PUERTO RICO INTERNATIONAL BANKS ASSOCIATION, EDUARDO COLON

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

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Organization Name: Puerto Rico International Banks Association

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Please see the attached file.

PUERTO RICO INTERNATIONAL BANKS ASSOCIATION

July 27, 2026

<u>VIA ELECTRONIC SUBMISSION</u>

Benjamin W. McDonough
Deputy Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, D.C. 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 Puerto Rico International Banks Association ("**PRIBA**")[1] respectfully submits this comment letter in response to the notice and request for comment issued by the Board of Governors of the Federal Reserve System (the "**Board**") regarding its proposed revisions to the Federal Reserve Policy on Payment System Risk (the "**PSR Policy**") and its guidelines for Federal Reserve Banks to use in evaluating requests for access to Reserve Bank accounts and services (the "**Account Access Guidelines**"), as published in the *Federal Register* on May 26, 2026 (Docket No. OP-1878) (the "**Proposal**").[2] The Board's proposed revisions would enable Reserve Banks to provide special-purpose accounts that would clear and settle certain payment activity ("**Payment Accounts**").

Formed in 2016, PRIBA is a not-for-profit association that brings together several International Banking Entities ("**IBEs**") and International Financial Entities ("**IFEs**") licensed under Puerto Rico's International Banking Center Regulatory Act[3] ("**IBCA**") and International Financial Center Regulatory Act ("**IFCA**").[4] PRIBA's principal mission is to integrate IBEs and IFEs under one

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[1] PRIBA's members are: Advantage International Bank Corp.; Alliance Capital International Bank; Arival Bank International, Corp.; Bancaribe International Bank, Inc.; Banco San Juan Internacional Inc.; Bancolombia Puerto Rico; BNC International Banking Corp.; Caribe International Bank, Corp.; Easy Bank International Inc.; Fairwinds International Bank, LLC; Italbank International, Inc.; MMG Bank International, Inc.; Olibank International, Inc.; Segura Bank International Corp.; Tolomeo Bank International, Corp.; and WTC International Bank Corp.

[2] Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Request, 91 Fed. Reg. 30627 (May 26, 2026), https://www.federalregister.gov/documents/2026/05/26/2026-10375/proposed-revisions-to-the-federal-reserve-policy-on-payment-system-risk-and-the-guidelines-for [hereinafter Payment Account Proposal].

[3] International Banking Center Regulatory Act ("IBCA"), Act No. 52, Aug. 11, 1989, P.R. Laws, as amended Sept. 20. 2024, https://bvirtualogp.pr.gov/ogp/Bvirtual/leyesreferencia/PDF/Y%20-%20Ingl%C3%A9s/52-1989.pdf.

[4] International Financial Center Regulatory Act ("IFCA"), Act No. 273, Sept. 25, 2012, P.R. Laws, as amended Dec. 23, 2024, https://docs.pr.gov/files/OCIF/LEYES-REGLAMENTOS-CARTAS-

association to address their needs as to international financial and banking matters before Puerto Rico's Office of the Commissioner of Financial Institutions ("**OCFI**"); federal and other commonwealth government agencies; and the local, federal, and international financial community, in order to promote and protect the national and international reputation of Puerto Rico's banking sector as well as the economic development of the island.

Consistent with this mission, one of PRIBA's core objectives is to educate its members on compliance with the financial crimes and sanctions regime applicable to IBEs and IFEs. To that end, PRIBA maintains a standing compliance committee that convenes discussion forums and training sessions focused on financial crime issues affecting the international banking sector. PRIBA is likewise active in compliance and financial crime education more broadly as part of its ongoing programming.[5]

PRIBA supports the objective of facilitating broad-based access to Reserve Bank accounts and services for eligible banks, but respectfully urges that any Payment Account framework be interpreted and implemented as an optional complement to, and not a substitute for, full master account access for IBEs and IFEs that are legally eligible for such access. IBEs and IFEs are established, territorially chartered institutions that provide a broad range of traditional banking and financial services, have historically held master accounts, and operate under a statutory and supervisory regime that includes federal Bank Secrecy Act/anti–money laundering ("**BSA/AML**") and Office of Foreign Asset Control ("**OFAC**") obligations and comprehensive oversight by OCFI.[6] The final framework should evaluate each IBE or IFE on its current individual merits and actual risk profile, credit OCFI's supervisory assessments, and avoid treating territorial supervision or Tier 3 classification as a categorical basis to deny, defer, or channel eligible institutions away from master accounts. PRIBA also urges the Board to adopt clear procedural safeguards, including by defining a 120- to 150-day timeline for Tier 2 and Tier 3 master account reviews.

PRIBA previously submitted comments on February 6, 2026 in response to the Board's December 23, 2025 Request for Information on the Payment Account prototype (the "**RFI**").[7] In that letter, PRIBA recognized the objectives of the Payment Account prototype but explained that, as designed, the Payment Account did not sufficiently address the practical operational challenges confronting its member institutions and, absent modifications, would not serve as an effective substitute for master account access, the lack of which would deprive PRIBA members of their ability

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CIRCULARES/Leyes%20Administrativas/Act%20No.%20273-2012%20--%20International%20Financial%20Center%20Regulatory%20Act.pdf.

[5] For example, PRIBA has partnered with the Association of Certified Anti-Money Laundering Specialists to host a seminar in Puerto Rico addressing anti–financial crime topics, compliance, correspondent banking risk, suspicious activity report drafting, and the impact of sanctions and geopolitics on the region—an initiative that is part of a broader effort to strengthen financial crime prevention across Puerto Rico and the broader Caribbean. Also, as part of PRIBA's educational efforts, it is organizing the Sixth Edition of the Puerto Rico Financial Services Forum in November 2026 in conjunction with the Puerto Rico Financial Services Forum. Day two of this conference is dedicated to BSA/AML and OFAC issues, with nationally recognized speakers from AML auditing firms and federal and Puerto Rico regulators.

[6] *See generally* Act No. 45, Feb. 16, 2024, P.R. Laws (applicable to IBEs), https://bvirtualogp.pr.gov/ogp/Bvirtual/leyesreferencia/PDF/2-ingles/0045-2024.pdf; Act No. 44, Feb. 16, 2024, P.R. Laws (applicable to IFEs), https://bvirtualogp.pr.gov/ogp/Bvirtual/leyesreferencia/PDF/2-ingles/0044-2024.pdf.

[7] PRIBA, Comment Letter on Request for Information and Comment on Reserve Bank Payment Account Prototype (Feb. 6, 2026), https://www.federalreserve.gov/apps/proposals/comments/FR-2025-0083-01-C88, [hereinafter PRIBA RFI Comment Letter].

to conduct even ordinary, low-risk business. Because the terms of the Payment Account described in the Proposal are consistent in major respects with the RFI prototype, PRIBA reiterates and expands upon several of its prior comments here.

I. Background on IBEs and IFEs and Their Role in the Puerto Rican Economy

PRIBA's member institutions play a distinctive role in Puerto Rico's financial industry. IBEs were first established with the passage of IBCA in 1989, and IFEs were later introduced under IFCA as part of Puerto Rico's modernization of its international financial services framework.[8] Together, IBEs and IFEs are territorially chartered institutions that conduct international banking and financial activities from Puerto Rico under the supervision of OCFI. Since IBEs were first established in 1989, IBEs and IFEs have been a leading part of Puerto Rico's efforts to establish itself as an international financial center and draw more U.S. and foreign investment into Puerto Rico—creating jobs, expanding the island's service sector, and bolstering its economic development. These efforts complement Puerto Rico's natural strengths as an international financial center, including its political stability, its sound banking system, its close ties with the United States, its bilingual professional workforce, and its privileged geographical location.

IBEs and IFEs make a significant impact on Puerto Rico's financial services sector and its broader economy. Moreover, at a time when Puerto Rico's broader financial sector has been steadily shedding jobs, IBEs and IFEs have provided a rare and important source of employment and economic growth to the island. Employment in Puerto Rico's broader credit intermediation subsector fell from over 35,000 in 2006 to under 13,000 in 2023, and employment in the banking industry specifically fell about 20 percent, from approximately 15,700 to 12,600 over that same period.[9] Against that backdrop, IBEs and IFEs supported an estimated 1,886 direct, indirect, and induced jobs in 2024, many of which are well remunerated, generating approximately $65 million in wages and $6.4 million in paid taxes.[10] Many of these jobs are held by skilled former employees from banking institutions that have left Puerto Rico over the past decade or so, and who would have been forced to leave the island altogether if opportunities at IBEs and IFEs did not exist.

IBEs' and IFEs' asset growth over the same period tells a similar story: their combined total assets grew from $52.3 billion in 2014 to $76.9 billion in 2023, making them a key contributor to the industry's asset growth over the past decade, second only to commercial banks.[11] Indeed, as of 2025, they continue to hold approximately $69.7 billion in total assets and represent approximately 41 percent of the total assets in Puerto Rico's financial system.[12]

Access to master accounts is essential for IBEs and IFEs to compete effectively in the marketplace. Puerto Rico-licensed IBEs and IFEs have no choice but to obtain access through one of

[8] No new licenses have been issued under IBCA since IFCA took effect in 2012. However, the licenses issued under IBCA up to that date continue in effect and are now subject to IFCA. *See* IFCA § 27 (Transition Measures).
[9] Estudios Técnicos Inc., *Assessment of the Economic Impact of Act 399-2004 & Act 273-2012*, at 12 (Oct. 8, 2024).
[10] *Id.* at 32.
[11] *Id.* at 17.
[12] Off. of the Comm'r of Fin. Inst. of P.R, *OCFI Report: All Financial Institutions Total Assets*, Q4 2025, https://docs.pr.gov/files/OCIF/ESTADISTICAS/All%20Financial%20Institutions-Q4-2025.pdf (last visited July 24, 2026). Note that these figures do not distinguish between freestanding IBEs and IBEs that are units of commercial banks. PRIBA estimates that, excluding IBE units of commercial banks, the total assets held by IBEs and IFEs are approximately $4.3 billion.

two routes: (i) by obtaining a master account from the applicable Reserve Bank (in this case, the Federal Reserve Bank of New York), or (ii) indirectly, by entering into a correspondent banking relationship with a U.S. commercial bank or intermediaries that themselves rely on correspondent banking relationships with U.S. commercial banks.[13] In practice, the second option is often not an option at all. Institutions that lose access to a master account often face great difficulty in obtaining or maintaining correspondent banking relationships because correspondent banks frequently rely on Reserve Bank determinations when assessing counterparty risk, especially because correspondent banks reasonably fear that their own Reserve Bank will disapprove of the relationship and invite (unwarranted) heightened scrutiny on the correspondent bank itself. The loss of a master account can trigger a cascading loss of correspondent services, depriving such banks of access to Federal Reserve payment rails altogether. And even when a correspondent bank agrees to provide such services, it comes at a substantial price, creating a different but still material impediment to the conduct of routine business.

II. PRIBA Members' Historical Loss of Access to Master Accounts Is Out of Step with the Robust Standards That Apply to Them Today

A. IBEs' and IFEs' Loss of Their Longstanding Master Account Access

Congress confirmed through the Monetary Control Act of 1980 (the "**MCA**") that Federal Reserve services should be made available to non-member depository institutions.[14] IBEs and IFEs, as territorially chartered institutions that may engage in the business of receiving deposits, fall within the class of institutions Congress intended to benefit from that access.[15] Indeed, master account access for these institutions has been a longstanding historical reality: as recently as 2021, 16 IBEs and IFEs held master accounts.

However, today, only one IBE or IFE maintains a master account, as a result of changes in the Board's guidelines and supervisory practices. These account revocations take place in a broader context where the gates of access to master accounts have been pulled up for nearly all applicants without federal insurance. Out of more than 50 such applications submitted in recent years, only a handful have been approved by Reserve Banks, while many others have been languishing without action for years, leading several institutions to give up entirely and withdraw their applications.[16] PRIBA members' experience is consistent with this broader picture: numerous PRIBA members with outstanding applications have received repeated information requests from the Reserve Bank, succeeding one another over a span of years, without any meaningful feedback on the overall timeline, the obstacles to a favorable decision, or a viable path to access. Given the similarities in treatment

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[13] While direct correspondent banking relationships remain an important avenue for many institutions, an increasing number of IBEs and IFEs are forced to rely on fintechs or payment processors as intermediaries to access the same banking and payment services. This layered arrangement requires regulated banking institutions to depend on nonbank intermediaries for services ultimately provided through the U.S. banking system, creating additional operational complexity, increasing costs and compliance burdens, and placing IBEs and IFEs at a competitive disadvantage compared to institutions with direct access to Federal Reserve payment services.

[14] Depository Institutions Deregulation and Monetary Control Act of 1980, Pub. L. No. 96-221, 94 Stat. 132 (1980).

[15] *See* IBCA, § 17(a); IFCA, § 12(a) (permitting licensed IBEs and IFEs to accept deposits); 12 U.S.C. §§ 1815(a)(1) (defining eligibility for FDIC deposit insurance), 1813(a), (c) (defining Puerto Rico banks as among the eligible banks).

[16] *See* Bd. of Governors of the Fed. Rsrv. Sys., *Account Access Requests*, https://www.federalreserve.gov/paymentsystems/account-access-requests.htm (last visited July 24, 2026) (listing approved Reserve Bank account access requests).

faced by IBEs and IFEs as a class, PRIBA believes that, apart from any institution-specific findings, the Reserve Bank's withdrawal of access reflects a more categorical policy judgment: that because of their charters and because IBEs and IFEs are supervised by OCFI, a territorial rather than federal supervisor, they are presumed to present an inherently heightened illicit finance risk.

B. The Transformed Landscape of Financial Regulation and Supervision in Puerto Rico

Whether or not this premise justified the withdrawal of master account access in the past, it certainly does not do so today. IBEs and IFEs are bound by the same federal illicit finance laws that apply to federal- and state-chartered institutions throughout the United States, including BSA/AML and OFAC requirements.[17] IBEs and IFEs are subject to examination on their compliance with federal BSA/AML standards by a federal agency—the Internal Revenue Service, under delegated authority from the Financial Crimes Enforcement Network of the U.S. Department of the Treasury ("**FinCEN**").[18] Moreover, since the Board's adoption of the Account Access Guidelines in 2022 and the broad revocation of PRIBA member access, Puerto Rico has substantially strengthened the legal framework governing IBEs and IFEs and bolstered OCFI's supervisory and enforcement capacity. For these reasons, supervisory assessments by OCFI deserve to be credited by Reserve Banks when they assess an institution's risk profile. A reviewing Reserve Bank should rely on OCFI's risk assessments rather than duplicate or second-guess them.

Amendments to IFCA made in 2024 strengthened licensing, capital, liquidity, reserve, and compliance requirements: among other changes, the amendments increased the paid-in capital requirements from $250,000 to $10 million, doubled the minimum staffing requirements for physical presence in Puerto Rico, and mandated the employment of a full-time compliance officer with annual training in BSA/AML compliance.[19] The 2024 amendments to IBCA further empowered OCFI by expanding its authority to suspend or revoke an IBE's license upon audit or examination.[20] In doing so, they built upon the 2013 amendments to IBCA, which expressly required IBEs to comply with all applicable state and federal laws, including the BSA and the USA PATRIOT Act, as well as OFAC requirements, and to adopt policies and procedures to ensure that compliance.[21] In its Statement of Motives for the 2024 IBCA amendments, the Legislative Assembly of Puerto Rico explained that they

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[17] *See* 31 C.F.R. § 1020.210(b) (anti-money laundering program requirements for banks lacking a federal functional regulator); IBCA §§ 7(a)(7), 8(b)(5), 8(d), 14; IFCA §§ 4(d)(3), 6(a)(8), 6(d)(2)(v), 6(d)(4), 6(f), 6(g)(12). IBEs and IFEs became subject to comprehensive federal AML program requirements in November 2020; prior to that date, they were subject to several BSA requirements including the requirement to file currency transaction reports and suspicious activity reports, the prohibition on maintaining correspondent accounts for foreign shell banks, and the requirement to obtain and retain information on the ownership of foreign banks. *See* Fin. Crimes Enf't Network, Customer Identification Programs, Anti-Money Laundering Programs, and Beneficial Ownership Requirements for Banks Lacking a Federal Functional Regulator, 85 Fed. Reg. 57129, 57131 (Sept. 15, 2020).

[18] FinCEN has delegated its authority to the Internal Revenue Service to examine for compliance with the BSA all financial institutions not currently examined by a federal bank supervisory agency for safety and soundness. 31 C.F.R. § 1010.810(b)(8).

[19] *See generally* Act No. 44, Feb. 16, 2024, P.R. Laws (applicable to IFEs).

[20] *See* Act No. 45 § 14, Feb. 16, 2024, P.R. Laws (amending revocation, suspension, and surrender provisions).

[21] Act No. 110 Statements of Motives, § 5, Sept. 23, 2013, P.R. Laws; *see also* Br. for Senate of P.R. as Amicus Curiae Supporting Pl.-Appellant at 15–16, *Banco San Juan Internacional, Inc. v. Fed. Rsrv. Bank of N.Y.*, No. 25-1144 (2d Cir. Jan. 14, 2026), Dkt. No. 80.1 [hereinafter P.R. Senate Amicus Br.] (describing the 2013 amendment as harmonizing Puerto Rico's framework with federal law and confirming IBEs' binding obligation to comply with the BSA, the USA PATRIOT Act, and OFAC requirements).

were intended to "demand[] greater compliance with [anti-money laundering] laws" and to "empower the Commissioner" of OCFI to act on examination findings accordingly.[22]

These statutory requirements are supported by OCFI's ample supervisory and enforcement authority, which it has applied zealously in recent years. OCFI possesses and exercises broad statutory power under the Financial Institutions Commissioner's Office Act[23] and the IBE and IFE statutes to license, supervise, examine, audit, and require periodic reporting from IBEs and IFEs; to impose penalties; to suspend or revoke licenses; and to appoint a receiver.[24] Between 2021 and 2024, OCFI brought approximately 26 enforcement actions against financial institutions for failure to comply with applicable legal and regulatory requirements, including cease-and-desist orders, license revocation, and the appointment of trustees, and has closed or taken regulatory action against a number of IBEs.[25]

Although the Federal Reserve has referenced the U.S. Treasury Department's 2022 National Money Laundering Risk Assessment to substantiate its concerns about the illicit finance risk posed by IBEs and IFEs, the Treasury Department's subsequent National Money Laundering Risk Assessment in February 2024 no longer identified Puerto Rico's IBEs and IFEs as a significant vulnerability.[26] Also in 2024, the Director of FinCEN remarked that FinCEN "collaborated closely" with OCFI, saying that FinCEN was "deeply grateful for [its] partnership" with OCFI, and that it was "committed to ongoing and robust collaboration" on BSA/AML enforcement.[27]

These facts illustrate that the regulatory and supervisory landscape for IBEs and IFEs has been transformed since the master account revocations began, and any future assessment of the risks posed by IBEs and IFEs must be based on the conditions that exist today.

III. PRIBA Members Do Not Present the Same Risk Profile as the Primary Candidates for Payment Accounts

The concerns that animate the Proposal and much of the public debate relate to a specific population of institutions: recently formed, uninsured entities focused on payments or digital assets activity, many of which are operating under regulatory regimes whose core features are still being formulated. In the Proposal, the Board frames the Payment Account as addressing the needs of such institutions "focused on payments innovation,"[28] and the comments on the RFI that urged the most

[22] Act No. 45, Statement of Motives, Feb. 16, 2024, P.R. Laws; *see also* P.R. Senate Amicus Br., *supra* note 21, at 16–18 (quoting the Statement of Motives of Act 45 and describing the 2024 amendments to Sections 18 and 19 of the IBCA).
[23] Financial Institutions Commissioner's Office Act, Act No. 4, Oct. 11, 1985, P.R. Laws, as amended Mar. 7, 2024, https://bvirtualogp.pr.gov/ogp/Bvirtual/leyesreferencia/PDF/2-ingles/4-1985.pdf.
[24] *See* P.R. Senate Amicus Br., *supra* note 21, at 8–13 (summarizing OCFI's powers under the Financial Institutions Commissioner's Office Act (Act No. 4 of Oct. 11, 1985), the IBCA, and the IFCA, including examination, license suspension and revocation, and provisional receivership authority); IBCA § 3; IFCA § 3.
[25] P.R. Senate Amicus Br., *supra* note 21, at 19.
[26] *See generally* U.S. Dep't of Treasury, National Money Laundering Risk Assessment (NMLRA) (Feb. 7, 2024), https://home.treasury.gov/system/files/136/2024-National-Money-Laundering-Risk-Assessment.pdf.
[27] *Prepared Remarks of FinCEN Director Andrea Gacki During the 20th Puerto Rican Symposium of Anti-Money Laundering*, Fin. Crimes Enf't Network (Feb. 22, 2024), https://www.fincen.gov/news/speeches/prepared-remarks-fincen-director-andrea-gacki-during-20th-puerto-rican-symposium-anti.
[28] Payment Account Proposal, *supra* note 2, at 30628.

restrictive approaches were directed at issues such as stablecoin issuance under the not-yet-implemented GENIUS Act and applicants with little or no federal supervisory track record.

Whatever force these concerns have as to the institutions they relate to, they do not describe PRIBA's members. While innovative in their own right, IBEs and IFEs are not novel—they provide a broad range of traditional services pursuant to a legal framework first established in the 1980s, and are subject to a well-developed, robust set of statutory and regulatory safeguards, including being subject to federal illicit finance laws like other federal- and state-chartered institutions throughout the United States. PRIBA's members are established IBEs and IFEs that have operated for years, and in some cases for decades, under comprehensive prudential supervision by OCFI. The vast majority of them focus on providing traditional banking and financial services, and they have a historical record of broad-based master account access that extends as recently as 2021.

The Proposal is explicitly targeted to institutions without federal insurance or federal prudential supervision, with the Board expecting that "most Payment Account requesters would be Tier 2 or Tier 3 institutions."[29] But this framework risks conflating institutions with notably disparate risk profiles. Fairness requires that access to Reserve Bank accounts and services should track institutions' individual risk profiles, which can vary significantly among institutions that are in different tiers (or even nominally in the same tier) under the Account Access Guidelines.

Several RFI commenters urged the Board to confine institutions that are not federally insured and that lack a federal prudential supervisor to Payment Accounts, and to bar them from master accounts altogether. PRIBA strongly opposes that suggestion as inconsistent with the MCA's directive to make Reserve Bank accounts and services available to eligible institutions. However, PRIBA also objects to any interpretation of the Proposal as imposing a ceiling on what institutions like PRIBA's members may seek, or any implementation of the account access framework in which IBEs and IFEs would nominally remain eligible for master account access but are barred from access *de facto*. If and to the extent Reserve Banks have discretion under the MCA, any classifications under the Account Access Guidelines should trigger an institution-specific, risk-based inquiry, not a predetermined outcome based on Tier placement.

IV. Account Access Should Be Determined by a Transparent and Equitable Review Process with Procedural Safeguards

For both Payment Account and master account access, the account access framework should establish defined timelines for application review and objective standards for account termination or revocation. As reflected in its passage of the Toomey Amendment to the Federal Reserve Act in 2022,[30] Congress has insisted upon a process for access to Reserve Bank accounts and services that is transparent and equitable. As noted above, some PRIBA members with outstanding applications have spent years in the review process with little communication or guidance on the path forward, creating a lack of certainty and predictability that can be gravely harmful to their businesses. An agency's failure to act on an application, if sufficiently prolonged, can amount to a *de facto* denial.[31] The years-

[29] Payment Account Proposal, *supra* note 2, at 30636.
[30] 12 U.S.C. § 248c(b)(1)(B).
[31] In its February 2026 letter, PRIBA called for defined, disciplined review timelines for the Payment Account, arguing that "open-ended extensions . . . create[] uncertainty that can function as a de facto denial." PRIBA RFI Comment Letter, *supra* note 7, at 5. That argument applies with equal or greater force to master account requests.

long wait times thus give rise to a concern that the failure to act is in tension with the congressionally mandated requirement to report application rejections. Consistent with the congressional objectives reflected in the Toomey Amendment, the Board should adopt procedural safeguards that ensure a consistent, transparent, and equitable process.

Among other reforms, the Board should adopt a right to administrative appeal for the denial of an account request and the termination or revocation of an existing account, for both master accounts and Payment Accounts. That appeal right should include basic procedural protections, including written notice of the specific grounds for the adverse action, a meaningful opportunity to respond and submit additional materials, a defined timeline for review, and a written decision explaining the basis for the final determination. In the revocation context, absent exigent circumstances involving immediate and documented risk to the Federal Reserve System, an institution should also have an opportunity to cure or remediate identified deficiencies before access is terminated. The consequences of denial or revocation are too grave for individual institutions not to be afforded these basic procedural rights.

A. The Board Should Set Timelines for Review of Master Account Requests by Tier 2 and Tier 3 Institutions

While the Board has proposed timing expectations for master account requests from Tier 1 institutions and Payment Account requests from Tier 1, 2, and 3 institutions, the Board should take the additional step of setting clear timing expectations for the review of master account requests from Tier 2 and Tier 3 institutions. The Proposal establishes a 90-day indicative review timeline for Payment Account requests from Tier 2 and Tier 3 institutions and a 45-day timeline for Tier 1 requests. It does not establish any corresponding timeline for master account requests from Tier 2 and Tier 3 institutions, which directly implicates PRIBA members. PRIBA respectfully suggests that a 120- to 150-day review timeline for master account requests from Tier 2 and Tier 3 institutions would accommodate the potential need for a more searching review while providing greater certainty and predictability to the affected institutions. Without a defined timeline for review, the account access framework creates a structural incentive for institutions to settle for the Payment Account process in order to avoid the prolonged review periods and lack of transparency that many PRIBA members have already experienced.

Extensions of review time beyond the initial review period should be time-limited and be permitted only in relation to specific, articulated due diligence needs. Extensions should be the exception rather than the rule. Review periods that extend beyond a certain time period should prompt a review of whether denial is appropriate, since a review period of unknown duration functions as a *de facto* denial without providing any meaningful opportunity for transparency or further review.

B. Payment Accounts Should Not Prejudice Master Account Eligibility

The Board has stated that institutions would not be permitted to hold a Payment Account and a master account simultaneously, that a Payment Account holder seeking a master account would have to submit a new access request, and that holding a Payment Account would not indicate likely approval of a master account request.[32] To complement these positions, PRIBA respectfully requests that the

[32] Payment Account Proposal, *supra* note 2, at 30637, Section III.A.

Board also confirm explicitly that: (i) applying for a Payment Account does not constitute an election to forgo master account eligibility, (ii) an institution's obtaining a Payment Account cannot be cited as a basis for denying or deferring a subsequent master account application, (iii) denial of a Payment Account application does not prejudice a master account request, and (iv) an institution's decision not to apply for a Payment Account will not be held against it in decisions on master account requests.

C. Termination and Revocation Require Clear, Objective Standards

The Board has not addressed the issue of how Reserve Banks may terminate or revoke access, but such decisions should also be subject to clear, objective, and consistently applied standards. Account revocation should occur only upon a documented showing of illicit activity or material violations of stated conditions, with meaningful opportunities to respond or remediate. The lack of timely responses and of clear termination conditions means that institutions cannot responsibly plan their operations, maintain compliance programs, or retain counterparties. As in other aspects of the account access framework, standardized account terms and Board oversight of Reserve Bank practice would help ensure that similarly situated institutions are treated consistently across the Federal Reserve System, rather than according to geography, institutional size, or other factors. The Board should also confirm that institutions that previously held master accounts—such as the 15 PRIBA-affiliated institutions that did so as of 2021—are entitled to apply for master accounts on the current merits, without their historical master account loss being treated as evidence of ineligibility.

V. As Proposed, the Payment Account Would Not Address the Operational Harms to PRIBA Members Caused by Loss of Master Account Access

In its February 2026 RFI comment, PRIBA stated that, unless modified to permit FedACH access and reasonable overnight balances, the Payment Account prototype "is not expected to function as a workable alternative for innovative institutions, including IBEs and IFEs."[33] Because the terms of the Payment Account described in the Proposal are consistent in major respects with the RFI prototype, the Payment Account remains an inadequate alternative that does not function, in practice, as a workable substitute for master account access.

PRIBA renews its prior recommendation of an alternative risk management approach, which is to require eligible institutions to pledge U.S. Treasury securities as collateral, together with prohibiting access to the discount window.[34] These measures would meaningfully reduce risk to the Federal Reserve System without depriving institutions of the basic functionality they need to operate. PRIBA requests that the Board also evaluate collateral-based risk mitigation as a mechanism for restoring master account access to appropriately supervised institutions, such as PRIBA's members.

A. Access to FedACH Services

PRIBA stated in its February 2026 letter that "innovative financial institutions require access to Automated Clearing House (ACH) systems to operate" and that "[a]n account framework that does not reliably support access to FedACH Services fails to meet the minimum operational requirements necessary for lawful and efficient financial activity."[35] ACH is indispensable for payroll processing,

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[33] PRIBA RFI Comment Letter, *supra* note 7, at 6.
[34] PRIBA RFI Comment Letter, *supra* note 7, at 4.
[35] PRIBA RFI Comment Letter, *supra* note 7, at 3–4.

client settlements, vendor payments, and routine account activity. Several commenters on the RFI have explained that excluding FedACH materially undermines the account's usefulness and urged that FedACH be made available, or that the Board commit to developing controls to permit it.[36] The Board should revisit FedACH access for Payment Account holders if Reserve Bank system controls emerge that can mitigate the identified risks.

B. The Closing Balance Limit Creates Additional Costs and Risks

PRIBA's February 2026 letter observed that requiring institutions to clear their account balances daily would "obligate institutions to engage in continuous transfers of funds to correspondent banks, resulting in the repeated incurrence of transaction fees, increased operational complexity, and elevated costs" and would render the Payment Account "neither pragmatic nor sustainable as currently contemplated."[37] The Proposal improves on the RFI in this respect by introducing a Closing Balance Limit that would be calibrated to an institution's expected payment activity, up to a limit of $1 billion.[38] However, the Closing Balance Limit still creates additional costs and risks. For example, PRIBA's members often engage in high-value payment flows with unpredictable settlement cycles, potentially across multiple time zones. Managing account balances to remain below the applicable ceiling at daily close, especially combined with the lack of intraday credit, would impose operational costs, financial costs, and liquidity management risk that does not arise under a master account relationship, and that would disproportionately harm smaller institutions.[39] If the Board retains a Closing Balance Limit, it should at minimum offer a transparent and consistent activity-based process for calibration.

VI. Responses to Certain Questions Posed by the Board

PRIBA responds below to certain questions posed by the Board that are most relevant to its members. These responses reflect, but do not supersede, the positions developed in the preceding sections, which are incorporated here by reference, as applicable.

1. Would the design of the Payment Account, as updated from the RFI, support eligible institutions' payment activity and be an attractive account option?

For a subset of payments-focused institutions, the updated design may support limited settlement activity. For PRIBA's members, however, it would not be a workable substitute for master account access. Because the Payment Account provides no access to FedACH or intraday credit, and

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[36] *See, e.g.*, Payward, Inc., Comment Letter on Request for Information and Comment on Reserve Bank Payment Account Prototype, at 4, 6 (Feb. 6, 2026), https://www.federalreserve.gov/apps/proposals/comments/FR-2025-0083-01-C89; The Digital Chamber, Comment Letter on Request for Information and Comment on Reserve Bank Payment Account Prototype, at 4–5 (Feb. 5, 2026), https://www.federalreserve.gov/apps/proposals/comments/FR-2025-0083-01-C91; Crypto Council for Innovation, Comment Letter on Request for Information and Comment on Reserve Bank Payment Account Prototype, at 2 (Feb. 6, 2026), https://www.federalreserve.gov/apps/proposals/comments/FR-2025-0083-01-C71 (each urging FedACH access or noting that its exclusion can be addressed through improved monitoring controls).

[37] PRIBA RFI Comment Letter, *supra* note 7, at 4.

[38] Payment Account Proposal, *supra* note 2, at 30639–40, Section III.A.4.

[39] *See, e.g.*, Sen. Cynthia M. Lummis, Comment Letter on Request for Information and Comment on Reserve Bank Payment Account Prototype, at 2 (Feb. 6, 2026), https://www.federalreserve.gov/apps/proposals/comments/FR-2025-0083-01-C51 (urging removal of the asset-percentage cap because it disproportionately burdens smaller institutions).

because the Closing Balance Limit would constrain ordinary liquidity management, the account is only suitable for a narrow band of payment activity, and PRIBA's members—who provide a broader range of traditional banking and financial services—would still require access to a master account to operate.

3. The Board is proposing to restrict a Payment Account from being an OC 1 Correspondent or OC 1 Respondent for any service to which Payment Accounts have access. Should a Payment Account holder be permitted to access the FedNow Service as an OC 1 Respondent? If an institution were permitted to offer OC 1 Correspondent services to a Payment Account holder for use of FedNow in an OC 1 Respondent capacity, are there particular or unique risks the institution should consider in deciding whether or not to offer such services?

PRIBA believes that the OC 1 restriction should be formed in such a way that it does not impair a Payment Account holder's ability to obtain, through separate correspondent arrangements, services the Payment Account itself does not provide, such as FedACH. Because the proposed restriction reaches only services "to which Payment Accounts have access," it should not by its terms bar a Payment Account holder from receiving FedACH through a correspondent bank, but PRIBA urges the Board to confirm that reading expressly.

With respect to correspondent banking relationships more broadly, PRIBA notes that institutions that lose access to a master account often face severe difficulty obtaining or maintaining correspondent banking relationships, such that loss of master account access triggers a cascading loss of correspondent services. To mitigate this effect, the Board should consider conditional or supervised access mechanisms that would bolster the incentives of institutions with master account access to participate in more correspondent banking relationships. In so doing, the Board would effectively be enlisting these correspondent banks to assist the Reserve Banks' efforts to monitor transactions generated by such financial institutions, thereby providing helpful assistance to the Reserve Banks while simultaneously limiting the disruption to financial institutions and their customers caused by master account revocations.

4. The Board is proposing that the Closing Balance Limit be established based on an institution's expected payment activity at the beginning of the Federal Reserve's business day, not to exceed $1 billion. (a) Is $1 billion an appropriate maximum for the Closing Balance Limit? (b) Are there effects of limiting closing balances in Payment Accounts that the Board has not identified?

PRIBA's members often engage in high-value payment flows with unpredictable settlement cycles, potentially across multiple time zones. As previously stated, requiring institutions to manage their account below a Reserve Bank-set ceiling at the Federal Reserve's daily close, especially combined with the lack of intraday credit, imposes operational and financial costs as well as liquidity management risks that do not arise under a master account relationship and disproportionately harms smaller institutions. If the Board retains a Closing Balance Limit, it should at minimum offer a transparent and consistent activity-based process for calibration.

5. The proposal does not include specific illicit finance requirements in connection with a Payment Account request. Should there be requirements for institutions that are not federally insured? For example, if an institution requesting a Payment Account were not federally *insured, should the institution be required to submit an attestation that it is a "bank" under the BSA or be required to submit an assessment of its BSA/AML and OFAC compliance programs from an independent third-party, or should the Reserve Bank be required to confirm that the BSA/AML and OFAC supervisory and regulatory regime of the institution is comparable to that of a federally insured institution?*

PRIBA agrees that an institution holding a Payment Account should maintain BSA/AML and OFAC compliance programs commensurate with its activities and risk. The approach in which a Reserve Bank would confirm that an institution's BSA/AML and OFAC supervisory and regulatory regime is comparable to that of a federally insured institution is the most appropriate one for OCFI-supervised IBEs and IFEs. As explained above, IBEs and IFEs are subject to the same federal BSA/AML requirements as federally insured institutions and are comprehensively supervised and examined by OCFI under a framework strengthened by Puerto Rico's recent reforms. A reviewing Reserve Bank should thus be expected to rely on assessments by OCFI and independent third parties.

6. Should the Board make any changes to the existing tiering framework in connection with the Payment Account proposal and the proposed amendments to the Guidelines?

The Board should not adopt any amendment that makes Tier 1 status a practical or legal prerequisite for master account access, or that confines Tier 3 institutions to Payment Accounts. Legal eligibility is set by federal law. The Board recognizes as much when, in the Proposal, it reaffirms that institutions satisfying the legal eligibility requirements for an account "would have the option of requesting either a Payment Account or a Master Account."[40] Where the Board addresses the tiering framework, it should acknowledge that Tier 3 is a heterogeneous, residual category and reiterate that such a classification still triggers a genuinely risk-based inquiry in which an institution's actual supervisory and compliance record will bear materially on the review process.

7. Is the proposed timeline for reviewing access requests from Tier 1 institutions appropriate? Should the Board consider setting timelines for reviewing other access requests from Tier 2 and Tier 3 institutions?

PRIBA supports the Board's use of indicative timing expectations and urges the Board to extend that approach to Tier 2 and Tier 3 master account requests, for which the Proposal sets no timeline. PRIBA respectfully suggests that a 120- to 150-day review timeline for master account requests from Tier 2 and Tier 3 institutions would accommodate the potential need for a more searching review while providing greater certainty and predictability to the affected institutions.

The Board should also incorporate other procedural safeguards, including a right to administrative appeal for the denial of an account request and the termination or revocation of an existing account, for both master accounts and Payment Accounts. That appeal right should include basic procedural protections, including written notice of the specific grounds for the adverse action, stated with particularity; a meaningful opportunity to respond and submit additional materials; a defined timeline for review; and a written decision explaining the basis for the final determination. In the revocation context, absent exigent circumstances involving immediate and documented risk to the

[40] Payment Account Proposal, *supra* note 2, at 30629.

Federal Reserve System, an institution should also have an opportunity to cure or remediate identified deficiencies before access is terminated.

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PRIBA appreciates the Board's effort to create a Payment Account framework that could provide a useful pathway for certain eligible institutions. For Puerto Rico's IBEs and IFEs, however, the essential objective remains fair and transparent access to the full account and services framework that Congress made available to legally eligible institutions.

The final account access framework should not allow a limited-purpose Payment Account to become a ceiling on access, a reason to deny or delay master account requests, or a mechanism for treating territorially chartered institutions as inherently suspect despite robust supervision and federal compliance obligations. A framework that preserves optionality, credits OCFI's supervisory role, and provides clear procedural safeguards will better advance the Board's objectives of promoting a safe, efficient, innovative, transparent, and resilient U.S. payment system.

(continued on the next page)

PRIBA appreciates the Board's consideration of the foregoing comments. Should any question arise in connection with these comments, please do not hesitate to contact the undersigned.

Sincerely,

Eduardo Colón
President