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 Risk and the Guidelines for Account and Services Requests, Docket No. OP-1878, 91 Fed. Reg. 30627 (May 26, 2026)

Dear Mr. McDonough,

The National Consumer Law Center, on behalf of its low-income clients, and the Consumer Federation of America submit these comments on the Federal Reserve Board's proposed revisions to the Federal Reserve Policy on Payment System Risk to accommodate the provision by Reserve Banks of special-purpose accounts that would clear and settle certain payment activity (Payment Accounts) and the proposed updates to the guidelines for Federal Reserve Banks to use in evaluating requests for access to Reserve Bank account and services to accommodate requests for access to Payment Accounts.

Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people in the United States. The Consumer Federation of America is an association representing approximately 200 nonprofit organizations. Founded in 1968, CFA works to advance the consumer interest through research, advocacy, and education.

NCLC and CFA oppose the proposed revisions, but if the Board decides to move forward with these revisions, we urge the Federal Reserve Board to revise the supervisory approach it proposes for Payment Account holders and to take additional measures to address and prevent payment fraud.

1. **Granting clearing and settling capabilities to legally eligible firms without deposit insurance and not subject to comprehensive federal oversight will endanger consumers.**

Throughout its history, the FDIC has helped maintain stability in the nation's financial system and earned consumers' trust. However, the banking and payments landscape has undergone significant changes in recent years due to the emergence of many non-bank entities (financial technology or fintech companies) providing payment or banking-like services. This has led to increased consumer confusion as to whether their funds are protected by deposit insurance. Additionally, certain practices have also arisen that can impede the protection of funds, as shown by the events following Synapse's bankruptcy.

Consumer confusion will be exacerbated if the Board allows institutions without deposit insurance to access the Federal Reserve's payment services under the proposed revisions. Because only financial institutions with deposit insurance have ever had access to the Federal Reserve's payment services and accounts, consumers may be led to believe that any financial entity with access to the Federal Reserve, even limited access to "Payment Accounts," is an FDIC-insured entity. This problem is especially salient because many of the financial institutions seeking access to these "Payment Accounts" do so to promote the use of payment stablecoins, which lack FDIC insurance.

With the passage of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, many non-bank entities are interested in becoming payment stablecoin issuers and/or seeking to integrate the use of digital assets like payment stablecoins and other crypto assets with traditional banking and payment services. However, the volatility, technical complexity, and opaque nature of crypto markets pose a risk to consumers. The value of crypto-assets is unpredictable. For example, in just the last year, Bitcoin swung from a high of $123,000 in October 2025 to a low of $62,800 in February 2026. Even stablecoins, which industry claims is the most stable type of digital asset, carry risks. Stablecoins in stressed markets have often fallen below their promised target.[1]

Proponents of payment stablecoins and tokenized deposits praise their speed and the potential to reduce friction and settlement times, but this speed also can impair detection and shorten intervention windows when payment fraud occurs. Hackers regularly steal digital assets and rapidly move them out of the reach of authorities. Consumers are also increasingly harmed by payment scams, investment scams, romance scams, and account takeover scams facilitated through digital assets. In 2024, nearly 150,000 complaints submitted by consumers to the FBI regarding money lost due to fraud involved the use of digital assets, amounting to $9.3 billion in losses—a 66% increase from 2023.[2]

Subjecting Payment Account holders to a closing balance limit and the other specified risk mitigation provisions in the proposed rule are addressed to the risk of a bank run and will not mitigate consumer harm due to payment fraud related to digital assets. When consumers are harmed by payment fraud related to payment stablecoins or other digital assets, they often struggle to obtain relief under the existing consumer protection legal infrastructure. Although it is our position that the Electronic Fund Transfer Act (EFTA) is generally applicable to problems

[1] Capoot, A., "*Stablecoin USDC breaks dollar peg after firm reveals it has $3.3 billion in SVB exposure*," CNBC (March 11, 2023) available at https://www.cnbc.com/2023/03/11/stablecoin-usdc-breaks-dollar-peg-after-firm-reveals-it-has-3point3-billion-in-svb-exposure.html.
[2] FBI IC3 Annual Report (2024), available at https://www.ic3.gov/AnnualReport/Reports/2024_IC3Report.pdf.

arising from consumer use of payment stablecoins and other digital assets, the GENIUS Act does not address the applicability of the EFTA or displace EFTA protections if they apply, introducing uncertainty as to EFTA's applicability to payment stablecoins issued as permitted by the GENIUS Act.[3] Regulatory clarification of EFTA's applicability, monitoring compliance with consumer protection laws through supervision, and enforcement are essential to ensure consumers are not left holding the bag. But currently, no federal agency appears willing or able to act in this capacity.

2. **The proposal does not adequately address risks associated with money laundering or other illicit finance.**

Institutions without deposit insurance and not subject to federal supervision ("new entrants") have historically needed to partner with institutions that do have deposit insurance and are subject to federal supervision (third-party intermediaries) to obtain access to the Federal Reserve's payment services. These third-party intermediaries are required by their federal regulators to assess the risk posed by that partnership (third-party risk) under Bank Secrecy Act (BSA) Anti-Money Laundering/Countering the Finance of Terrorism (AML/CFT) regulations. NCLC has previously provided comments on the risks of these non-bank third-party relationships and incorporates those comments here.[4] But the proposed revisions will provide these new entrants (nonbanks styling themselves as "fintech" companies) direct access, increasing and exacerbating the risks already identified in those comments.

The proposal indicates that a Reserve Bank "might" require a Payment Account holder to submit information to demonstrate its compliance with BSA/AML and OFAC requirements.[5] The proposal also outlines six informational requirements that a Reserve Bank ***may*** deploy to review a Payment Account holder's approach to mitigating illicit finance risk.[6] Notably, each of these methods is entirely subject to the discretion of a Reserve Bank to mitigate illicit finance risk at either the initial assessment to grant a Payment Account or any ongoing assessment. It absolves a Reserve Bank from taking proactive steps. For example, under the proposal, a Payment Account holder ***could*** be obligated to notify the Reserve Bank if it finds material deficiencies in its BSA AML/CFT or Office of Foreign Asset Control (OFAC) compliance programs. Or the Reserve Bank ***could*** rely upon the Payment Account holder to provide an attestation of its compliance with these laws. Another ***potential*** information requirement would put the onus on the Payment

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[3] The only mention of consumer protection laws in the GENIUS Act is found in 12 U.S.C. § 5906(f)(4): "[e]xcept for [s]tate laws relating to the chartering, licensure, or other authorization to do business as a permitted payment stablecoin issuer, nothing in this Act shall preempt [s]tate consumer protection laws, including common law, and the remedies available thereunder."

[4] NCLC Comments on the Risks of Arrangements Impacting Payments and Deposit Accounts to the Office of the Comptroller of the Currency, the Federal Reserve Board, and the Federal Deposit Insurance Corporation (Jul. 31, 2024) available at https://www.nclc.org/resources/comments-on-bank-fintech-arrangements-impacting-payments-and-deposit-accounts/.

[5] FRB, Proposed Revisions to the Federal Reserve Policy on Payment Risk and the Guidelines for Account and Services Requests, Fed. Reg. 30627, 30636 (May 26, 2026).

[6] *Id. at* 30639.

Account holder to notify the Reserve Bank of any material deficiencies the Payment Account holder itself identifies.

This proposed supervisory approach to BSA AML/CFT compliance is permissive rather than mandatory. This approach falls woefully short of what is needed to reasonably address the risks posed by a Payment Account holder. The Board itself states that it "anticipates that Payment Account requesters are more likely to be subject to weaker or more divergent supervisory regimes and are more likely to engage in new or emerging business lines."[7] These new entrants (non-banks without deposit insurance in particular) will not have previous experience with the robust BSA AML/CFT compliance required of banks supervised by the Board or even state bank supervisors. Many of these types of new entrants will have only been minimally supervised as specified by state money transmitter laws.

Proponents of the GENIUS Act claimed its passage would enable a payment revolution by legitimizing certain payment stablecoins and allowing a technology infrastructure that did not currently exist to be built. However, if payment stablecoins are in fact a novel technology acting as innovative payment rails, it is illogical and a hindrance to the technology to merge it with the decades-old technologies that payment stablecoins are purported to replace. The justification for bespoke laws around novel payments like stablecoins is because such technology needs bespoke arrangements and systems. But if payment stablecoin issuers wish to ride the rails of the current, well-regulated public payments rails, they should be subject to the same requirements placed on Master Account holders.

Relatedly, with the introduction of agentic payment systems, untested use cases are being introduced that may expose consumers and small businesses to great risk. Service providers intend to use payment stablecoins as one form of tender in these systems. Over the next few years, even experienced compliance teams will be challenged to adapt to this foundational shift in payments. It is a recipe for trouble to expect new entrants, using new technologies, and guided by new compliance systems to mount effective defenses against illicit finance and fraud.

The Board should not finalize the proposed supervisory approach. The Board should use the same approach it takes with the banks it supervises and Master Account holders to ensure Payment Account holders without deposit insurance and federal regulator supervision comply with BSA AML/CFT regulations. More specifically, the Board should conduct examinations for compliance at a regular and recurring cadence and require the same level of documentation already utilized by Reserve Banks to mitigate the illicit finance risks associated with Master Accounts.

[7] *Id.*

Criminal organizations will seek to find vulnerabilities in our payment systems. When they do, they will scale their work to exploit the gap. The Board must apply direct supervisory authority to these new entrants to proactively ensure our payment systems are safe.

3. **Payment fraud is an ongoing and severe threat to American consumers and financial institutions, and the Federal Reserve Board must act to address this threat.**

If the Board proceeds with finalizing the proposed revisions, it must also take measures to ensure that the new entrants are not allowing the proliferation of illicit financial activity, including fraud.

It is telling that the proposed rule specifically excludes access to FedACH by "Payment Accounts," which is the payment service with the most protections for financial institutions and consumers who are impacted by unauthorized and fraudulent payments. The Board's analysis of its decision to exclude access to FedACH in the comments to the proposed rule explicitly acknowledges that Payment Accounts could have a destabilizing impact on other, more established financial institutions:

> "[I]institutions need the ability to manage effectively the inherent risks of debit transactions, including fraudulent or otherwise unauthorized payments, to ensure the safety of the payment system. Restricting the ability of Payment Account holders to receive debits, which would be necessary to manage credit risk to the Reserve Banks, would dramatically reduce other institutions' ability to manage their own risks….Based on these considerations, the Board does not believe there is a reasonable way to allow Payment Accounts to access FedACH and effectively mitigate credit risk to the Reserve Banks without disrupting the ACH network and potentially undermining its efficiency and effectiveness."[8]

Yet the proposal allows Payment Account holders to access other payment services, and disconcertingly, those with final and irrevocable settlement of credit transfers like Fedwire and FedNow. Transfers that occur through bank-to-bank wire transfers are particularly devastating to consumers.[9] Additionally, consumers harmed by the large dollar losses attributed to payment fraud through wire transfers often lack strong redress because of the belief that these transactions are not covered by the protections of the EFTA.[10]

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[8] FRB, Proposed Revisions to the Federal Reserve Policy on Payment Risk and the Guidelines for Account and Services Requests, Fed. Reg. 30627, 30631 (May 26, 2026).

[9] For the 18% of 2024 reports of fraud submitted to the Federal Trade Commission that identified a payment method, consumers reported losing nearly $2.1 billion through bank transfer or payment, well above every other payment method by dollar volume. *See* FTC fraud reports by payment method available at https://public.tableau.com/app/profile/federal.trade.commission/viz/FraudReports/PaymentContactMethods.

[10] Although the EFTA does not directly exempt wire transfers, there is an exemption for certain bank-to-bank transfer services. The exception is for bank-to-bank transfer services that are not designed primarily to transfer funds on behalf of a consumer. *See* 15 U.S.C. § 1693a(7)(B). Regulation E defines that exemption to cover transfers

Every entity participating in payments, such as payment providers, financial institutions, and network providers such as the Federal Reserve Board must:

- develop and constantly improve measures to prevent fraud in the first place;
- detect and stop fraud as soon as possible, including through the use of systems to flag high-risk transactions in real-time;
- share information about fraudulent actors with networks, operators, and other financial institutions;
- build in incentives and processes for consumers to report fraud;
- develop and include in the system rules methods to compensate victims and correct errors wherever possible; and
- hold financial institutions accountable to provide explicit rights for consumers to contest a freeze on their accounts resulting from a financial institution's assessment that a transaction poses fraud risks.

The Board has an opportunity to impose requirements on users of its payment services and to develop tools to assist financial institutions in keeping these systems safe to prevent, detect, and respond to fraud and errors.

We appreciate the Board's previous statement that it is "committed to promoting the development and implementation of industry-wide measures to help financial institutions detect and prevent fraud."[11] Adopting measures to prevent and remedy fraud and errors will not only protect consumers but will also be crucial in protecting the integrity of and confidence in the system.

Beyond Regulation J, we encourage Reserve Banks to issue operating circulars and other materials to guide financial institutions. We have previously offered some suggestions on how the Reserve Banks and the Board can build protections into payment operations and impose requirements on users of the various payment services to help detect fraud, prevent it from spreading, and recover money sent due to fraud or error when possible. We incorporate those comments here.[12] And when failures by an account holder permit fraud, the Federal Reserve

through Fedwire or similar wire transfer systems. *See* Reg. E, 12 C.F.R. § 1005.3(c)(3). As a result, financial institutions widely take the position that the EFTA offers no protection from funds stolen through unauthorized wire transfers.

[11] FRB, Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers Through Fedwire, 87 Fed Reg 34350, 34352-53 (June 6, 2022).

[12] *See* NCLC Comments to the Federal Reserve Board's, Office of the Comptroller of the Currency's, and Federal Deposit Insurance Corporation's Request for Information on Potential Actions to Address Payments Fraud, (Sept. 15, 2025) available at https://www.nclc.org/resources/comments-to-occ-fed-and-fdic-on-payment-fraud/; Consumer Federation of America, Comments to the Office of the Comptroller of the Currency, Federal Reserve Board, and Federal Deposit Insurance Corporation (Request for Information on Potential Actions to Address Payments Fraud; OCC Docket ID OCC-2025-0009, Federal Reserve Docket No. OP-1866, FDIC RIN 3064-ZA49) available at

must use enforcement mechanisms to penalize the account holder and provide remedies to harmed consumers.

Furthermore, if the Board wants to encourage sustainable adoption of payment stablecoins, fraud protections are absolutely necessary to gain consumer trust. According to Pew, 63% of Americans lack confidence in the safety and stability of cryptocurrencies.[13] The Board should require payment stablecoin issuers and payment services facilitating the use of stablecoin with Payment Accounts to implement effective fraud controls, transparent dispute and complaint processes, and meaningful redress mechanisms.

Conclusion

NCLC and CFA oppose the proposed rule as it grants clearing and settling capabilities to institutions without deposit insurance and without comprehensive federal supervision, which poses a risk to the stability of the US financial system and endangers consumers. If the Board decides to move forward with these revisions, we urge it to increase the level of supervision, specifically on BSA AML/CFT compliance. We also urge the Board to take additional measures to address and prevent fraud.

Thank you for the opportunity to submit these comments. For questions, please contact Carla Sanchez-Adams at csanchezadams@nclc.org or Adam Rust at arust@consumerfed.org.

Respectfully submitted,

National Consumer Law Center, on behalf of its low-income clients
Consumer Federation of America

https://www.fdic.gov/federal-register-publications/consumer-federation-america-adam-rust-rin-3064-za49.pdf; NCLC Comments regarding the Expansion of Fedwire Funds Service and National Settlement Operating Hours, (Sept. 6, 2024) available at https://www.nclc.org/wp-content/uploads/2024/11/2024.09.06_Comments_NSS-Comments.pdf; NCLC Comments regarding FinCEN's Rulemaking on Anti-Money Laundering and Countering the Financing of Terrorism Programs, (Sept. 3, 2024) available at https://www.nclc.org/wp-content/uploads/2024/09/2024.09.03_Comments_FinCEN-Dept-Treasury-on-AML-Rulemaking.pdf; and NCLC *et al.,* Letter Urging Federal Reserve Board to Prevent FedNow Errors and Fraud, (Aug. 10, 2022) available at https://www.nclc.org/wp-content/uploads/2022/09/FedNow_fraud_ltr.pdf.

[13] Dawson, Wyatt, Faverio, Michelle, and Sidoti, Oliva, "*Majority of Americans aren't confident in the safety and reliability of cryptocurrency*," Pew Research Center (Oct. 24, 2024), available at https://www.pewresearch.org/short-reads/2024/10/24/majority-of-americans-arent-confident-in-the-safety-and-reliability-of-cryptocurrency/.