



June 9, 2026

Benjamin W. McDonough
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Response to Proposed Rulemaking Regarding Amendments to Regulation J
Governing the FedNow Service and Cross Border Payment Intermediary Activity

Dear Mr. McDonough,

On behalf of the American Fintech Council (AFC),¹ I write to submit this comment letter in response to the Board of Governors of the Federal Reserve System's (the "Federal Reserve" or "FRB") proposed amendments to Regulation J governing the FedNow Service (Proposed Rulemaking).² AFC appreciates the FRB's continued engagement on payment system modernization and its efforts to establish a more flexible and operationally efficient framework for instant payment activity involving intermediary institutions and cross border payment flows.

AFC is a standards based organization and the largest and most diverse trade association representing financial technology companies and innovative banks. On behalf of more than 150 member companies and partners, AFC promotes a transparent, inclusive, and customer centric financial system by supporting responsible innovation in financial services and encouraging sound public policy. AFC's membership spans banks, payments companies, technology providers, and other financial services firms actively engaged in modernizing domestic and cross border payment infrastructure throughout the United States

AFC and its members strongly support regulatory and operational efforts that improve the speed, transparency, resilience, and accessibility of payment systems. The FRB's proposal to permit FedNow participants to utilize intermediary banks for certain transactions represents a meaningful and constructive step toward expanding the utility of instant payment infrastructure and facilitating more efficient cross border payment activity. If properly implemented, the Proposed Rulemaking will likely enhance competition, improve settlement efficiency, reduce frictions associated with correspondent banking activity, and strengthen the ability of U.S. financial institutions to participate in evolving global payment ecosystems.

¹ American Fintech Council's (AFC) membership spans banks, non-bank lenders, payments providers, EWA providers, loan servicers, credit bureaus, and personal financial management companies.

² Board of Governors of the Federal Reserve System, "Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers Through the FedNow Service and Fedwire; Miscellaneous Amendments," Federal Register 91, no. 69 (April 10, 2026): 18683–18692, <https://www.federalregister.gov/documents/2026/04/10/2026-06996/collection-of-checks-and-other-items-by-federal-reserve-banks-and-funds-transfers-through-the>.

At the same time, implementation should remain appropriately risk based, operationally practicable, and consistent with existing supervisory and payments frameworks. The discussion below therefore focuses on several areas where additional clarification or calibration would improve operational certainty, support broader participation, and help ensure that the FedNow Service continues to develop in a manner that advances both payment innovation and financial system integrity.

I. AFC Supports Expanding FedNow Interoperability to Promote Faster, More Competitive, and More Efficient Cross Border Payment Capabilities

Modern payment systems increasingly require interoperability across institutions, jurisdictions, and settlement networks. Interoperability between payment systems has increasingly become a defining feature of modern payment infrastructure and is closely associated with greater efficiency, broader accessibility, reduced fragmentation, and stronger network effects across the payments ecosystem. Effective interoperability enables institutions and end users to transact more seamlessly across differing platforms, jurisdictions, and financial institutions without requiring participants to operate within isolated payment environments.³

Current FedNow transfer structures limit the ability of participating institutions to incorporate intermediary banking relationships into payment flows, thereby constraining the broader utility of the service in connection with certain cross border transactions. Permitting the use of intermediary banks within the FedNow framework would appropriately recognize the operational realities of modern payments markets, particularly with respect to cross border activity. Many institutions rely on correspondent banking arrangements and intermediary relationships to facilitate settlement, liquidity management, and access to foreign jurisdictions. Aligning FedNow more closely with the longstanding operational structure of the Fedwire Funds Service would allow financial institutions to utilize existing payment relationships while benefiting from real time domestic settlement functionality. Effective interoperability enables institutions and end users to transact more seamlessly across differing platforms, jurisdictions, and financial institutions without requiring participants to operate within isolated payment environments.⁴ These efficiencies become particularly important in the cross border context, where fragmented payment chains, inconsistent messaging standards, limited connectivity between payment systems, and reliance on sequential intermediary arrangements have historically contributed to elevated transaction costs, operational delays, and reduced transparency.

The Federal Reserve's proposed rulemaking may therefore help mitigate several longstanding operational inefficiencies associated with cross border payment activity. Expanding the ability of FedNow participants to incorporate intermediary institutions into payment flows may improve payment routing flexibility, enhance liquidity management capabilities, reduce settlement frictions, and facilitate more streamlined payment processing across interconnected financial institutions. Importantly, interoperability enhancements may also encourage broader participation by financial institutions that otherwise face operational limitations when attempting to integrate instant payment capabilities into existing cross border payment structures.

³ Shankar Parameshwaran, "How Payment Systems Benefit From Interoperability," Knowledge at Wharton, October 21, 2025, <https://knowledge.wharton.upenn.edu/article/how-interoperability-in-payment-systems-pays-off/>.

⁴ Ibid.

At the same time, international experience demonstrates that interoperability initiatives require significant coordination, common standards, and effective governance frameworks to address operational and implementation complexities.⁵ Variations in technical standards, messaging formats, compliance expectations, settlement timing requirements, and governance structures may create operational complexity that undermines some of the efficiencies interoperability is intended to achieve. Accordingly, AFC encourages the FRB to continue pursuing implementation approaches that emphasize operational consistency, clear technical standards, and coordination across relevant payment stakeholders and supervisory authorities.

Notably, enhanced rulemaking in this area may materially improve the competitiveness of U.S. payment infrastructure within the broader global payments ecosystem. International payment markets increasingly prioritize speed, transparency, continuous availability, and operational flexibility. Expanding the practical utility of FedNow would help ensure that U.S. institutions remain positioned to compete effectively as global payment architectures continue to evolve.

The proposed rulemaking may also support broader public policy objectives surrounding cross border payments modernization. Inefficiencies in cross border payments yields significant potential to elevated costs, delay settlements, engender operational fragmentation, and limit accessibility. Expanding the range of payment flows capable of utilizing instant domestic settlement rails may therefore contribute meaningfully to ongoing efforts to improve the speed and efficiency of cross border transactions.

To support broader adoption and operational effectiveness, AFC encourages the Federal Reserve to preserve flexibility regarding the operational models through which institutions may utilize intermediary arrangements. Financial institutions maintain differing correspondent structures, liquidity management frameworks, and technical architectures. Accordingly, implementation should remain platform agnostic and operationally flexible to support a variety of compliant payment models without implicitly favoring any particular intermediary structure or market participant.

II. AFC Supports a Risk Based and Operationally Consistent Supervisory Framework That Aligns FedNow With Existing Correspondent Banking Practices

In developing the proposed rulemaking, the FRB should appropriately consider that the use of intermediary banks within FedNow would not fundamentally alter the underlying risk characteristics already present within existing correspondent banking activity. Financial institutions have long operated under well-established Bank Secrecy Act, sanctions compliance, customer due diligence, transaction monitoring, and operational risk management obligations in connection with correspondent payment activity. The proposed amendments largely extend those same operational dynamics into an additional domestic settlement rail rather than creating an entirely novel payment structure.

⁵ World Bank Group, Interoperability in Fast Payment Systems (Washington, DC: World Bank Group, October 2021), https://fastpayments.worldbank.org/sites/default/files/2021-10/Interoperability_in_FPS_Final.pdf.

For this reason, AFC agrees that the proposed rulemaking should not be viewed as creating materially new categories of money laundering or sanctions risk solely because FedNow may be used in connection with broader cross border transactions. Institutions already engaging in correspondent banking activity remain subject to comprehensive compliance obligations under existing federal law and supervisory expectations. The introduction of an additional settlement mechanism does not inherently alter the underlying legal responsibilities associated with those activities.

Nevertheless, additional supervisory clarity regarding expectations applicable to intermediary activity would materially benefit participating institutions. In particular, AFC encourages the Federal Reserve to coordinate closely with other federal banking agencies and relevant financial crimes authorities to ensure that implementation expectations remain consistent across payment rails and supervisory regimes. Divergent or inconsistent expectations regarding transaction monitoring, sanctions screening, recordkeeping, or intermediary due diligence obligations may unnecessarily increase operational complexity without producing commensurate supervisory benefits.

The Federal Reserve should also avoid imposing duplicative operational requirements where existing compliance frameworks already address the relevant supervisory objectives. Financial institutions currently maintain sophisticated controls surrounding correspondent payment activity, including customer due diligence processes, sanctions screening systems, suspicious activity monitoring programs, and liquidity management controls. Requiring entirely new governance structures, bespoke reporting systems, or duplicative approval frameworks specific to FedNow intermediary activity may impose substantial operational burdens while providing limited incremental risk mitigation value.

Operational consistency with existing payment systems is particularly important given the FRB's objective of aligning FedNow more closely with the Fedwire Funds Service. Institutions should be able to leverage existing operational infrastructure, compliance programs, and payment governance frameworks to the extent reasonably practicable. Such alignment would promote more efficient adoption while reducing unnecessary implementation costs and operational fragmentation.

III. AFC Supports Preserving Immediate Funds Availability Principles While Providing Additional Clarity Regarding Cross Border Transaction Timing and Settlement Expectations

AFC supports the Federal Reserve's focus on preserving Regulation J's immediate funds availability requirements for domestic beneficiary banks participating in FedNow transactions. The ability to access funds immediately upon settlement remains one of the defining and most valuable features of instant payment systems. Maintaining this principle helps preserve consumer and institutional confidence in the speed, reliability, and certainty of FedNow transactions.

The Federal Reserve's proposed distinction between domestic beneficiary banks and intermediary institutions also reflects the operational realities of cross border payment activity. In many cross border transactions, portions of the payment chain typically remain subject to

differing legal regimes, settlement processes, operating hours, and jurisdiction specific requirements outside the United States. Requiring immediate funds availability obligations to extend beyond the domestic beneficiary institution could create operational inconsistencies and practical barriers that may ultimately discourage participation.

Even so, AFC encourages the Federal Reserve to provide additional guidance regarding the practical treatment of settlement timing expectations in transactions involving intermediary institutions and cross border payment flows. Greater clarity regarding when payment obligations are deemed satisfied, how payment finality principles apply across intermediary chains, and how exceptions or delays should be operationally managed would improve certainty for participating institutions.

Additional clarity regarding messaging standards and interoperability expectations would likewise assist implementation efforts. Many institutions increasingly operate across multiple payment networks and messaging environments, including ISO 20022 based systems. Encouraging consistent data formatting, payment messaging harmonization, and interoperability principles across payment infrastructures may reduce operational friction and support more efficient transaction processing.

The Federal Reserve should also continue engaging with industry participants as implementation evolves. The operational realities associated with cross border instant payments remain dynamic and rapidly developing. Ongoing dialogue with banks, payments firms, technology providers, and other stakeholders will therefore remain important to ensuring that the FedNow Service develops in a manner that is operationally resilient, commercially viable, and appropriately responsive to evolving market needs.

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AFC appreciates the Federal Reserve's efforts to modernize Regulation J and expand the practical utility of the FedNow Service. The proposal represents an important step toward improving the efficiency, flexibility, and competitiveness of U.S. payment infrastructure while supporting broader efforts to enhance cross border payment capabilities.

AFC respectfully encourages the Federal Reserve to continue advancing a framework that remains risk based, operationally practicable, technologically neutral, and aligned with existing supervisory and payment system structures. Clear and consistent implementation will help support broader participation, reduce unnecessary operational fragmentation, and strengthen the ability of financial institutions to responsibly leverage instant payment infrastructure in connection with evolving domestic and international payment activity.

We appreciate the opportunity to provide these comments and welcome continued engagement with the Federal Reserve on these important issues.

Sincerely,



Ian P. Moloney
Chief Policy Officer
American Fintech Council