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Proposal and Comment Information

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

Comment ID: FR-2026-0015-01-C26

Submitter Information

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Organization Type: Company

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Submitted Date: 07/27/2026

RED RIVER BANK

A Louisiana Community Bank • Member FDIC

July 27, 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; and R-1893)

Dear Mr. McDonough:

Red River Bank ("Red River") is a Louisiana-based community bank with total assets of approximately $3.3B. Headquartered in Alexandria, Louisiana, we operate from a network of 28 branches throughout Louisiana, serving Shreveport-Bossier, Baton Rouge, Lake Charles, Lafayette, New Orleans, the Northshore, and Alexandria. Red River offers a fully integrated suite of banking products and services tailored to the needs of our commercial and retail customers.

Red River appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's ("Board") Request for Comment ("RFC") on 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. Red River and its Board of Directors share the Board's commitment to maintaining a safe, resilient, and innovative U.S. payments system.

Overview

In the proposed revisions, the Board outlines requirements for the provision of Payment Accounts, which are special-purpose accounts held at Reserve Banks for clearing and settling payments. The Payment Account is premised on limited functionality, including no interest earned on balances, no overdrafts or daylight credit, no access to the discount window, and only access to services for which the Federal Reserve can limit credit risk. Red River commends the Board for its risk-based approach and recognition that full-service Master Accounts are not necessary or suitable for all potential applicants.

As an initial matter, Red River believes that eligibility for Payment Accounts should be limited to banks and that nonbank financial institutions and fintech companies should not be allowed access to the Federal Reserve's payment systems. Banks have demonstrated their ability to comply with various consumer protection laws, including but not limited to Anti-Money

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Laundering/Countering the Financing of Terrorism ("AML/CFT") laws. By contrast, non-bank financial entities often do not provide the same level of compliance with consumer protection laws that banks do. Providing access to the Federal Reserve's payment system to nonbank entities will make it easier for them to offer risky accounts, thereby increasing the risk to consumers. Failure to comply with the same consumer regulations that apply to banks in connection with the payment system could adversely impact the reputation of all users of the payment system.

If the Board determines that non-bank financial entities should have access to the payment system, Red River agrees with the Board that this design, if implemented with direct federal supervision, would provide a measured pathway for eligible institutions to engage in payment activity, while preserving systemic resilience. At the same time, the diverse nature of potential applicants, including uninsured entities and firms operating under non-uniform charters or evolving regulatory regimes, poses unique challenges. A graduated approach that proceeds only as quickly as safety and soundness allow, and that places ongoing accountability for risk management and compliance on both the applicant and, where supervisory gaps exist, the Federal Reserve as a condition of access, is appropriate. We support incorporation of the following features into the Payment Account framework: (i) establish clear and transparent eligibility and review criteria for all Payment Account applicants across all Reserve Banks; and (ii) condition access on demonstrated competence in and ongoing direct federal banking agency supervision with respect to, governance, independent risk management, AML/CFT compliance, sanctions compliance, cybersecurity, and operational resilience.

Eligibility, Supervisory Expectations, and the Role of the Federal Reserve

Legal eligibility under the Federal Reserve Act is a necessary condition but is not, standing alone, sufficient for access to a Payment Account. The Board's obligation to assess not only eligibility but also the underlying risk profile of an applicant and the sufficiency of ongoing supervision is essential. The possession of a bank charter, whether state or federal, should not automatically result in entitlement to Payment Account access. We recommend that the Board formally condition Payment Account access on maintaining robust governance, independent risk management, internal controls, and compliance functions commensurate with the applicant's size, complexity, and activities. The Board should carefully evaluate the qualifications and experience of an applicant's senior management and operational leaders responsible for payments processing, compliance, and cybersecurity.

The process to obtain a Master Account should remain rigorous and separate from the Payment Account process. We commend the Board for maintaining that position in this RFC and recommend that it remain in the final rule. Payment Account holders that wish to obtain a Master Account should be required to submit a new application subject to the full Master Account review framework. Master Account access should remain reserved for institutions with comprehensive federal prudential supervision and federally insured deposits.

Application Transparency and Process

To foster market discipline and confidence, Red River urges the Board to enhance transparency by publishing clear criteria addressing business-model risk, governance expectations, AML/CFT and sanctions capabilities, cybersecurity requirements, and operational readiness benchmarks. The Board should clarify expected timelines and decision points and provide explanatory statements when access is approved with conditions or denied, redacted as necessary to protect sensitive information.

The 90-day review expectation timeline outlined in the proposed rule should not limit thorough due diligence. Reserve Banks should be permitted to exceed any target timeline when additional time is needed to assess risks, supervisory gaps, or operational complexity. Account parameters should be consistent, standardized, and aligned with Federal Reserve Bank Operating Circulars. Each Reserve Bank reviewing an application should publicly report its decision to approve or deny a Payment Account application. For approved applications, the Reserve Bank should identify the payment rails the applicant may access. If an applicant is denied access to a specific payment rail, the Federal Reserve should provide an explanation for the decision. All Payment Account applications and decisions should be maintained in a separate database, modeled on the current Master Account Database, to clearly distinguish Payment Account access from Master Account access.

AML/BSA/CFT, Sanctions, Cybersecurity, and Operational Resilience

The integrity of the payments system depends on robust detection and prevention of illicit activity, including money laundering, terrorist financing, and sanctions evasion. Red River recommends that the Board condition access to a Payment Account on a mature and effective BSA/AML/CFT and sanctions compliance program that includes adherence to the same requirements banks are subject to: risk-based customer due diligence, customer identification programs, beneficial ownership identification, transaction monitoring, sanctions screening, investigations, suspicious activity reporting, and independent testing functions staffed by qualified personnel. Additionally, Payment Account holders must be overseen by a federal banking agency to ensure ongoing compliance with these requirements.

Operational risk and cybersecurity warrant equally rigorous attention. Payment Account holders should be required to implement strong cybersecurity, information security, and data protection measures, including identity and access management, Information Technology resilience, network and cloud security, and third-party risk management commensurate with critical payments operations. Account holders should demonstrate competence in these areas during the initial application process and on an ongoing basis and be required to report material compliance, operational, and cyber events to the Reserve Bank and the Board. Applicants and Payment Account holders must be overseen by a federal banking agency to ensure compliance with these requirements, or at a minimum be required to complete an annual audit by a qualified third-party to ensure that all regulatory requirements are met. Applicants should also maintain credible recovery and resolution plans to ensure orderly wind-down without disrupting other participants.

Conclusion

We support the Board's Payment Account access proposal as a prudent framework for responsible innovation. With the additional safeguards described in this letter and in other letters containing feedback in response to the RFC, especially the letter submitted by the American Bankers' Association, the Payment Account can promote orderly participation by eligible institutions, while preserving the safety, soundness, and integrity of the U.S. payments system.

Thank you for reading this letter. I can be reached at bchatelain@redriverbank.net.

Sincerely,

Blake Chatelain

R. Blake Chatelain
Executive Vice President & Chief Operating Officer