhancing the functionality of the FedNow Service and exploring approaches that may help meet growing consumer and business demand for real-time, always-available, and increasingly cross-border payment capabilities. ETA looks forward to continued engagement with the Board as it considers these proposed amendments and encourages the Board to provide additional clarity regarding intermediary eligibility, supervision, and risk-management expectations prior to finalizing the rule.

Should you have any questions, please contact me or Scott Talbott, ETA's Executive Vice President, at stalbott@electran.org.

Respectfully submitted,



Patrick Russell
VP of Government Affairs
Electronic Transactions Association