# WISCONSIN BANKERS ASSOCIATION, ROSE OSWALD POELS

## 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-C89

## Submitter Information

**Organization Name:** Wisconsin Bankers Association

**Organization Type:** Organization

**Name:** Rose  Oswald Poels

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

Please find attached WBA's comments regarding Docket No. OP–1878.

July 27, 2026

**VIA E-MAIL ONLY**

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

**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 Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing nearly 180 state and nationally chartered banks, savings banks, and savings and loan associations of all sizes located in Wisconsin, their branches, and over 30,000 employees. WBA appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (FRB) proposed revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Reserve Banks to Evaluate Requests for Access to Reserve Bank Accounts and Services (proposal).

WBA previously commented on FRB's request for information on the Payment Account prototype in February 2026 (RFI). As discussed in those comments, with appropriate safeguards and clear supervisory expectations in place, this prototype can offer a responsible and limited avenue for eligible institutions to participate in payment activities while ensuring that the strength and stability of the Federal Reserve Banks and the broader financial system remain protected. This goal depends on the strength of the proposal's guardrails, which should be retained and, in some cases, strengthened.

FRB has proposed several risk-mitigating aspects which WBA supports and recommends be finalized. WBA also recommends FRB close the supervisory gaps the current proposal leaves open, and resist pressure from non-traditional institutions to expand Payment Account access or services beyond what the proposal currently contemplates.

*Core Risk-Mitigating Terms*

WBA supports FRB's decision to maintain the core risk-mitigating terms it outlined in the RFI. These terms are the foundational conditions that make a Payment Account distinct from a full-service Master Account and that justify the more streamlined review process the proposal contemplates and WBA encourages FRB to fully retain them in the final rule. Specifically, WBA supports the prohibition on paying interest on Payment Account balances, which ensures these accounts serve their intended purpose rather than becoming vehicles for deposit displacement or monetary policy distortion, the exclusion of discount window access, which should remain available only to prudentially supervised depository institutions; the prohibition on intraday credit and daylight overdrafts, which, combined with real-time automated overdraft rejection, is one of the proposal's most important credit risk controls; the exclusion of FedACH, whose deferred settlement, batch processing, and return/reversal mechanics make it impossible to reliably prevent overdrafts through automated controls alone, and the prohibition on Payment Account holders acting as OC 1 Correspondents or Respondents, relationships whose risk-management complexity is appropriately addressed only through the full Master Account review process.

*FRB Should Require Direct Federal Banking Agency Supervision as a Condition of Payment Account Access*

WBA previously urged FRB to require that all Payment Account holders be subject to direct federal banking agency supervision as a condition of access and reiterates that recommendation here. The proposal's tiered review framework acknowledges that Tier 2 and Tier 3 institutions present materially greater and more heterogeneous risks than federally insured institutions. The streamlined 90-day review period for Payment Account requests is predicated in part on the Payment Account's risk-mitigating terms, but those terms do not eliminate all risk, and they cannot substitute for robust, ongoing supervisory oversight.

WBA is particularly concerned that institutions subject to weaker or more divergent state-level regulatory frameworks may seek Payment Account access in ways that introduce risks that FRB's review process, however thorough, may not fully uncover within the proposed review windows. Requiring direct federal banking agency supervision as a condition of access would help ensure that Payment Account holders are subject to consistent, robust oversight on an ongoing basis, not merely at the time of their initial access request.

WBA recognizes that this recommendation would, in effect, limit Payment Account access to Tier 1 and Tier 2 institutions, and that this represents a departure from FRB's current proposal. Nevertheless, WBA believes this approach is appropriate given the privileges that Payment Account access confers and the risks that could be introduced by institutions operating outside the perimeter of federal banking supervision. At a minimum, WBA urges FRB to publish clear, specific criteria describing the supervisory and regulatory standards that a Payment Account requester's primary supervisor must meet in order to satisfy FRB that illicit finance and operational risks are being appropriately managed on an ongoing basis.

*Support for Strong BSA/AML and Illicit Finance Standards*

WBA appreciates FRB's attention to illicit finance risk and its proposal to include a non-exhaustive list of discretionary illicit finance mitigants available to Reserve Banks when reviewing Payment Account requests. Wisconsin banks invest significantly in BSA/AML compliance, and WBA strongly supports a level playing field in which all institutions accessing Federal Reserve payment infrastructure are held to comparably rigorous illicit finance standards.

WBA is concerned, however, that the proposal frames these illicit finance mitigants as discretionary for Reserve Banks rather than establishing any mandatory baseline. While WBA recognizes that Reserve Banks will exercise independent judgment in implementing these standards, the absence of mandatory minimum requirements creates a risk of inconsistent application across the twelve Reserve Banks, which the proposal acknowledged as a concern in the context of the Payment Account review process. WBA urges FRB to establish at least a mandatory baseline for illicit finance review such as requiring all Payment Account applicants that are not federally insured to provide a third-party assessment of their BSA/AML and OFAC compliance programs prior to account opening, regardless of whether the relevant Reserve Bank exercises its discretion to request additional information.

WBA also notes FRB's acknowledgment that institutions which do not meet the definition of a "bank" under the Bank Secrecy Act (BSA) may present novel illicit finance risks. WBA agrees that such institutions warrant heightened review and strongly encourages FRB to exercise its stated option of applying the full tiered Master Account review framework, rather than the streamlined Payment Account review, to institutions that do not qualify as BSA "banks." The accelerated 90-day review period is premised on a lower residual risk profile; that premise does not hold for institutions with materially different BSA/AML compliance obligations.

*Clear Exit and Resolution Procedures for Payment Account Holders*

The proposal provides Reserve Banks with discretion to restrict or terminate Payment Account access in cases of noncompliance, but does not address what happens when a Payment Account holder experiences an operational failure, financial distress, or insolvency. As noted in the proposal, many Payment Account holders would not be subject to the resolution frameworks that accompany federal deposit insurance, and the insolvency regimes applicable to such institutions may be novel, untested, or involve rarely invoked state and federal laws.

WBA urges FRB to require Payment Account applicants to submit credible recovery and resolution plans as part of the access request process, scaled to the size and complexity of their anticipated payment activity. FRB should also work with Reserve Banks to develop and publish standard procedures for managing an orderly wind-down of a Payment Account in the event of an institution's failure, including provisions for protecting other payment system participants from disruption. This is a gap in the current proposal that WBA believes should be addressed before the Payment Account framework is finalized.

*Conclusion*

WBA appreciates FRB's careful approach to the proposal and consideration of comments regarding development of this framework. Wisconsin banks have a deep and abiding interest in the safety, stability, and integrity of the U.S. payments system, and WBA is committed to ensuring that any expansion of direct access to Federal Reserve payment infrastructure is structured in a way that protects the financial system and the customers it serves.

Rose Oswald Poels

Rose Oswald Poels
President/CEO