MERCHANT ADVISORY GROUP, JOHN DRECHNY

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-C87

Submitter Information

Organization Name: Merchant Advisory Group

Organization Type: Organization

Name: John Drechny

Submitted Date: 07/27/2026

The Merchant Advisory Group (MAG) respectfully submits these comments in response to the notice and request for comment on the Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests issued by the Board of Governors of the Federal Reserve System (Board). The MAG appreciates the opportunity to comment on this important issue.

The MAG applauds the Board's efforts to facilitate a more innovative and efficient financial system by offering Payment Accounts. Payment Accounts, done right, can enable innovative pay-by-bank use cases as a lower-cost alternative to card-based payments at the point of sale, allowing more transaction value to flow to merchants and consumers rather than payment intermediaries. The U.S. lags behind other developed economies in providing nonbank access to critical payment rails. As demonstrated in markets with broader access to account-to-account payment infrastructure, greater connectivity can support more competitive, lower-cost retail payment options. In the absence of statutory eligibility changes allowing nonbanks to access Federal Reserve-operated infrastructure, the Board should ensure that its services, including FedNow, Fedwire, and FedACH, are adopted and used by the maximum number of potential participants. To that end, the Board should set a clear adoption goal for Payment Accounts and design its features to satisfy the broadest possible set of real-world applications in order to ensure that goal is achieved. Accordingly, the MAG urges the Board to consider further enhancements to Payment Accounts.

The MAG's full comment letter is attached.

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July 27, 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: Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests, Docket No. OP-1878

Dear Mr. McDonough:

The Merchant Advisory Group (MAG) respectfully submits these comments in response to the notice and request for comment on the Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests issued by the Board of Governors of the Federal Reserve System (Board). The MAG appreciates the opportunity to comment on this important issue.

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

The MAG reiterates its support for offering special purpose Payment Accounts as a way of generating competition to offer safe, faster, lower-cost transactions. MAG members and other U.S. merchants pay steep acceptance fees, and incur the costs of increasing rates of fraud, due to lack of innovation in the financial sector. Meanwhile, the UK, EU, Canada, and Brazil, among others, allow nonbank payment processors to access central bank payment infrastructure, fostering broader adoption of pay-by-bank retail payments and resulting in faster, secure, and cheaper retail transactions.[1] Payment Accounts provide an opportunity to create a real alternative to card-network costs while supporting more tailored risk controls.

Given the crucial role of Federal Reserve Payment infrastructure in lowering payment acceptance costs, and its continued lack of adoption for retail payments, the Federal Reserve should set a concrete target for broader usage of its services and design its access rules to ensure the target is met. The Board's proposal, as written, is a step in the right direction, but additional measures are needed to fully realize the intended benefits of the proposed Payment Accounts. A measurable adoption target would help ensure Payment Accounts are evaluated by actual market uptake and merchant use, recognizing that availability alone may not overcome existing market incentives and adoption barriers.

II. The Payment Account Requires Additional Changes to Support Eligible Institutions' Payment Activity (Questions 1, 3, and 4)

Adding FedACH access could make Payment Accounts a more attractive option that supports and streamlines payment activity for eligible institutions. ACH is a key payment rail for consumer and small business payments, payroll and bill pay. Excluding Payment Accounts from FedACH access eliminates core merchant use cases and forces account holders to continue relying on costly intermediaries for most of their transactions. The Board should enable Payment Accounts that expand direct, competitive A2A options at the point of sale. The MAG respectfully recommends that the Board consider alternative measures, such as enhanced monitoring, prefunding, debit-pull transaction caps, return-rate tracking, and exposure limits to manage any credit risk that could arise from enabling FedACH access for Payment Accounts. While the Board has expressed concern that ACH debit originations cannot be predicted or

[1] *See* Penny Lee, The U.S. Lags Other Countries on Faster Payments – Why?, Forbes (Apr. 17, 2024) (describing nonbank access to instant payments systems in the United Kingdom, European Union, Canada, Brazil, Japan, Singapore, and Australia); Charles M. Kahn, "FedNow and Faster Payments in the U.S.," Federal Reserve Bank of Boston Working Paper (Nov. 8, 2024) at 20-22 (describing rapid growth of A2A transactions after enablement of nonbank access to instant payment systems in the U.K. and Brazil).

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capped with sufficient accuracy to prevent Payment Account overdrafts, this risk could be mitigated with enhanced monitoring.

The MAG also recommends allowing Payment Account holders to act as OC 1 Respondents. Enabling Payment Account holders to act as Respondents would offer more flexibility for firms with liquidity near the $1 billion balance cap and firms that wish to settle complex or high-risk transactions. Offering this option would enhance the feasibility of Payment Accounts for more firms and reduce friction for firms transitioning between Payment Accounts and Master Accounts.

The Board should also replace the proposed Closing Balance Limit of $1 billion with an institution-specific, activity-based limit. Although the MAG appreciates that the $1 billion Closing Balance Limit is designed to be inclusive based on historical balances, this analysis does not consider the forward-looking potential of Payment Accounts for new entrants and use cases. The Closing Balance Limit should be calibrated to an individual account holders' needs so as not to limit the attractiveness of Payment Accounts for eligible firms or the activities of Payment Account holders. Facilitating flexibility to address issues such as seasonal volume spikes and future-proofing the Limit would avoid potential adjustments going forward.

III. The Board Should Not Impose Additional Illicit Finance Requirements (Question 5)

The proposal sufficiently addresses illicit finance concerns. Reserve Banks retain the discretion to require additional proof of BSA/AML and OFAC compliance from Payment Account requestors based on an individualized risk assessment. The Board should not impose heightened barriers to entry for Payment Account requestors based solely on the insured status of an institution.

IV. The Board's Proposed Timelines Are Appropriate (Question 7)

The MAG commends the Board's efforts to provide transparency to Payment Account requestors via clear review timelines. The MAG respectfully recommends setting timelines for review of other access requests where appropriate.

Under the Board's proposal, the time frame for reviewing Payment Account requests begins only upon receipt of all requested documentation. For additional transparency, we recommend that the Board notify Payment Account applicants when their applications are deemed complete, starting the 45- or 90-day clock.

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V. Conclusion

We support the Board's direction toward expanded connectivity to Fed-operated rails. These rails should serve the broadest possible set of real-world use cases in ways that measurably improve competition for fast, safe, resilient, and low-cost payments. These accounts should ultimately be judged by whether they produce real merchant adoption and meaningfully lower-cost payment alternatives. With targeted adjustments, Payment Accounts can deliver concrete benefits for U.S. merchants and consumers. The MAG appreciates the Board's consideration of the merchant perspective, and its efforts to promote a more dynamic and competitive payments ecosystem.

Respectfully,

John Drechny
CEO
Merchant Advisory Group