INSTITUTE OF INTERNATIONAL FINANCE, JESSICA RENIER

Proposal and Comment Information

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Organization Name: Institute of International Finance

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Name: Jessica Renier

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Regulation A: Extensions of Credit by Federal Reserve Banks [Docket No. R-1892]

July 27, 2026

Mr. Benjamin W. McDonough
Secretary
Board of Governors of the Federal Reserve System

By email: publiccomments@frb.gov

Dear Secretary McDonough,

Regulation A: Extensions of Credit by Federal Reserve Banks [Docket No. R-1892]

The Institute of International Finance (IIF) appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (Board) notice of proposed rulemaking (NPRM) published on May 26, 2026. The IIF brings a global perspective as it represents approximately 400 globally active financial institutions from over 60 geographies. Our membership spans banking, insurance, securities, asset management, payments, and related sectors, including firms active in digital asset markets and stablecoin issuance. We welcome the Board's efforts to establish the proposed Payment Account ("Payment Account") and a broader framework for limited-purpose access to Federal Reserve payment services by eligible institutions.

The goal of this IIF response (**Consultation 2**) is to help the Board finalize *Regulation A's proposed framework, which prohibits Payment Account holders from accessing discount window credit,* in a manner that supports the Payment Account's limited purpose while advancing payment innovation, settlement efficiency, and operational resilience, and safeguarding financial stability, monetary policy transmission, and the integrity of the U.S. payment system. Drawing on members' practical experience, we offer targeted recommendations on implementation and risk management to support the proposal's objectives. The IIF is responding under separate letters to the Board's Request for Comment on Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests (RFC) [Docket No. OP-1878],[1] and the NPRM on Regulation D: Reserve Requirements of Depository Institutions [Docket No. R-1893].[2]

The IIF and its members appreciate that the Board's RFC and two NPRMs reflect several recommendations raised in the IIF's February 2026 response to the Board's December 2025 request for information (RFI). In particular, members welcome the proposal's recognition that the Payment Account should function as a standardized, limited-purpose, risk-mitigated framework, supported by standardized terms designed to reduce residual risk and support a more streamlined review process.

Key Findings

Please see our members' responses to your questions in **Annex 1**. The IIF's comments are organized according to the three question areas outlined in the NPRM.

IIF members' key points include:

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[1] Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests, Notice and Request for Comment, 91 Fed. Reg. 30,627 (May 26, 2026) (**Consultation 1**).
[2] Regulation D: Reserve Requirements of Depository Institutions, 91 Fed. Reg. 30,503 (May 26, 2026) (**Consultation 3**).

- **Ensure foundational safeguards.** The prohibition on discount window access is a core feature of the Payment Account's integrated risk-mitigation framework. Together with the prefunded model, limits on balances, and other standardized terms, it supports the Payment Account's lower residual risk profile and the more streamlined review process contemplated by the proposal.
- **Maintain framework integrity.** Allowing Payment Account holders to access discount window credit would undermine that framework by reintroducing Reserve Bank credit exposure, complicating risk assessment, and weakening the distinction between limited-purpose payment system access and status as a full-service insured depository institution.
- **Ensure regulatory consistency.** Retaining the existing eligibility requirements in Regulation A would be inconsistent with the Payment Account's design. Doing so could permit certain Payment Account holders to remain eligible for discount window credit despite the NPRM's intended safeguards.
- **Need for uniform terms.** Members do not support a differentiated approach under which only certain categories of Payment Account holders would have discount window access. This would reduce transparency, increase administrative complexity, and weaken the coherence of the framework.
- **Promote institutional choice.** The proposed framework appropriately preserves institutional choice. Entities that seek a more streamlined pathway may opt for a Payment Account and accept its limitations. Entities that require access to the full range of Reserve Bank services, including discount window credit, may seek a Master Account through the standard review process.

Further engagement

The IIF and its members stand ready to engage in additional discussions and consultations on these topics, or to clarify any aspect of our submission. We thank you again for the opportunity to contribute to this important NPRM.

Yours sincerely,

Jessica Renier

Jessica Renier
Managing Director, Digital Finance

Annex 1

Answers to NPRM Questions

1. **Has the Board appropriately identified and considered the potential risks and benefits of permitting or not permitting Payment Account holders to access discount window credit? Are there other potential risks and benefits?**

IIF members believe the Board has largely identified and considered the relevant risks and benefits. IIF members support the proposed amendments to §§ 201.2 and 201.3 of Regulation A,[3] and affirm that Payment Account holders should not be eligible for discount window credit as a standard term of the Payment Account.

Risks of permitting discount window access. The Board has identified several risks that would arise from extending discount window credit to Payment Account holders. IIF members support the Board's assessment on the following points:

- **Payment Account design.** The prohibition on discount window access is integral to the Payment Account's standard set of risk-mitigating terms. These terms collectively create the Payment Account's lower residual risk profile relative to a Master Account. This in turn supports the more streamlined review process that is central to the Payment Account's value proposition. Permitting discount window access would undermine this architecture by reintroducing credit risk to the Reserve Banks and could necessitate a credit risk assessment comparable to that required for Master Account holders.

- **Limited supervisory data.** Current credit risk monitoring at the Reserve Banks relies primarily on supervisory information received from within the Federal Reserve System, or from other federal regulators. Comparable information on the full range of potential Payment Account holders may not be readily available, making it difficult for Reserve Banks to assess creditworthiness with the rigor that discount window lending requires.

- **Varying insolvency regimes.** Payment Account holders, particularly Tier 2 and Tier 3 institutions, will be subject to heterogeneous and, in some cases, untested insolvency frameworks. Resolution of federally insured institutions follows established rules for paying Reserve Banks and other creditors. Insolvency regimes applicable to uninsured Payment Account holders may involve the application of state and federal laws. This creates uncertainty regarding the Reserve Banks' ability to recover any credit extended through the discount window in the event of a Payment Account holder's failure.

- **Moral hazard.** Access to the discount window could create expectations of government support among Payment Account holders and their customers. This could potentially incentivize excessive risk-taking by institutions with novel, diverse, and less predictable business models. As noted in our February 2026 response, the discount window should be reserved for depository institutions subject to prudential standards, capital and liquidity oversight, and supervisory expectations.[4]

- **Additional consideration: international consistency.** The Board's approach is broadly consistent with the treatment of comparable institutions by other major central banks. In the UK, the Bank of England (BoE) provides non-bank payment service providers

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[3] 12 C.F.R. § 201.1 (2026), *as amended by* Extensions of Credit by Federal Reserve Banks, 67 Fed. Reg. 67,785 (Nov. 7, 2002), and 12 C.F.R. § 201.3 (2026), *as amended by* Extensions of Credit by Federal Reserve Banks, 83 Fed. Reg. 21,168 (May 9, 2018).

[4] *See* IIF Response to the Fed. Rsrv. Sys. Request for Information and Comment on Reserve Bank Payment Account Prototype [Docket No. 1877] (Feb. 9, 2026).

(NBPSPs) with access to RTGS settlement accounts but does not extend eligibility for the Sterling Monetary Framework (SMF), including the discount window facility, to these institutions. The BoE's rationale is that NBPSPs do not engage in maturity transformation and therefore do not require the same liquidity backstop as banks. The same logic applies to Payment Account holders under the Federal Reserve's framework. IIF members encourage the Board to consider this international precedent in its final rule to reinforce the analytical basis for its approach and to promote cross-jurisdictional consistency.

Recommendation. IIF members believe that the Board's risk-benefit analysis is broadly sound, and support the proposed amendments to Regulation A. The prohibition on discount window access is a foundational safeguard that reinforces the Payment Account's limited purpose, mitigates credit and moral hazard risk to the Reserve Banks, and maintains a clear boundary between payment system access and the privileges and obligations associated with full-service insured depository institution status. Members recommend that the Board supplement its analysis by considering international precedent in the final rule.

2. Should the Board instead retain the existing eligibility requirements for the discount window set forth in Regulation A? If so, why?

IIF members do not support retaining the existing eligibility requirements unchanged. Members suggest that the Board proceed with the proposed amendments to §§ 201.2 and 201.3 of Regulation A.

Retaining existing requirements undermines the Payment Account's framework. Under current Regulation A, a "depository institution" that maintains reservable transaction accounts or nonpersonal time deposits is eligible for discount window credit. If the Board were to retain these requirements without amendment, any Payment Account holder that independently satisfies this definition would remain eligible to borrow from the discount window through the primary, secondary, or seasonal credit programs.

This outcome would be inconsistent with the Payment Account's proposed design. The Payment Account is built on a standard set of risk-mitigating terms that creates a lower residual risk profile relative to a Master Account. These terms include the prohibition on intraday credit, the prefunded settlement model, zero interest on balances, the Closing Balance Limit, and the prohibition on discount window access. These features are interdependent. Each reinforces the others, and together they form the analytical basis for the more streamlined review process that is central to the Payment Account's framework and value proposition.

Removing any one of these terms, particularly one as consequential as the discount window prohibition, compromises the overall framework. The Board's May 2026 Staff Memo makes clear that prohibiting the extension of Reserve Bank credit to Payment Account holders "would mitigate risk to the Reserve Banks in a consistent and transparent manner across different types of institutions that may have novel and diverse business models and risk profiles."[5]

Rationale for streamlined review. The Payment Account's streamlined review timeline is predicated on the account's lower residual risk profile. If Payment Account holders retained access to discount window credit, Reserve Banks would need to conduct the same level of credit risk assessment as they perform for Master Account applicants (including evaluation of collateral adequacy, creditworthiness, supervisory standing, and insolvency regime implications). This would negate the efficiency gains that the Payment Account framework is designed to deliver, both for applicant institutions and for the Reserve Banks.

[5] Memorandum from Staff to the Bd. Of Governors of the Fed. Rsrv. Sys., Request for Comment on Proposed Establishment of a Payment Account, at 8 (May 7, 2026) (**Board Staff Memo**).

As the Board Staff Memo notes in the NPRM, Payment Account holders will be subject to "varying insolvency regimes" that "may be new or may involve the application of rarely applied state and federal laws," and supervisory data "may vary across Payment Account holders."[6] These conditions make credit risk assessment inherently more complex and resource-intensive for Payment Account holders than for Master Account holders with established supervisory relationships. Retaining discount window eligibility would require the Reserve Banks to undertake more intensive assessment without any corresponding reduction in risk, undermining the purpose of the separate account type.

Payment Accounts are optional. IIF members note that the Payment Account is an optional pathway for accessing Reserve Bank accounts and services. No institution is compelled to request a Payment Account, and an institution that is legally eligible for a Payment Account remains eligible to request a Master Account. An institution that determines it needs or wants access to discount window credit can request a Master Account. If approved, that institution would retain full eligibility under existing Regulation A provisions. The proposed amendments would have no effect on discount window eligibility for Master Account holders or for institutions that access services through a correspondent's Master Account.

This optionality is an important feature of the framework. The Payment Account does not restrict an institution's existing options or access, and creates an additional choice with a defined set of tradeoffs. An institution that accepts the Payment Account's risk mitigating terms, including the prohibition on discount window access, receives the benefit of a streamlined review. An institution that requires the full range of Reserve Bank services and credit facilities can pursue a Master Account through the standard review process. Retaining existing discount window eligibility for Payment Account holders would blur this distinction and reduce the coherence of the two-track framework.

Recommendation. IIF members recommend that the Board proceed with the proposed amendments to Regulation A. Retaining the existing eligibility requirements would be inconsistent with the Payment Account's integrated risk-mitigation architecture, would eliminate the basis for the streamlined review process, and would depart from the approach taken by peer central banks. The optionality within the framework ensures that no institution is disadvantaged. Those that need discount window access can request a Master Account. Those that prioritize a streamlined pathway can accept the Payment Account's terms.

3. **Should the Board instead consider a narrow restriction on eligibility for discount window credit (e.g., a restriction applicable to only certain types of Payment Account holders) or permit access to discount window credit in limited circumstances (e.g., periods of significant market stress)? If so, why? How should the Board define these restrictions or limitations?**

IIF members suggest that Payment Account holders not be permitted to access the discount window as a standard term of the Payment Account. Members support the proposed prohibition as the appropriate baseline for preserving the Payment Account's limited-purpose, risk-mitigated framework.

Default prohibition. As IIF members outlined in Responses to Questions # 1 and # 2 of this consultation, the prohibition on discount window access is a foundational element of the Payment Account's integrated risk-mitigation architecture. It reinforces the prefunded settlement model, supports the streamlined review process, mitigates credit risk and moral hazard, and maintains a clear boundary between payment system access and the privileges associated with full-service depository institution status. Members do not support departing from this framework.

[6] *Id.*

Restrictions by institution type. The Board asks whether a restriction applicable to "only certain types of Payment Account holders" should be considered. IIF members do not recommend this approach.

- **Undermines streamlined review.** If certain Payment Account holders were eligible for discount window credit, Reserve Banks would need to conduct differentiated credit risk assessments based on institution type. This would introduce new complexity that the Payment Account is designed to reduce. The two-track framework (Payment Account with standardized terms and Master Account with full access) is simpler, more transparent, and more administrable than a multitier Payment Account framework with variable terms.

- **Introduces classification complexity.** The Payment Account's value is its standardized terms. All Payment Account holders, regardless of charter type, business model, or tier classification, would be subject to the same set of risk-mitigating features. Introducing discount window eligibility for certain types of Payment Account holders, but not others, would require the Board to define and maintain a classification framework that distinguishes among Payment Account holders, whether it is based on charter type, supervisory regime, asset size, or business model. This adds administrative burdens for the Reserve Banks, creates uncertainty, and could invite litigation over classification decisions.

- **Competitive distortions.** Granting discount window access to some Payment Account holders, but not others, could create unequal treatment among institutions that otherwise operate under comparable Payment Account terms. This could disadvantage smaller or newer institutions that do not qualify for the preferred classification.

No discount window access. IIF members do not support permitting Payment Account holders to access discount window access, whether through categorical exceptions or limited circumstance access. The prefunded model, the Closing Balance Limit, and zero interest collectively ensure that Payment Account holders maintain modest balances and operate within well-defined parameters. Unlike banks, Payment Account holders are not expected to engage in maturity transformation or maintain large illiquid asset portfolios. The Payment Account design eliminates the rationale for discount window access.

Private sector contingency funding as an alternative to central bank credit. The Board could consider whether Payment Account holders should be required, as a condition of account access, to maintain pre-arranged contingency funding arrangements with one or more commercial bank counterparties. Rather than extending the Federal Reserve's credit safety net to a new class of institutions, pre-arranged contingency arrangements could provide a private-sector liquidity backstop without expanding the Federal Reserve's credit exposure or creating moral hazard. The IIF's February 2026 response recommended robust operational resilience frameworks for Payment Account holders. A pre-arranged contingency funding arrangement could be a natural complement to those requirements.

Recommendation. IIF members support the proposed prohibition on discount window access and do not advocate for narrow restrictions by institution type or limited-circumstance access. Members recommend that the Board finalize the proposed amendments and require Payment Account holders to maintain pre-arranged contingency funding arrangements as a private-sector alternative.