HEBRON SAVINGS BANK, JENNIFER A. POULSEN

Proposal and Comment Information

Title: Regulation D: Reserve Requirements of Depository Institutions, R-1893

Comment ID: FR-2026-0015-01-C03

Submitter Information

Organization Name: Hebron Savings Bank

Organization Type: Company

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HSB
Hebron Savings Bank
Your Hometown Community Bank

HEBRON SAVINGS BANK

July 22, 2026

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; Regulation A: Extensions of Credit by Federal Reserve Banks; and Regulation D: Reserve Requirements of Depository Institutions (Docket Nos. OP-1878; R-1892; R-1893)

Dear Mr. McDonough:

On behalf of Hebron Savings Bank, thank you for the opportunity to comment on the Federal Reserve's proposed framework for Payment Accounts.

Hebron Savings Bank is a community bank that has served Maryland's Eastern Shore and surrounding communities for nearly 120 years. Our institution exists to provide secure financial services, support local businesses, finance homeownership, and invest in the long-term success of the communities we serve. Every day, our customers entrust us with their deposits and rely on us to move their money safely, securely, and without interruption.

We appreciate the Federal Reserve's recognition that innovation in the payments ecosystem must be balanced with the safety, soundness, and resilience of the U.S. financial system. We also appreciate the thoughtful approach reflected in this proposal and support the comprehensive comments submitted by the American Bankers Association.

From the perspective of a community bank, however, we believe several broader policy considerations warrant particular attention.

Community Banks Have Earned Access Through Comprehensive Regulation

Community banks participate in the Federal Reserve payment system because we operate under a comprehensive framework of federal and state regulation designed to protect consumers, safeguard deposits, and promote confidence in the financial system.

Maintaining that privilege requires substantial ongoing investment. Banks devote significant resources to Bank Secrecy Act and Anti-Money Laundering compliance, sanctions monitoring, cybersecurity, fraud prevention, operational resilience, liquidity management, consumer protection, independent audits, regulatory examinations, and capital planning. These responsibilities are not optional costs of doing business; they are fundamental obligations associated with direct participation in the nation's payment infrastructure.

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These requirements also carry significant financial costs. Community banks invest millions of dollars each year in personnel, technology, compliance systems, and independent oversight to satisfy these expectations while continuing to serve their local communities.

Accordingly, any organization granted direct access to Federal Reserve payment services should be held to substantially equivalent standards of supervision, risk management, and accountability. Creating a pathway for entities to access the payment system without comparable regulatory obligations would create an uneven competitive environment and potentially introduce new risks to one of the nation's most critical financial infrastructures.

A Level Playing Field Benefits Consumers and the Financial System

Community banks welcome innovation. In fact, we have continuously adapted to new technologies, payment methods, and customer expectations while maintaining the highest standards of safety and regulatory compliance.

Innovation, however, should not come at the expense of regulatory consistency.

If non-bank entities are permitted to access Federal Reserve payment services under materially different supervisory standards from those of federally insured depository institutions, the result is not simply increased competition—it is regulatory arbitrage. Organizations would be able to benefit from critical public financial infrastructure while avoiding many of the obligations that traditional financial institutions must meet to protect consumers and the broader financial system.

Such an outcome could unintentionally encourage activity to migrate away from prudentially regulated institutions toward entities operating under less comprehensive oversight.

That would not strengthen competition. It would weaken the regulatory framework that has long supported the safety and stability of the U.S. banking system.

The Board's Proposed Guardrails Are Important

We support the Board's recognition that Payment Accounts should be fundamentally different from Master Accounts.

Specifically, we support the proposed limitations on:

- Payment of interest on balances;
- Access to daylight overdrafts and Federal Reserve credit;
- Discount window access;
- FedACH participation;
- Other payment services that introduce unnecessary credit or settlement risk.

These restrictions appropriately recognize that Payment Accounts should be narrowly tailored to facilitate payments rather than replicate the broader benefits and privileges afforded to federally supervised depository institutions.

Likewise, we strongly support maintaining a clear distinction between Payment Accounts and Master Accounts. Direct access to a Master Account should continue to be reserved for federally supervised institutions that maintain federally insured deposits and meet the full range of prudential supervisory expectations.

Federal Supervision Should Be a Condition of Access

Perhaps most importantly, we believe that any entity granted direct access to Federal Reserve payment infrastructure should be subject to ongoing federal prudential supervision.

Community banks undergo continuous examination to ensure compliance with BSA/AML requirements, sanctions obligations, cybersecurity expectations, operational resilience standards, consumer protection laws, and sound risk management practices.

These supervisory expectations should not differ solely based on an institution's charter or organizational structure when seeking direct access to the Federal Reserve.

If an organization seeks the privilege of participating directly in the nation's payment infrastructure, it should accept the corresponding responsibility of comprehensive federal supervision.

Without equivalent oversight, the Federal Reserve risks assuming supervisory responsibilities that have historically been performed by the federal banking agencies while simultaneously increasing operational and reputational risks to the payment system.

Proceed Deliberately

The United States payment system is one of the most secure and reliable in the world because it has evolved deliberately and under strong regulatory oversight.

While technological innovation continues to reshape financial services, changes to the nation's core payment infrastructure should proceed cautiously. New participants should demonstrate mature governance, effective internal controls, operational readiness, cybersecurity resilience, and sustained compliance before being granted broader access.

We encourage the Board to continue employing a phased implementation approach with conservative transaction limits, periodic reviews, and clear authority to modify or terminate access if institutions fail to maintain appropriate standards.

Community Impact

For community banks, this discussion extends beyond regulatory policy.

Banks like Hebron Savings Bank are often among the few locally headquartered financial institutions remaining in the communities we serve. We finance small businesses, agricultural enterprises, municipalities, nonprofit organizations, and families purchasing their first homes. Our customers expect their deposits to be protected and their payments to be processed securely every day.

Public confidence in the banking system depends on confidence in the integrity of the payment system. Any policy that weakens supervisory expectations or creates inconsistent standards ultimately affects the communities that rely on financial institutions like ours.

The Federal Reserve has long served as the steward of one of the world's safest payment systems. We encourage the Board to preserve that legacy by ensuring that direct access remains accompanied by equivalent responsibility, oversight, and accountability.

Conclusion

Hebron Savings Bank appreciates the opportunity to comment on this important proposal.

We support the Federal Reserve's efforts to modernize payment services while preserving the safety and stability of the financial system. We also support the recommendations submitted by the American Bankers Association and respectfully encourage the Board to ensure that any institution granted direct access to Federal Reserve payment infrastructure is subject to robust, ongoing federal supervision and risk management expectations comparable to those required of federally insured depository institutions.

Community banks have earned the public's trust through decades of responsible stewardship, regulatory compliance, and prudent risk management. As the Federal Reserve considers expanding access to its payment infrastructure, we encourage the Board to preserve the principles that have made the U.S. payment system the global standard for safety, reliability, and public confidence.

Thank you for considering our comments.

Respectfully,

Jennifer A. Poulsen
President & Chief Executive Officer
Hebron Savings Bank