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June 8, 2026

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

RE: Request for Comment on Proposed Amendments to Regulation J (Docket No. R-1891; RIN 7100-AH23)

Dear Mr. McDonough:

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System (the Board)'s proposed amendments to Regulation J. The proposal would permit FedNow Service participants to use intermediaries other than Reserve Banks to send funds transfers through the service.

ICBA does not object to the proposal and supports its overall objectives. Aligning the legal framework for FedNow with the correspondent banking model that has applied to the Fedwire Funds Service for decades is a logical step. We have identified several areas that warrant further clarification or refinement, which we discuss in greater detail in this letter.

Summary of the Proposal

The proposal would amend subpart C of Regulation J in three ways. It would allow a FedNow payment order to designate an intermediary bank other than a Reserve Bank. It would permit a Reserve Bank, acting as receiving bank, to rely on a routing number identifying an intermediary bank. And it would clarify the notice provision in §210.44(b)(3) so that it applies only to FedNow participant beneficiary banks that receive payment orders from a Reserve Bank.

The Board's principal aim is to support private-sector cross-border payment solutions by allowing FedNow participants to leverage a correspondent bank for the international portion of a cross-border transaction while using FedNow for the U.S. domestic portion. The proposal would not change which entities can connect to the FedNow Service, and it would not alter the immediate funds-availability requirement that applies when a beneficiary's bank accepts a FedNow payment order.

¹ The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams.

ICBA Response

ICBA has long supported FedNow, and community banks across the country have invested significant resources in adoption and integration. Aligning FedNow with the intermediary framework that has long governed the Fedwire Funds Service removes an asymmetry between the two real-time gross settlement rails operated by the Reserve Banks.

ICBA also supports the Board's proposal to leave the immediate funds-availability requirement in § 210.44(b)(1) unchanged. That requirement is central to FedNow's value to consumers and small businesses and should continue to apply whenever a U.S. beneficiary's bank accepts a payment order over the service.

However, the cross-border use cases the proposal would enable raise considerations that warrant the Board's attention before any final rule. These considerations are described below.

BSA/AML, Sanctions, and Fraud Considerations

The Board's preamble concludes that the proposed amendments do not create material new money-laundering, sanctions-evasion, or payment-system-integrity risks because the correspondent model is well established. While the model is well understood, the FedNow Service operates 24x7x365 and settles payments instantly and irrevocably. Controls that have historically had at least some intraday window in which to operate must now reach a final determination before a payment is accepted.

The cross-border use case introduces compliance complexities that warrant specific attention. Office of Foreign Asset Control (OFAC) screening must encompass not only the originator and beneficiary but also intermediary banks identified in the payment order, and screening must be completed before a U.S. beneficiary's bank accepts the order in light of the immediate funds-availability requirement.² The Financial Crimes Enforcement Network (FinCEN)'s Travel Rule requires that originator information accompany transmittals of funds at or above the regulatory threshold.³

The ISO 20022 message format that FedNow uses can support richer data than legacy systems, but only if all parties in the chain populate and preserve those fields consistently. When the intermediary is a non-U.S. correspondent, the U.S. bank at either end of the FedNow leg may have limited visibility into parties further down the chain.

The Board should describe more concretely how it expects these controls to operate in a cross-border FedNow context, and should coordinate with the other federal banking agencies, FinCEN, and OFAC to provide consolidated supervisory guidance before any final rule takes effect. The Board should also confirm that depository institutions retain their existing authority to delay acceptance, reject, or return payments where compliance concerns arise.

² See 31 C.F.R. ch. V

³ See 31 C.F.R. § 1010.410(f).

ICBA also reiterates its recommendations from its September 18, 2025 response to the joint agencies' Request for Information (RFI) on payments fraud.⁴ Community banks would benefit significantly from Reserve Bank capabilities such as a payments fraud contact directory, a fraud information-sharing repository, confirmation of payee services, and atypical-payment monitoring. These capabilities should advance in parallel with any cross-border expansion of FedNow, not afterward.

Eligibility Safeguards and Community Bank Considerations

ICBA welcomes the Board's clarification that the proposal does not change which entities can connect to the FedNow Service. Master Account eligibility under the Federal Reserve Act, and the supervisory expectations that apply, remains the principal safeguard against payment system access by entities that operate outside the traditional banking regulatory framework.

As ICBA noted in its February 6, 2026 response to the Board's RFI on a Reserve Bank Payment Account prototype, those safeguards become more important, not less, as FedNow's use cases expand.⁵ The Board should be explicit that any future Payment Account holder or other lightly supervised entity may not act as an intermediary for cross-border FedNow payments without satisfying the supervisory expectations that apply to insured depository institutions.

With those eligibility safeguards in place, the proposal could meaningfully expand cross-border payment options for community bank customers. Community banks routinely rely on correspondent relationships to serve customers with international payment needs, and many community bank customers in agricultural, manufacturing, and small business sectors would benefit from faster and more transparent cross-border options. At the same time, the cost of supporting cross-border FedNow activity will fall disproportionately on smaller institutions.

ICBA encourages the Board to ensure that Reserve Bank operational guidance, technical documentation, fees, and support resources address community bank operational needs, and to monitor the distribution of cross-border FedNow activity across institutions of different sizes as the use case develops.

Implementation Considerations

If the Board moves forward with a final rule, ICBA recommends that the Reserve Banks publish updated FedNow Service operating procedures and technical documentation in advance of the effective date. The updates should address how intermediary banks are designated in payment orders, how routing numbers identifying intermediaries are validated, and how the revised notice provision in § 210.44(b)(3) operates.

ICBA also recommends the Board allow a transition period of at least six months. The majority of community banks access FedNow through third-party service providers, and a meaningful transition period is essential to allow those providers to prepare.

⁴ ICBA, Response to Joint Agencies' Request for Information on Payments Fraud (September 18, 2025), <https://www.icba.org/w/icba-letter-responding-to-banking-agencies-rfi-on-payments-fraud>.

⁵ ICBA, Response to Federal Reserve's Request for Information on Payment Account Prototype (February 6, 2026), <https://www.icba.org/w/response-to-federal-reserve-s-rfi-on-payment-account-prototype>.

The federal banking agencies and state banking regulators should also coordinate on consistent examination expectations for institutions participating in cross-border FedNow activity. A patchwork of expectations across examiners, agencies, and Reserve Banks would create unnecessary burden, particularly for community banks.

Finally, ICBA recommends that the Board commit to a post-implementation review within two years of the effective date. The review should assess volume and distribution, fraud and illicit finance experience, and the operation of the funds-availability and notice provisions in the cross-border context, with findings made publicly available.

Conclusion

ICBA recognizes the rationale for aligning FedNow with the Fedwire Funds Service and appreciates the Board's measured approach. The success of the cross-border use case will depend on coordinated supervisory guidance, the continued development of fraud-prevention tooling, strict eligibility safeguards, and a reasonable implementation path.

ICBA looks forward to continuing to work with the Board to ensure that the U.S. payment system remains fast, efficient, safe, and accessible to community banks of every size. Should you wish to discuss our comments in further detail, please feel free to contact me at scott.anchin@icba.org.

Sincerely,

/s/

Scott Anchin
Senior Vice President, Strategic Initiatives and Policy