ROYAL BANK, STEVE ESSER

Proposal and Comment Information

Title: Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests, OP-1878

Comment ID: FR-2026-0013-01-C10

Subject

Docket No. OP-[1878] Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests

Submitter Information

Organization Name: Royal Bank

Organization Type: Organization

Name: Steve Esser

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July 14, 2026

Benjamin W. McDonough
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE:

Dear Secretary McDonough:

I am Steve Esser, Senior Vice President at Royal Bank, a community bank based in Elroy, Wisconsin that serves the small communities, businesses, and farmers in rural Southwest Wisconsin. I appreciate the opportunity to comment on the Board's proposal to establish a special-purpose payment account.

Community banks meet rigorous standards for capital, supervision, consumer protection, and deposit insurance. These requirements protect depositors, support responsible local lending, and help keep the payment system safe. By granting direct access to the Federal Reserve payment system to institutions that are not subject to the same prudential, supervisory, and community-focused requirements, the proposal extends the benefits of Federal Reserve access without the corresponding safeguards. It could also divert deposits and payment activity away from the community banks like mine that support local economic development.

I am also concerned about the risk to the payment system. Extending this access shifts critical responsibilities, including Bank Secrecy Act/anti-money laundering and sanctions compliance, onto entities that may have less oversight than banks.

If the Board proceeds, I urge it to adopt strong, mandatory guardrails: a low limit on account balances and on the number of accounts during an initial period; mandatory Bank Secrecy Act/anti-money laundering and sanctions compliance requirements for every account holder; clear off-ramps and ongoing review if risks emerge; and an explicit statement that a payment account is not a pathway to a master account. Access to the Federal Reserve's accounts and services should remain tied to strong prudential oversight.

During this time of heightened incidents of fraud, it is prudent that the payment system is entrusted to organizations that have extensive oversight like mine to protect it. This benefits my customers by safeguarding their funds and their trust that the system continues to work as intended.

Thank you for considering my views.

Respectfully,

Steve Esser
Senior Vice President
Royal Bank
Elroy, Wisconsin

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