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Proposal and Comment Information

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Secretary
Board of Governors of the Federal Reserve System
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Submitted electronically via the Federal eRulemaking Portal

Plaid Comment re Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests (Docket No. OP–1878)

Plaid appreciates the opportunity to comment to the Board of Governors of the Federal Reserve System (Board) on its proposal to amend the Federal Reserve Policy on Payment System Risk (PSR Policy) and the Guidelines for Evaluating Account and Services Requests (Account Access Guidelines) to establish a special-purpose Payment Account for institutions focused on payments innovation. Plaid offers this perspective as a provider of the account connectivity and verification tools that many payments-focused institutions rely on to originate payment activity.

The Board's proposal arrives at a moment of clear national consensus that the way Americans pay and are paid should be faster, safer, and more competitive. Competition in payments is, in practical terms, an affordability question. When Americans can be paid and move money quickly, and at low cost, they rely less on expensive workarounds that fill the gaps left by a slow and concentrated system — overdraft and late fees, check-cashing charges, and short-term, high-cost credit. These costs fall disproportionately on lower-income households and small businesses. Broadening competitive access to core payment infrastructure puts sustained downward pressure on those costs, connecting the Board's payments agenda directly to the cost-of-living concerns now at the center of national economic debate.

The United States remains the only G7 economy that has not extended participation in its core national payment systems beyond traditional depository institutions — even as domestic policy has begun to move decisively to close that gap. In March 2025, the President directed the Federal Government to transition to electronic payments for all federal disbursements and receipts, citing the cost, delay, and heightened risk of fraud and theft associated with paper checks.[1] In May 2026, the President directed federal financial regulators — and specifically the Board — to reduce fragmented and burdensome rules that "primarily benefit incumbent financial services firms," to evaluate expanding direct access to Reserve Bank payment accounts and services for non-bank financial companies, and to make determinations on complete applications within 90 days.[2]

[1] Exec. Order No. 14247, Modernizing Payments To and From America's Bank Account, 90 Fed. Reg. 14,001 (Mar. 28, 2025).
[2] Exec. Order, Integrating Financial Technology Innovation into Regulatory Frameworks, §§ 1, 4 (May 19, 2026)

And in Congress, the bipartisan Payments Access and Consumer Efficiency Act of 2026 (PACE Act) would create a federal registration pathway for payments-focused providers and direct the Board to grant qualifying providers access to a "payments reserve account" that includes the Fedwire Funds Service, the FedNow Service, and FedACH.[3] The Board's proposal is an important step toward these shared goals, and Plaid commends the Board for advancing it.

Plaid sits at the center of the digital finance ecosystem the proposed Payment Account is intended to serve. One in two U.S. adults with a bank account has used Plaid to connect an account to an app or service, and the network has enabled nearly 150 million Americans to reach financial services across more than 9,000 apps and 12,000 financial institutions. The companies that use Plaid's tools to build and operate their financial products (Plaid's customers) span fintech apps including Venmo, Cash App, and Chime; crypto firms such as Coinbase and Gemini; financial institutions such as Citi and Western Union; and enterprises such as H&R Block, Experian, and Rocket Money. Plaid also works alongside more than 100 payment processors, including Fiserv, FIS, Adyen, and Dwolla. Many are precisely the payments-focused firms that would be candidates for the Payment Account.

Plaid is a connectivity platform that, at consumers' direction, connects their financial accounts to the apps they choose. Its verification and risk tools — account and identity verification, real-time balance checks, and payment-risk signals — are relied on daily by those customers and by the financial institutions that hold the underlying consumer accounts. Plaid also works with bank partners to offer payment capabilities to its customers in some instances. Plaid's interest in this proposal is therefore twofold: that Plaid's customers can access Federal Reserve infrastructure on terms that are workable at scale, and that the risks the Board has identified are addressed through controls already proven in the market rather than through categorical exclusion. The comments below are offered in that spirit.

The Payment Account Will Achieve Its Purpose Only If It Is Broadly Useful

The Board asks whether the Payment Account, as updated from the Request for Information, would support eligible institutions' payment activity and be an attractive account option. The direction is right. Direct access reduces reliance on the small number of intermediary banks that payments firms must use today, lowers cost and settlement friction, and — as the Board recognizes — can shorten settlement chains in ways that reduce, rather than increase, systemic risk.

Plaid is the connective layer between consumers, their banks, and the apps they choose to manage their financial lives, and from that vantage we see plainly where the lack of a direct path to core payment infrastructure constrains our customers. A payments firm that cannot hold an account at a Reserve Bank must reach the payment system through a sponsor or correspondent

[3] Payments Access and Consumer Efficiency Act of 2026 (PACE Act), 119th Cong. §§ 2, 9 (2026) (introduced by Rep. Young Kim)

bank.[4] The number of banks that specialize in serving these firms has grown in recent years,[5] but access has not become easier: these banks have become more selective, and the terms on which they extend access have tightened. The practical effect is a single point of failure. A payments firm's access to the payment system often rests on one banking relationship with no direct alternative, so when that bank tightens its risk appetite, exits a business line, or an intermediary in the chain fails, the disruption is not confined to the bank: it reaches the payments firm and, ultimately, the consumers and businesses relying on it. Because access can be narrowed or withdrawn for reasons unrelated to a firm's own compliance or operational resilience — including a sponsor's decision to exit an entire customer segment — otherwise sound payments businesses can lose their connection to the payment system through no fault of their own. This dynamic is often described as 'debanking'. Direct access does not eliminate this risk, but it reduces concentration and strengthens the resilience of the payment system and in doing so advances the same financial-stability objective the Policy on Payment System Risk is meant to serve.

Calibrating the closing balance limit to expected payment activity, rather than a rigid asset-based cap, is the correct approach: the institutions the Board designed this account for run high-velocity, low-balance models, and an asset-based ceiling would have penalized precisely the activity the account is meant to support. Retaining access to the National Settlement Service preserves a settlement mechanism institutions already understand and depend on. And introducing indicative review timelines gives applicants the predictability they need to commit capital and plan operations around an account they cannot yet be certain they will receive.

These are meaningful improvements, but they govern the terms on which an account is held — not what the account can actually do. Whether the Payment Account becomes an attractive option, rather than a redundant one, turns on a practical question each eligible institution will ask: can it run the payment flows the institution actually operates? An account that settles efficiently but cannot reach the rails an institution depends on is not a substitute for that institution's existing access — it leaves the firm without a direct path for a large share of its activity, the very gap the account was meant to close. On that test, the most consequential omission is the exclusion of FedACH.

Access to Core Payment Rails, Including FedACH, Is Best Achieved Through Tailored Controls Rather Than Categorical Exclusion

ACH remains the foundational rail for a substantial share of U.S. payment activity — payroll, bill payment, and recurring consumer and business transactions — and it is the only rail among those at issue that supports debit (“pull”) transactions, in which an authorized party initiates a transfer from a customer’s account. Excluding FedACH means that Payment Account holders

[4] See Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests, 91 Fed. Reg. 30,627, 30,628 (May 26, 2026) (Docket No. OP–1878)
[5] Matt Doffing, BaaS Is Back: What Does Strong Sponsor Banking Look Like in 2026?, The Financial Brand (Feb. 19, 2026)

would continue to route a large portion of their activity through bank intermediaries, preserving the cost, friction, and concentration the proposed Payment Account is meant to relieve. ACH volume is heavily concentrated among a small number of institutions; requiring well-regulated payments firms to reach ACH only through those intermediaries entrenches that concentration rather than diversifying it.[6]

The Board's stated reason for excluding FedACH is not that ACH lacks value, but that ACH settles on a deferred, batch basis and permits returns and reversals after the fact[7]. Unlike the real-time gross settlement of the Fedwire Funds Service and the FedNow Service — where the Reserve Banks can reject an individual transaction that would overdraw an account — ACH offers no comparable moment of real-time control. The concern is concrete: because a Payment Account has no access to intraday credit and must prefund its activity, an ACH return or reversal that posts days or even months later could overdraw the account and leave the Reserve Banks exposed to credit risk. The Board adds that the only way to foreclose that risk entirely would be to bar Payment Account holders from processing debits at all — an approach it regards as unworkable, because the ubiquity of the ACH network depends on every participant being able to send and receive debits as well as credits, including returns associated with those payments. Plaid takes these operational concerns seriously. But the premise that ACH return risk cannot be predicted or mitigated without Reserve Bank intraday credit does not reflect what the private sector already does, at scale, across the ACH ecosystem every day.

Private-sector data and risk infrastructure exists to verify accounts and anticipate ACH outcomes before a transaction settles. Among the tools available today:

- **Account verification confirms that funds are routed to or drawn from a real, correctly identified account.** Plaid's Auth and Identity products verify account and routing details and account ownership instantly, reducing misdirected payments and administrative returns.
- **Real-time balance verification confirms sufficient funds before an ACH debit is originated.** Plaid's Balance product, used together with Auth and other risk products, lets an originator check available funds at the moment of origination.
- **Payment-risk scoring anticipates returns before a debit is initiated.** Plaid's Signal product scores the likelihood that a given ACH debit will be returned for various reasons, including non-sufficient funds or as unauthorized, directly addressing the predictability gap the Board describes.
- **Identity and fraud tools reduce unauthorized activity at onboarding and in session.** Plaid's identity verification and Protect products help institutions confirm who is initiating a transaction and detect fraud across a broad network.

No private-sector tool can eliminate returns entirely — the ACH network is designed to let a receiving institution return a transaction after settlement, including unauthorized consumer

[6] Nacha, Top 50 ACH Originators and Receivers (20254), available at https://www.nacha.org.
[7] See Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests, 91 Fed. Reg. 30,627, 30,628 (May 26, 2026) (Docket No. OP–1878)

returns that can arrive up to 60 days later. The relevant question is therefore not whether return risk can be driven to zero, but whether it can be reduced and sized precisely enough that the residual rests with the account holder rather than the Reserve Banks. For the activity a Payment Account holder itself originates, it can be. The tools described above lower the rate of returns and let an originator reduce risk of returns before initiating; the residual exposure on those originations is then absorbed by the holder — through prefunding together with a reserve or collateral cushion calibrated to its expected return rate — rather than through Reserve Bank credit. These are extensions of controls the Board already applies to account holders subject to enhanced credit-risk scrutiny, and they pair naturally with the Board's existing authority to restrict services or close an account, which a Reserve Bank could exercise to suspend a holder's ACH activity if an overdraft went uncured. Taken together, they describe a path to FedACH access on which the credit risk from returns on a holder's own activity does not rest with the Reserve Banks. The Board itself notes that it "might reconsider" the suite of available services if Reserve Bank controls evolve. Plaid urges the Board to pursue that path actively rather than defer it, and specifically to:

- Adopt a phased approach — beginning with receipt-only participation, which carries no overdraft risk yet lets institutions offer direct deposit and account-to-account payments, followed by prefunded, credit-only origination. This approach lets the Board extend access incrementally as controls mature.
- Permit account holders to use private-sector verification and risk tools to meet the Board's risk-management expectations for ACH debit activity — set by the Board as an outcome-based standard rather than a specified product or provider — consistent with the Administration's direction to integrate proven financial technology into supervisory frameworks.
- Commit to a public roadmap and timeline – developed in coordination with Nacha and industry participants, whose existing rules and risk-monitoring frameworks already govern ACH return handling — for developing the controls necessary to extend FedACH access to Payment Account holders, rather than treating today's exclusion as permanent.

This approach aligns the proposal with the broader modernization agenda. The PACE Act expressly contemplates non-bank access to a Reserve Bank account that includes FedACH, and the President’s May 2026 order asks the Board to evaluate expanding direct access for non-bank financial companies and to reduce rules that disadvantage new entrants.[8] Extending FedACH access through tailored controls would advance both.

Calibrating the Closing Balance Limit to Real Payment Activity

Plaid supports the Board’s decision to calibrate the Closing Balance Limit to an institution’s expected payment activity rather than a fixed share of assets, and its clarification that the limit

[8] Exec. Order, Integrating Financial Technology Innovation into Regulatory Frameworks, §§ 1, 4 (May 19, 2026)

applies only at the Federal Reserve's close of business, with no intraday cap. These changes better reflect how payments firms actually manage liquidity.

The Board asks whether $1 billion is an appropriate maximum. For most institutions it will be ample, but for the largest payment processors — firms that move concentrated, high-volume flows and must prefund the opening of each business day, because Payment Accounts have no access to intraday credit — a hard $1 billion ceiling could constrain ordinary settlement and push exactly the activity the Board wants on-rail back to the sponsor-bank channel. Plaid recommends that $1 billion function as an initial, per-institution benchmark rather than a permanent ceiling, with a transparent, public process for setting higher limits calibrated to demonstrated throughput and operational maturity.

As for effects the Board may not have identified: a limit set too low undermines the operational viability of the account itself. Because Payment Accounts must prefund all activity, an under-sized limit raises the risk of failed or delayed payments at the open of the business day, and it perpetuates the concentrated-access model the Board's own framework treats as a risk. Calibration should err toward accommodating genuine payment needs.

On whether to codify the Closing Balance Limit in Regulation D and on the interaction between the limit and the prohibition on interest: Plaid's interest is less in which instrument houses the limit than in ensuring that, wherever codified, the methodology is transparent, predictable, and readily adjustable to payment activity. Plaid would caution against codifying the limit in a manner that reduces the Reserve Banks' flexibility to calibrate it to individual flows. The Board and commenters alike observe that paying no interest already discourages institutions from holding balances beyond what payments require; that dynamic argues for setting the limit generously and relying on the zero-interest term — rather than a low cap — to address store-of-value concerns, so that the two terms do not compound into a constraint on the account's core payment function.

Preserving the Master Account On-Ramp, Defining a Graduation Pathway, and Time-Limiting the Tier 3 Pause

Plaid appreciates the Board's confirmation that the Payment Account is an optional, additional way to request access and does not alter an institution's statutory eligibility to seek a Master Account. That confirmation should be unambiguous in any final policy: an eligible institution, including a state-chartered depository institution that meets the definition in 12 U.S.C. § 461(b), retains the right to apply for a Master Account and to receive a fair and timely review.

The Board declined to create a defined pathway from a Payment Account to a Master Account, treating the two as distinct. Plaid respectfully encourages the Board to go further and articulate predictable graduation milestones — based on verifiable transaction history, operational performance, and compliance track record — by which a Payment Account holder can be considered for a Master Account. A Payment Account holder builds exactly the kind of evidence-based supervisory record that should inform, and streamline, a later Master Account review. A clear pathway gives firms the certainty to invest while preserving each Reserve Bank's discretion.

Plaid is mindful that the Board has encouraged Reserve Banks to pause decisions on Tier 3 access requests while it completes this process, with the pause expected to end on or before December 31, 2026. Because Tier 2 and Tier 3 institutions are the very firms the Payment Account is designed to serve, the pause should be as brief as possible and should not, in practice, become an extended barrier to access. Plaid encourages the Board to complete its process promptly and to lift the pause at the earliest opportunity.

These threads intersect in a way worth naming. Tier 2 and Tier 3 institutions are statutorily eligible to seek a Master Account — including FedACH access — under a framework the Board applies on a case-by-case, risk-focused basis. If the Tier 3 pause persists while the Payment Account remains the practical near-term path to Reserve Bank access, and that account categorically excludes FedACH, the result is that an entire class of eligible institutions is effectively denied ACH access without the individualized, risk-based review the Board's own guidelines contemplate. Plaid does not read the Board to intend that outcome, and the tailored-control path described above avoids it: it lets the Board extend FedACH access on terms calibrated to each institution's activity rather than foreclosing it by category.

Right-Sizing Illicit-Finance Requirements Through Risk-Based, Technology-Forward Verification

The Board asks whether it should impose specific illicit-finance requirements on institutions that are not federally insured — for example, requiring an attestation of "bank" status under the Bank Secrecy Act, an independent third-party assessment of BSA/AML and OFAC programs, or confirmation that an institution's regime is comparable to that of a federally insured institution. Plaid agrees that rigorous BSA/AML, OFAC, and fraud controls are non-negotiable. The right approach, however, is risk-based and technology-forward rather than a blanket, one-size requirement layered on non-bank applicants.

In particular, Plaid would caution against subjecting non-bank Payment Account requesters to the full tiered review framework that applies to Master Account requests, or otherwise holding them to a higher effective standard than comparable insured institutions. Doing so would negate the streamlined review that is the proposal's central benefit and would be at odds with the Administration's direction to remove duplicative barriers that disadvantage new entrants. The discretionary, non-exhaustive menu of illicit-finance mitigants the Board has proposed — attestations, third-party assessments, and periodic reporting — is a more appropriate model than a mandatory uniform requirement, and the Reserve Banks should continue to incorporate the assessments of an institution's primary supervisor.

Private-sector identity and fraud products can materially strengthen this work. Identity verification confirms who is opening and using an account; transaction and network-level fraud signals detect suspicious behavior before it results in loss. Plaid's identity verification, Protect, and Signal products support exactly these functions, and the same capabilities advance the fraud-reduction and verified-disbursement goals at the heart of the President's payments-modernization order. Plaid addressed these themes in detail in its recent comment to the agencies on payments fraud,[9] and welcomes the opportunity to support the Board's work to combat illicit finance through verification and data rather than through barriers to entry.

Account Access, the Tiering Framework, and Review Timelines

The Board asks whether a Payment Account holder should be permitted to access the FedNow Service as an Operating Circular 1 Respondent. Plaid supports permitting this narrow arrangement. The Board itself recognizes that an Operating Circular 1 Respondent relationship may pose lower residual risk, and allowing a Payment Account holder to reach FedNow through a correspondent would broaden access for smaller institutions without exposing the Reserve Banks to the credit dynamics that animate the FedACH discussion. Real-time verification of the parties and balances further reduces the incremental risk. To the extent the Board permits this, it should do so on standard, transparent terms, so that access does not depend on bespoke negotiation.

The Board asks whether it should change the tiering framework. Plaid does not urge structural changes to the tiers, but encourages the Board to ensure that any refinements lower rather than raise barriers, and to consider how supervisory information-sharing and verified private-sector risk data can support more calibrated, activity-based treatment of payments-focused institutions within the existing structure. Consistency matters as much as structure: the President's May 2026 Order specifically asks the Board to ensure that applicants are evaluated on a consistent basis regardless of which Reserve Bank receives their request, and Plaid encourages the Board to make that consistency explicit.[10]

The Board asks whether the proposed 45-day timeline for Tier 1 requests is appropriate and whether it should set timelines for other requests. Plaid supports the 45-day Tier 1 timeline and the 90-day Payment Account timeline, both of which bring welcome predictability. Plaid encourages the Board to go one step further and establish indicative timelines for Master Account requests from Tier 2 and Tier 3 institutions as well, rather than leaving those reviews open-ended; doing so would align with the President's request that the Board act on complete applications within 90 days and within the PACE Act's decision deadlines. To keep these timelines meaningful, the Board should publish a clear definition of a "complete application," so that supplemental information requests cannot indefinitely pause or reset the clock, and should permit extensions only in narrow, time-limited circumstances with written justification.

Conclusion

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[9] Plaid, Comment Letter re Request for Information on Potential Actions To Address Payments Fraud (Docket ID OCC–2025–0009; Docket No. OP–1866; RIN 3064–ZA49) (2025).

[10] Exec. Order, Integrating Financial Technology Innovation into Regulatory Frameworks, §§ 1, 4 (May 19, 2026)

The United States has the technology, the capital, and now the policy direction to build a payments system that is faster, safer, and more competitive. The Board's Payment Account proposal is an important step, and it will go further if it extends access to the rails institutions actually use, calibrates its terms to real payment activity, and manages risk through tailored, technology-enabled controls rather than categorical exclusion. By bringing proven private-sector expertise in account verification, identity, and payment-risk management, Plaid is glad to support the Board, the Reserve Banks, and the institutions they serve in building the next generation of secure, scalable, and inclusive payments. Plaid welcomes the opportunity to discuss these comments with Board staff.

Sincerely,

Brian Dammeir
Head of Payments and Financial Management Products
Plaid