

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date: March 19, 2026
To: Board of Governors
From: Staff¹
Subject: Proposed Amendments to Regulation J

Action Requested

Staff requests approval to publish the attached *Federal Register* notice, which invites comment on proposed amendments to Regulation J that would permit participants to use intermediaries, other than Federal Reserve Banks (Reserve Banks), to send funds transfers through the FedNow Service (FedNow). This change would enable participants to leverage FedNow for the U.S. domestic portion of cross-border transactions. Staff also requests authority to make technical, non-substantive changes to the notice prior to publication in the Federal Register.

Summary

On July 20, 2023, the Reserve Banks launched FedNow, an interbank real-time gross settlement service that supports instant payments in the United States 24x7x365. Currently, under Regulation J, FedNow participants may not use intermediaries other than the Reserve Banks for a funds transfer sent through FedNow. This restriction means that a funds transfer sent through FedNow can include only two U.S. banks other than a Reserve Bank. Practically,

¹ Susan Foley, Ian Spear, and Curtis Blair (Division of Reserve Bank Operations and Payment Systems); Evan Winerman, Corinne Milliken Van Ness, and Sumeet Shroff (Legal Division).

this has meant that the service can be used only for domestic payments because participating banks located in the United States have been unable to send payments to additional banks outside of the United States (such as correspondents).

When the Board announced FedNow details in 2020, it explained that the service would initially only support domestic instant payments to ensure a timely launch. However, the Board also noted that it would consider adding cross-border payment capabilities at a later date.²

Since the launch of FedNow, participants have expressed interest in using the service to initiate or receive cross-border instant payments as a means of improving the speed and efficiency of cross-border payments. In response, staff recommends that the Board propose amendments to Regulation J to allow FedNow participants to use intermediaries other than Reserve Banks. Staff believes this change could support private-sector cross-border payment solutions, among other potential use cases, by allowing FedNow participants to leverage an intermediary bank (for example, a correspondent bank) for the international portion of a cross-border transaction and use FedNow for the U.S. domestic portion. This would make available a second real-time gross settlement payment rail to private-sector providers in addition to the Fedwire Funds Service (Fedwire).

The proposed amendments would align FedNow with Fedwire, which has permitted intermediaries for decades. The changes would not alter the payment flow between FedNow participants or change which entities can connect to the service. Like Fedwire, the amendments would simply allow additional transfers before and after funds are sent through FedNow, enabling participants to settle the U.S. domestic portion of larger cross-border transactions. Staff believes these proposed amendments do not create material new money laundering, sanctions

² 85 Fed. Reg. 48522, 48527 (August 11, 2020).

evasion, or payment system integrity risks, as the correspondent payment model is substantially similar to how Fedwire operates today and has functioned successfully for years.

Staff does not recommend that the Board amend the provisions in Regulation J requiring beneficiary banks to make funds immediately available to the beneficiary of a FedNow funds transfer. Accordingly, Regulation J's immediate funds-availability requirement would apply only to funds transfers in which a beneficiary's bank—not an intermediary bank—accepts a payment order over FedNow.³

Staff recommends the Board revise Regulation J with respect to the notices sent to Reserve Banks by beneficiary banks when they require additional time to make payments available. Currently, a FedNow participant beneficiary bank that has reasonable cause to believe that the beneficiary is not entitled or permitted to receive payment may notify its Reserve Bank that it requires additional time to determine whether to accept the payment order. With the recommendation to expand intermediary banks beyond Reserve Banks, staff believes it is appropriate to add language to clarify that this provision continues only to apply to FedNow participant beneficiary banks that receive a payment order from a Reserve Bank. Without this clarification, staff believes that non-FedNow Participant beneficiary banks may proactively and unnecessarily send Reserve Banks notices under this provision. Staff believes this clarification will have the benefit of avoiding burden on both private banks and Reserve Banks.

Recommendations

Based on the foregoing, staff recommends that the Board approve the attached proposed

³ For example, in an outbound cross-border funds transfer, an intermediary bank (rather than the beneficiary's bank) would accept a payment order over FedNow, and the beneficiary's bank (which would be located outside the United States) would not be obliged under Regulation J to make funds available immediately to the beneficiary. Conversely, if an originator outside the United States initiates a cross-border funds transfer in which the beneficiary's bank accepts a payment order over FedNow, then the beneficiary's bank (which would be located in the United States) would be obliged to make funds available immediately to the beneficiary.

amendments for publication in the *Federal Register*. Staff also recommends that the Board delegate to staff the authority to make technical, non-substantive changes to the attached proposal for publication in the *Federal Register*.

Attachment