# KING YEW CHOO

## 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-C86

## Submitter Information

**Name:** King Yew Choo

**Submitted Date:** 07/27/2026

Comment of King Yew Choo on Docket No. OP-1878 (Response to Question 1). I write in a personal capacity, represent no applicant or prospective Payment Account holder, and address Question 1 only, taking no position on statutory eligibility or on Questions 2 through 7.

The design would support the payment activity of legally eligible institutions whose activity settles over the services the proposal would permit, is fully prefunded, and leaves closing balances within a Closing Balance Limit calibrated to expected payment flows. My assessment is of design fit; commercial take-up depends on factors this comment does not address.

I make one recommendation. In the final discussion of how the Account Access Guidelines would apply to Payment Account requests (Section III.C of the notice), the Board should state expressly, as discussion text rather than an account term:

"Automated initiation neither creates a separate category of payment activity under the Payment Account terms nor narrows the case-by-case review the Account Access Guidelines call for. The nature and extent of an institution's automation remain relevant to that review, including to a Reserve Bank's assessment of illicit finance risk under Principle 5."

Where automation is material to an applicant's model, heavier evidentiary expectations are a legitimate outcome of that review, and the proposed Part IV illicit finance mitigants would remain available in full. My recommendation requires no change to proposed Part IV of the Federal Reserve Policy on Payment System Risk and adds no new account term or application requirement.

The attached PDF is the full comment.

# Comment of King Yew Choo on Docket No. OP-1878

**Matter:** Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests

**Docket No. OP-1878**

**Submitted by:** King Yew Choo

**Date:** July 27, 2026

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To the Board of Governors of the Federal Reserve System:

I submit this comment in response to Question 1, which asks whether the design of the Payment Account, as updated from the Board's earlier Request for Information (RFI), would support eligible institutions' payment activity and be an attractive account option.[1] I write in a personal capacity; my work concerns systems architecture for automated payment initiation, and I represent no applicant or prospective Payment Account holder. I address Question 1 only and take no position on statutory eligibility or on Questions 2 through 7.

The design would support the payment activity of legally eligible institutions whose activity settles over the services the proposal would permit, is fully prefunded, and leaves closing balances within a Closing Balance Limit calibrated to expected payment flows.[2] The most consequential update from the RFI is the limit itself: an individually set, payment-activity-based Closing Balance Limit, not to exceed $1 billion, applied solely at the Federal Reserve's close of business, replaces the RFI's contemplated cap of the lesser of $500 million or 10 percent of total assets. A payment-intensive institution with a small balance sheet would no longer be capped by its size under the proposal, in an account where any transaction the balance cannot cover would be rejected, and the limit would leave intraday balances uncapped.[3] The second draw is that an eligible institution granted a Payment Account could settle its own and its customers' activity directly, on standard published terms, instead of settling through another account holder. My assessment is of design fit; whether institutions would in fact choose the account depends in part on pricing and correspondent economics, which I do not address.

I make one recommendation. It concerns the review-framework discussion, because the attractiveness prong of Question 1 turns partly on review predictability. In the final discussion of how the Account Access Guidelines would apply to Payment Account requests (Section III.C of the notice), the Board should state expressly that automated initiation does not create a separate category of payment activity under the proposed Payment Account terms or narrow the reach of case-by-case review. The two-sentence statement I propose appears in Section 2. My recommendation requires no change to proposed Part IV of the Federal Reserve Policy on Payment System Risk (PSR Policy) and adds no new account term or application requirement.

## 1. Fit boundaries

The terms that create that fit also define which models the account does not serve: those that need FedACH origination or receipt, that need securities transfers settled against payment rather than free of payment, that would act as an OC 1 Correspondent or OC 1 Respondent under the Reserve Banks' Operating Circular No. 1 (Accounts) (OC 1), or that require Reserve Bank credit, interest on balances, or closing balances above the institution's limit.[4] Because

Reserve Banks would reject any transaction that would create an overdraft, a liquidity-forecasting failure that leaves the balance short could result in rejected transactions, including transfers the holder originates, and the design presumes disciplined balance management and reconciliation.

The choice is also structural. An institution generally could maintain a single Payment Account or a single Master Account, not both, so opting in is a substitution at the institution level, and the Board is explicit that holding a Payment Account would not indicate likely approval of a later Master Account request.[5] The notice proposes that Payment Account requests receive a more streamlined review than a Master Account request from the same institution; for Tier 2 and Tier 3 institutions, review would generally be completed within 90 calendar days of the Reserve Bank receiving all requested documentation.[6]

## 2. One clarification for the final discussion

The notice's one reference to agentic artificial intelligence in payments appears in its summary of RFI comments on illicit finance, where a few commenters identified it as an example of new illicit finance risk.[7] The Board designed the account for direct access by institutions with novel and diverse business models,[8] and where such an institution's payment activity is initiated largely through automated processes, the account's attractiveness depends in part on how that fact would figure in an access review. Outside that one risk reference, the proposal does not address initiation method, and in case-by-case review that silence could be read differently across Reserve Banks: material automation as a category calling for a separate review track at one end, or as a fact calling for no particular evidence at the other. An applicant preparing its request cannot know from the proposal which reading its Reserve Bank would apply. The notice's stated aim of consistent evaluation across all twelve Reserve Banks argues for settling the point in the final discussion.[9]

The statement I recommend is discussion text, not an account term:

> Automated initiation neither creates a separate category of payment activity under the Payment Account terms nor narrows the case-by-case review the Account Access Guidelines call for. The nature and extent of an institution's automation remain relevant to that review, including to a Reserve Bank's assessment of illicit finance risk under Principle 5.

Where automation is material to an applicant's model, heavier evidentiary expectations are a legitimate outcome of that review. Principle 5 addresses money laundering, terrorism financing, fraud, cybercrimes, economic or trade sanctions violations, and other illicit activity, and the proposed Part IV illicit finance mitigants would remain available in full.[10]

The statement's second sentence also has operational content, because automation introduces failure modes of its own even where the legal analysis is unchanged. One example: a holder's system submits a payment instruction and the connection fails before a definitive acknowledgment arrives, so the instruction may or may not have been accepted. If the system retries before the outcome of the original instruction is known, submitting the retry as a new instruction rather than a resend of the original, the applicable service may treat the two submissions as distinct instructions and settle both. How a service treats a possible duplicate is governed by that service's rules and controls; prefunding would not catch such a duplicate, because the balance test asks whether funds cover each transaction and the balance may well cover both. The account terms appropriately leave that residual class of risk to the Guidelines, which place risks of that kind within case-by-case review: Principles 2 and 3 call on Reserve Banks to assess an institution's systems, operational resilience, incident management, and reliance on external service providers.[11]

The recommendation does ask the Board to address initiation methods, on which the review-framework discussion is currently silent. In my view the consistency gain across twelve Reserve Banks is worth that, and the judgment is the Board's.

## 3. The scope of the account terms

The proposal describes the Payment Account as having a lower residual risk profile than a Master Account.[12] Within its scope that assessment is sound: prefunding, automatic overdraft rejection, the Closing Balance Limit, zero interest, and the service restrictions address Reserve Bank credit exposure and balance-related financial-stability and monetary-policy concerns. The assessment does not resolve institution-specific operational risk. An account can pass every balance check while the holder's upstream systems submit duplicate instructions, a critical service provider fails, or the holder cannot map what settled in the account back to the instructions and automated actions that produced it; the Guidelines place those classes of risk within case-by-case review of the particular institution. Where automation is material, the relevant evidence is ordinary risk-management evidence, including how in-doubt instructions and retries are handled and whether the institution can reconcile what it submitted against what settled in its account. Records that allow an incident to be reconstructed serve the same review. This comment asks no Reserve Bank to adjudicate private disputes over customer authority, product suitability, or liability; attribution and control of automated actions within the institution's systems remain ordinary review evidence.

## Conclusion

On Question 1: as updated from the RFI, the Payment Account design would support the payment activity of legally eligible institutions inside its service, prefunding, and balance boundaries, and it is architecturally suited to that class; commercial take-up depends on factors this comment does not address. I ask the Board to add the two-sentence statement set out in Section 2 to the final discussion of the review framework.

Sincerely,

**King Yew Choo**

## Endnotes

1. Board of Governors of the Federal Reserve System, *Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests*, Docket No. OP-1878, 91 Fed. Reg. 30627 (May 26, 2026) (the "notice"), https://www.govinfo.gov/content/pkg/FR-2026-05-26/pdf/2026-10375.pdf. Question 1 appears at 30642.
2. 91 Fed. Reg. at 30636 (summary table of proposed Payment Account terms); id. at 30645–47 (proposed Part IV of the PSR Policy).
3. Id. at 30629 (RFI formulation), 30632 (individual Closing Balance Limit, not to exceed $1 billion, based on analysis of payment flows, applied solely at the close of the Federal Reserve's business hours), 30646–47 (proposed Closing Balance Limit and intraday balance treatment).
4. Id. at 30630 (proposed exclusion of delivery versus payment transactions), 30636 (terms table), 30638–39 (FedACH and OC 1 restrictions), 30647 (proposed Part IV.B.2.d–e). On credit and interest, see Board of Governors of the Federal Reserve System, *Regulation A: Extensions of Credit by Federal Reserve Banks*, Docket No. R-1892, 91 Fed. Reg. 30498, 30500–01 (proposed May 26, 2026); Board of Governors of the Federal Reserve System, *Regulation D: Reserve Requirements of Depository Institutions*, Docket No. R-1893, 91 Fed. Reg. 30503, 30507 (proposed May 26, 2026).
5. Notice, 91 Fed. Reg. at 30637; id. at 30646 (proposed Part IV.B, single-account rule and limited exceptions).
6. Id. at 30641–42 (Sections III.C.1–2); id. at 30651–52 (proposed Guidelines, Section 4).
7. Id. at 30634 ("A few commenters discussed how new technologies either present new types of illicit finance risk, including, for example, in the form of agentic artificial intelligence (AI) in payments, or new opportunities for combatting these risks...").
8. Id. at 30637.
9. Id. at 30641 (Section III.C: Payment Account requests evaluated using the same principles as Master Account requests; no amendments to those principles proposed; consistent evaluation across all twelve Reserve Banks).
10. Id. at 30650 (Account Access Guidelines, Principle 5); id. at 30647 (proposed Part IV.B.2.f, illicit finance risk mitigants).
11. Id. at 30648–50 (Account Access Guidelines, Principles 2 and 3).
12. Id. at 30635, 30641 (lower residual risk profile); id. at 30633 (core design features and the risks they mitigate).