February 6, 2026

Via Electronic Mail

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 Information and Comment on Reserve Bank Payment Account Prototype (Docket No. OP–1877)**

Ladies and Gentlemen:

The Bank Policy Institute, The Clearing House Association, and the Financial Services Forum[1] ("Associations") appreciate the opportunity to comment on the Request for Information and Comment ("RFI") on a special-purpose Federal Reserve Bank account prototype (a "Payment Account") issued by the Board of Governors of the Federal Reserve System ("Board").[2] According to the RFI, such Payment Accounts would be tailored to the risks and needs of legally eligible institutions focused on payments innovation.[3]

Access to Reserve Bank accounts enables eligible institutions to clear and settle transactions on behalf of their customers on the central bank's balance sheet without concern about liquidity and credit risk. Such access is designed to ensure that the payment system is efficient, safe, and stable, which is essential to a robust and thriving economy and helps to promote financial stability. But central bank account access can also pose considerable risk to individual Reserve Banks, to the U.S. payments system and its participants, and to financial stability and can have implications for the role of the Federal Reserve in the financial system. To mitigate this risk, the Federal Reserve has, since the origin of the Federal Reserve System, conditioned account access on the application of a comprehensive and rigorous regulatory system to Reserve Bank account holders. For this fundamental reason, the standards governing account access must continue to be transparent, rigorous, and consistently applied across Reserve Banks.

[1] Please see Appendix A for a description of the Associations.

[2] *See* Request for Information and Comment on Reserve Bank Payment Account Prototype, 90 Fed. Reg. 60096 (Dec. 23, 2025).

[3] *See id.* at 60096.

I. The Federal Reserve Must Consider the Systemic Impact on the Payment System and Financial Stability of Offering Payment Accounts.

While we recommend additional safeguards the Federal Reserve should adopt if it moves forward in establishing Payment Accounts, we first note that, in addition to the risks that any individual institution may pose, changes to Federal Reserve policy on account access must be assessed in the aggregate for their systemic impact on the payment system and financial stability. Historically, and as reflected in the Board's Guidelines for Evaluating Account and Services Requests ("Guidelines"),[4] a key tenet of Federal Reserve policy regarding account access has been that account holders generally be federally insured and thereby subject to the full panoply of regulation and supervision that applies to insured depository institutions ("IDIs"). Institutions that are not federally insured face either intermediate or the strictest level of review for Reserve Bank master accounts ("Master Accounts") under the Guidelines and would therefore most likely be attracted to the more streamlined review contemplated for Payment Accounts.

Therefore, it is imperative that the Federal Reserve recognize that this proposal represents a fundamental shift in policy in favor of enabling an increased number of uninsured institutions in the United States to conduct payment activity directly through Reserve Bank accounts while engaging in activity that constitutes or, in many ways, resembles deposit-taking. For example, certain states offer charters that permit uninsured deposit-taking; in addition, other activities that resemble deposit-taking, such as stablecoin issuance, may carry significant run risk.[5] By providing a more streamlined avenue for these institutions to obtain account access—which, as described throughout this letter, provides significant benefits to such account holders—these uninsured institutions may be able to increase their customer base, which would in turn increase the number of consumer accounts at uninsured institutions. The Federal Reserve must carefully consider the implications for payment and financial system safety and soundness that could result from this potential shift to benefit uninsured institutions before implementing this framework to establish Payment Accounts.[6]

The security of individual depositors and the resilience of the financial system benefit greatly when depository institutions have federal deposit insurance. The creation of federal deposit insurance in 1933 was the signature legislative and regulatory policy response to the mass withdrawal of funds from financial institutions during the Great Depression. It was designed to restore depositor confidence after nearly 9,000 institutions were forced to suspend operations as a result of bank runs. Given that experience, the Federal Deposit Insurance Corporation ("FDIC") was vested with unique powers,

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[4] *See* Guidelines for Evaluating Account and Services Requests, 87 Fed. Reg. 51099 (Aug. 19, 2022).

[5] Indeed, even if stablecoins are backed to some extent by deposits at IDIs, stablecoin adoption could displace IDI deposits and alter the liability structures, funding mix, liquidity risk profile, and cost of capital for IDIs, with potentially negative consequences for credit provision by IDIs across the U.S. economy. *See*, *e.g.*, Jessie Jiaxu Wang, *Banks in the Age of Stablecoins: Some Possible Implications for Deposits, Credit, and Financial Intermediation*, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (Dec. 17, 2025), https://www.federalreserve.gov/econres/notes/feds-notes/banks-in-the-age-of-stablecoins-implications-for-deposits-credit-and-financial-intermediation-20251217.html.

[6] We are similarly concerned that the Board's new policy statement on section 9(13) of the Federal Reserve Act will undermine financial stability by permitting uninsured state member banks to engage in a potentially wider range of activities than insured state member banks may conduct. The Federal Reserve should consider the effects of this policy statement and the Payment Account proposal in the aggregate.

including to grant deposit insurance and enable the orderly resolution of troubled depository institutions. Importantly, insured institutions are also subject to robust prudential requirements and ongoing supervision.

As we discuss further below, the risk-mitigating features described in the prototype Payment Account primarily address credit risk to the Reserve Banks, but the proposal lacks the necessary provisions that would replicate the run-risk protections of federal deposit insurance, the systemic risk protections of an FDIC resolution regime, or the prudential framework to safeguard insured institutions. We appreciate the transparency with which the Federal Reserve has approached this RFI, but we believe the history of deposit-taking by uninsured institutions in the United States and abroad has taught us valuable lessons about the financial stability and other risks posed by this activity. These lessons call for a more comprehensive and deliberate evaluation of the aggregate effects that this proposal could have on consumers and the financial system by encouraging an increase in deposit-taking or its equivalent by uninsured institutions.

II. The Reserve Banks Should Continue to Evaluate Requests under the Guidelines.

The security and resilience of payment system participants are critical to the safety and effectiveness of the U.S. payments system and economy. The United States' payment system is based on the core principles of trust, security, and resiliency. This foundation instills confidence and stability in the system. We support innovation in the payment ecosystem that consistently upholds these principles and appropriately limits systemic and operational risks. Federally supervised and insured financial institutions have been instrumental in embodying these principles through long-term investments and expertise in client due diligence, liquidity management, technology infrastructure, and risk controls.

The recent increase in the availability of so-called novel charters[7] to entities at both the federal and state level—some of which have sought access to Reserve Bank Master Accounts and financial services—has raised questions about whether the Federal Reserve's standards for such access should be relaxed. However, the absence of a comprehensive federal bank regulatory and supervisory regime for these institutions can create heightened risks for the U.S. payment and financial systems that could undermine confidence in and destabilize those systems.

As the Board has articulated in the Guidelines, each institution requesting access to Reserve Bank accounts or financial services must be eligible under the Federal Reserve Act or other federal statute to maintain an account and receive services.[8] Generally, only those entities that are member banks or are "depository institutions" under section 19(b) of the Federal Reserve Act are legally eligible to obtain Federal Reserve accounts or services. Eligibility, however, is a necessary but not sufficient basis for obtaining a Reserve Bank account or services. The Federal Reserve has consistently maintained that Reserve Banks retain discretion to grant accounts to eligible institutions based on risk, which has

[7] We use the term "novel charters" to describe entities that are not (i) IDIs or insured credit unions subject to oversight by a federal prudential supervisor; (ii) uninsured institutions that are part of a bank holding company (for example, an uninsured national trust bank that is a subsidiary of a bank holding company), and thus subject to consolidated prudential oversight by the Board; or (iii) U.S. branches or agencies of foreign banks.

[8] *See* Guidelines for Evaluating Account and Services Requests, 87 Fed. Reg. at 51107.

been upheld by the courts.[9] The Board has indicated that Reserve Banks will have this same discretion in considering applications by eligible institutions for Payment Accounts.[10]

The Guidelines correctly recognize that certain types of eligible institutions that may request a Reserve Bank account—such as uninsured depository institutions that are not subject to federal supervision at both the institution and, if it exists, the holding company level—have not traditionally had access to Reserve Bank accounts or services and may present different levels of risk. For example, such an institution may present heightened (i) credit risk to the Reserve Bank if it overdraws its account; (ii) settlement risk to counterparties and customers if it is unable to process transactions due to operational failures; (iii) financial stability risk if the institution uses its account to draw deposits away from commercial banks, which would increase the cost of credit and impair financial intermediation; and (iv) Bank Secrecy Act ("BSA")/anti-money laundering ("AML") risk if the institution uses its account to process transactions that support illicit activity.

To ensure these risks are addressed for entities seeking Reserve Bank accounts or access to Federal Reserve services, the Board has articulated several key principles that should govern a Reserve Bank's consideration of account or services requests. In particular, the Guidelines provide that the provision of an account or services to an institution should not:

1. Present or create undue credit, operational, settlement, cyber or other risks to the Reserve Bank;
2. Present or create undue credit, liquidity, operational, settlement, cyber, or other risks to the overall payment system;
3. Create undue risk to the stability of the U.S. financial system;
4. Create undue risk to the overall economy by facilitating activities such as money laundering, terrorism financing, fraud, cybercrimes, economic or trade sanctions violations, or other illicit activity; or
5. Adversely affect the Federal Reserve's ability to implement monetary policy.

The RFI explains that, because in recent years many eligible uninsured institutions have requested or expressed interest in Master Accounts, "the Board is exploring whether a tailored, special purpose Payment Account could meet these institutions' needs while mitigating material risks identified in the Guidelines."[11] We support the continued application of the Guidelines in evaluating all account or service requests, whether for a Master Account or a Payment Account.

Further, given the risks noted above, any changes to the Guidelines to address Reserve Bank evaluation of Payment Account requests should be issued for public comment, just as the Board published the Guidelines for comment when they were introduced. Incorporating Payment Account concepts into the Guidelines also would provide institutions requesting this account with clarity on how

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[9] *See* Custodia Bank, Inc. v. Federal Reserve Board of Governors, 157 F.4th 1235 (10th Cir. 2025)*, reh'g en banc petition filed*; Banco San Juan Internacional, Inc. v. Fed. Rsrv. Bank of N.Y., 762 F. Supp. 3d 247 (S.D.N.Y. 2025), *appeal filed*; and PayServices Bank v. Fed. Reserve Bank of San Francisco, No. 1:23-cv-00305-REP, 2024 WL 1347094 (D. Idaho Mar. 30, 2024), *appeal filed*.

[10] *See* Request for Information and Comment on Reserve Bank Payment Account Prototype, 90 Fed. Reg. at 60097–99.

[11] Request for Information and Comment on Reserve Bank Payment Account Prototype, 90 Fed. Reg. at 60097.

future requests would be evaluated. We also recommend below that key features of the Payment Account with respect to the discount window and interest on account balances be codified in regulation, where appropriate, to ensure consistent, durable application of these safeguards over time and across the Federal Reserve System.

III. Uninsured depository institutions not subject to federal supervision at both the institution and holding company level should be permitted to seek access only to Payment Accounts.

Consistent with the concerns the Board has articulated regarding uninsured institutions not subject to federal supervision, we believe that the Board should limit access to a Master Account to only entities that qualify under the current Guidelines as Tier 1 institutions—i.e., institutions that are federally insured—or Tier 2 institutions.[12] In accordance with the Guidelines, the level of review that the Reserve Banks apply to requests for Master Accounts should continue to match the level of risk posed by institutions, regardless of their tier designation. For example, industrial loan companies are federally insured and thus qualify as Tier 1 institutions under the Guidelines, but they also present heightened risk under the Guidelines because they are generally not subject to the important financial stability protections established by the Bank Holding Company Act ("BHCA") or consolidated Federal Reserve oversight that comes with applicability of the BHCA.[13] Requests for Master Accounts by Tier 2 institutions that do not have demonstrated experience managing the risks presented by their business models and that are not subject to a supervisory framework that is substantially equivalent to that of a Tier 1 institution should also receive additional scrutiny from a Reserve Bank.[14]

Tier 3 institutions, because of the heightened risks they present as articulated under the Guidelines, should only be able to seek access to a Payment Account.[15] Although the Board has proposed important limitations and safeguards that would apply to those accounts that are intended to address certain risks identified in the Guidelines, we make recommendations regarding additional

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[12] The Guidelines define Tier 2 institutions as "eligible institutions that are not federally insured but are subject (by statute) to prudential supervision by a federal banking agency. In addition, (i) if such an institution is chartered under federal law, it has a holding company that is subject to Federal Reserve oversight (by statute or commitments); and (ii) if such an institution is chartered under state law and has a holding company, that holding company is subject to Federal Reserve oversight (by statute or commitments)." *See* Guidelines for Evaluating Account and Services Requests, 87 Fed. Reg. at 51109-51110.

[13] *See* Federal Reserve Board General Counsel Scott Alvarez, Testimony before the Senate Banking Committee (Oct. 4, 2007), https://www.federalreserve.gov/newsevents/testimony/alvarez20071004a.htm. Industrial loan company account requests therefore should be subject to more rigorous scrutiny than requests from other Tier 1 institutions.

[14] This category should not include entities engaged in traditional trust activities within a bank holding company organization and U.S. branches or agencies of foreign banking organizations.

[15] The Guidelines define Tier 3 institutions as eligible "institutions that are not federally insured and are not considered in Tier 2" and specifically provides that "[n]on-federally-insured institutions that are chartered under federal law but do not have a holding company subject to Federal Reserve oversight would be considered in Tier 3," and "[n]on-federally-insured institutions that are chartered under state law and are not subject (by statute) to prudential supervision by a federal banking agency, or have a holding company that is not subject to Federal Reserve oversight, would be considered in Tier 3." *See* Guidelines for Evaluating Account and Services Requests, 87 Fed. Reg. at 51110.

safeguards to help ensure that all the risks identified in the Guidelines are appropriately mitigated, as described below.

This tailored approach is appropriate because those institutions that should be permitted to apply for a Master Account generally are subject to a materially more robust federal regulatory and supervisory framework when compared to other legally eligible institutions. Further, in combination with the risk-based approach articulated in the Guidelines for Master Account requests, this distinction in eligibility would help ensure that the baseline for Master Account holders continues to be IDIs, which is appropriate because (i) the liabilities of IDIs to their deposit customers are protected by the federal safety net and the full panoply of prudential standards and supervision that accompany federal deposit insurance; and (ii) in most cases, detailed regulatory and financial information about these firms is readily available to Reserve Banks (as well as the public).[16] As we explain in greater detail below, actions that facilitate the growth of deposits and deposit-like liabilities at uninsured institutions could pose systemic risks under several of the principles identified in the Guidelines.

IV. The Reserve Banks should take a deliberate, risk-based approach in considering whether to grant Payment Accounts to institutions that are not federally insured and not otherwise subject to federal prudential oversight.

It is critically important that the Federal Reserve take a methodical, risk-based approach to considering whether to grant Payment Account access to institutions that are not federally insured and not otherwise subject to federal prudential oversight. Although the Payment Account would come with limitations and while we recommend further risk mitigants in these comments, we emphasize again that this proposal has the potential to greatly expand access to Reserve Bank payment services by uninsured institutions, representing a significant departure from longstanding Federal Reserve practice. Presumably, many Payment Account holders will be uninsured institutions not subject to federal prudential supervision; they may be entities with which the Federal Reserve and other federal regulators have no or only limited experience, and some legally eligible institutions may plan to operate within a regulatory and supervisory regime that is itself still emerging and legally untested (e.g., the regulatory regime governing stablecoin issuers under the GENIUS Act that has not yet been implemented; indeed, many of the required rulemakings have not even been proposed). Moreover, uninsured institutions are more susceptible to runs, especially during times of stress,[17] and many of these institutions have not experienced a full business cycle.

For these reasons, to the extent that institutions are newly chartered or operating within a new regulatory regime (such as the regulatory regime for certain uninsured state banks), they should be required to demonstrate successful safe and sound operation for a minimum of 12 months before being permitted to apply for a Payment Account.[18]

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[16] *See* Guidelines for Evaluating Account and Services Requests, 87 Fed. Reg. at 51100.

[17] *See, e.g.,* NAT'L COMM'N ON THE CAUSES OF THE FIN. & ECON. CRISIS IN THE U.S., THE FINANCIAL CRISIS INQUIRY REPORT 356–360 (Jan. 2011), https://www.govinfo.gov/content/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf (finding that a run on uninsured prime money market funds helped cause the Global Financial Crisis).

[18] The Reserve Banks may wish to consider applying a similar standard to institutions that apply for Master Accounts, depending on the risks posed by the institutions.

Consistent with this deliberate approach and given the risks described above, Payment Account requests should be published for public comment by the Reserve Banks and reflected on the Board's Account Access Database, which itself should be updated on a weekly basis to ensure the public has adequate visibility into these requests.[19] Such transparency is critical because interested members of the public may have information that could bear on a Reserve Bank's consideration of a request for an account; such information may be particularly useful to the Reserve Bank with respect to relatively new institutions that have not undergone supervisory evaluation over a meaningful period. In addition, the Federal Reserve should publicly release a summary of how it analyzed the risks of any approved Payment Account request under the Guidelines, including any specific conditions or restrictions imposed and any commitments entered into by the applicant. This transparency is crucial for ensuring that Reserve Bank reviews of applicants are held to a robust and consistent standard and that conditions, restrictions, and commitments are consistently applied across the Federal Reserve System.

Further, although the RFI notes that a Reserve Bank would generally be expected to complete its review of a request for a Payment Account within 90 calendar days of receiving all documentation requested by the Reserve Bank, a longer period may be needed to ensure the Reserve Bank carefully considers the request and the risks that could be presented by the applicant, including through consideration of any public comments received. Indeed, requests for such accounts may come from institutions that have limited or no experience with federal prudential supervision and that are operating within a relatively new and untested regulatory and receivership regime (e.g., certain institutions with state uninsured bank charters). Although some risks may be mitigated by the design of the Payment Account, the account restrictions set out in the RFI cannot fully compensate for insufficient prudential supervision and, for newly established institutions, limited supervisory record and operating history (both in terms of financial performance and compliance and risk management efficacy). As a consequence, a Reserve Bank may need more than 90 days to complete what is likely to be a complex analysis.

Therefore, consistent with the cautious approach to Payment Accounts we recommend, the Reserve Banks should have a minimum of 180 days after receiving all requested documentation to complete a review of a Payment Account request. An even longer period may be warranted where, for example, the (i) the Reserve Banks have not yet fully evaluated the collective risks to financial stability posed by "a group of like institutions," as required by the Guidelines; or (ii) the eligible institution would operate within an emerging or very new regulatory regime (such as the regime applicable to payment stablecoin issuers), as it may not be feasible to evaluate comprehensively how effective the regulatory regime applicable to such an entity is in addressing the risks such entities pose or the entity's own safe and sound operation within that regime within a 90-day period.

Furthermore, if an institution is granted access to a Payment Account, the account holder should be subject to a one-year trial period during which it is subject to enhanced oversight by the appropriate Reserve Bank.[20]

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[19] We had previously recommended that Master Account applications from Tier 2 and Tier 3 institutions should be published for notice and comment for similar reasons. To the extent that such institutions continue to be permitted to apply for Master Accounts, we reiterate that recommendation. We also note that weekly publication would be consistent with other Federal Reserve practices, such as the weekly publication of the H.2 release.

[20] This trial period would be in addition to the risk controls discussed in section VI. Enhanced oversight may include, for example, periodic *ex post* reviews of a Payment Account holder's transaction activity by the appropriate Reserve Bank.

In addition, as with any account, the Reserve Bank should have discretion to lower the balance limit and/or suspend or close an account in specific cases if the Payment Account holder or the activity processed through the Payment Account poses undue risk under the Guidelines, including risk from BSA/AML or sanctions violations, risk to the Reserve Banks, payment system risk, monetary policy risk, or financial stability risk.

Moreover, given the significant risks described throughout this letter and need for corresponding controls, no holder of a Payment Account should be permitted to obtain a Master Account unless the institution (i) becomes an IDI or otherwise meets the Master Account eligibility criteria proposed above; and (ii) undergoes a comprehensive evaluation by the relevant Reserve Bank under the Guidelines as if it were a de novo requester.[21] A Payment Account should not be viewed as simply a step in the process of ultimately obtaining a Master Account or a "proving ground" where the holder "graduates" after a period of time to a Master Account.

Finally, through its oversight function over the Reserve Banks and in accordance with applicable law, the Board itself should play a role in ensuring that requests are reviewed against the same standards and that risk mitigants are applied consistently to Payment Accounts across Reserve Banks. Such a role for the Board would help avoid an uncoordinated approach among the Reserve Banks with respect to Payment Accounts, which might result in inconsistent precedent or encourage forum shopping by institutions seeking a Payment Account.

V. We support the limitations on Payment Accounts contemplated in the RFI.

The Board has explained that the proposed account limitations that would apply to Payment Accounts are intended to address the risks identified in the Guidelines. We support these limitations and make recommendations below for additional limitations and safeguards to help ensure that all relevant risks are appropriately addressed.

A. Payment Accounts should be subject to overnight balance limits, and the Federal Reserve also should consider daily maximum transaction limits.

The RFI provides that a Payment Account would be a special-purpose account with a Reserve Bank that could hold limited overnight balances and be used for the express purpose of clearing and settling the institution's payments.[22] As such, according to the RFI, Payment Account holders would be permitted to maintain only a limited balance in the account at the close of business sufficient to provide liquidity for their payment activity at the beginning of the next business day.[23] This feature is important

[21] We note that the Guidelines already contemplate that Reserve Banks will apply the Guidelines to existing account holders where appropriate, such as when a Reserve Bank becomes aware of a significant increase in the risks that an account holder presents due to, for example, changes in the nature of its principal business activities or financial condition. An application by a Payment Account holder for a Master Account presumably would constitute a significant increase in risk that the account holder presents under the Guidelines. We note–and agree with—the restriction in the RFI that an institution may have either a Payment Account or a Master Account, but not both.

[22] *See* Request for Information and Comment on Reserve Bank Payment Account Prototype, 90 Fed. Reg. at 60097.

[23] *See id*.

to mitigate credit risk to the Reserve Banks by limiting maximum exposure to the account holder, as well as to help ensure the Federal Reserve can control the size of its balance sheet. We agree that the balance in a Payment Account should be reduced below a specified limit at the Federal Reserve's close of business.[24]

The RFI contemplates setting the overnight balance limit at the lesser of $500 million and 10 percent of the Payment Account holder's total assets. Limiting balances in Payment Accounts is consistent with the purpose of a Payment Account to facilitate only payment, clearing, and settlement activity. Further, balance caps help ensure that Payment Account balances do not grow so large such that a single holder of a Payment Account—or all holders of Payment Accounts in the aggregate[25]—could have financial stability implications by attracting deposits away from insured banks and credit unions that extend credit to consumers and businesses or dramatically expand the size of the Federal Reserve's balance sheet.

While we support an overnight balance cap for these reasons, the cap would be more effective in mitigating risks if it were tailored to each Payment Account holder as well as subject to an absolute ceiling. Specifically, the Reserve Banks should establish an overnight balance cap for each holder of a Payment Account that is calibrated based on a combination of the account holder's historical payment activity, both transaction value and volume, and reasonably expected near-term settlement needs.[26] The proposed overnight balance limit of the lesser of $500 million and 10 percent of the institution's assets should serve as an upper bound on this cap for each Payment Account holder in order to limit the aggregate expansion of the Federal Reserve's balance sheet and footprint in the financial system attributable to Payment Accounts. Consistent with the Guidelines, the design of these balance caps must also consider the risks that each group of like Payment Account holders could pose as described under the Guidelines.[27]

The RFI notes that a Reserve Bank could have the ability to adjust the overnight balance limit, temporarily or permanently, on a case-by-case basis. In some cases, the Reserve Bank would be expected to consult with the Board on such an adjustment. First, to mitigate the risks associated with larger overnight balances described above, the Reserve Banks should be permitted to make ***upward*** adjustments up to the lesser of the $500 million or 10 percent asset threshold only temporarily—e.g., no longer than a specified very short period, such as a 24- or 48-hour period—and under specific

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[24] Such a cap would not be unique. The Bank of England restricts the overnight balances for its "settlement accounts," which are unremunerated accounts used for payments by bank and nonbank participants, and charges fees for breaching these balance limits. In addition, the UK Financial Conduct Authority is required to (i) authorize non-bank payment service providers to ensure they meet rigorous conduct and consumer protection standards before gaining eligibility for Bank of England settlement accounts and (ii) supervise these institutions for ongoing compliance with these standards. Bank of England, *Access policy for RTGS settlement accounts and services* (April 2, 2025), https://www.bankofengland.co.uk/payment-and-settlement/access-policy-rtgs-settlement-accounts-services.

[25] Over time, the balances of all Payment Account holders could in the aggregate represent a significant Federal Reserve liability.

[26] Furthermore, the Reserve Banks must have the right to reduce this cap in a timely manner in light of the risks posed by the capital and liquidity resources of the institution, financial stability considerations, and other risk-based factors.

[27] *See* Guidelines for Evaluating Account and Services Requests, 87 Fed. Reg. at 51108–09.

circumstances, such as to address a temporary surge in payment volume due to special circumstances of limited duration. Second, a Payment Account holder seeking a permanent increase should have to undergo a comprehensive risk management review by the relevant Reserve Bank, and the proposed increase in the limit should be made public, as should the institution's original balance limit and the Reserve Bank's reasoning for granting any such request to increase it. Third, the Board should articulate the standards for when and how a Reserve Bank may adjust the overnight balance limit, either temporarily or permanently, to ensure transparency and consistency across Reserve Banks for such adjustments. Finally, any such adjustments should be appropriate for the reasonably expected near-term settlement needs of the Payment Account holder, the risks posed by the capital and liquidity resources of the institution, financial stability considerations, and other risk-based factors.

To further mitigate these risks posed by Payment Account holders, the Federal Reserve also should consider establishing maximum daily transaction volume and value limits that a Payment Account holder may not surpass without penalty. These limits could be set based upon the account holder's activities, characteristics, and risk profile, and would limit the ability of a Payment Account holder—or a group of Payment Account holders—to become more systemically important to the U.S. payment system without being subject to the full suite of federal regulations and supervisory oversight applied to IDIs and their holding companies. If a Payment Account holder wishes to process a higher volume and value of transactions on a permanent basis, the accountholder would have to become eligible for a Master Account as outlined above and obtain Reserve Bank approval to establish such an account.

B. Payment Account holders should have access only to payment systems that provide final, irrevocable settlement and are subject to real-time monitoring.

In addition, to ensure that credit risk to Reserve Banks is mitigated, a Payment Account holder should have access only to Reserve Bank payment systems that provide final, irrevocable settlement and are subject to effective real-time monitoring such that transactions will be rejected if the account holder lacks sufficient funds in its Payment Account. The RFI identifies those payment systems that meet this requirement: the Fedwire® Funds Service and the National Settlement Service ("NSS"); while the FedNow® Service provides final, irrevocable settlement, the Board has not publicly indicated whether it is subject to real-time monitoring.[28]

We support the RFI's proposal to deny Payment Account holders access to other Reserve Bank payment systems, including Federal Reserve check services, FedCash services, and the FedACH Service. Access to such services would create unacceptable levels of risk to the Reserve Banks and the overall payment system. The RFI justifies this decision on the ground that these services "do not currently have automated solutions that can reject transactions that would cause daylight overdrafts," but these

[28] The Payment Account appears designed, at least in part, to boost participation in the FedNow Service. If the Payment Account is adopted, it should be accompanied by greater transparency about this service, including pricing and plans to recoup costs as required by the Monetary Control Act. If the FedNow Service is subject to real-time monitoring, the Board should update the Federal Reserve Policy on Payment System Risk and its implementing guide accordingly. *See*, *e.g.*, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, FEDERAL RESERVE POLICY ON PAYMENT SYSTEM RISK § G.2 (July 20, 2023); BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, GUIDE TO THE FEDERAL RESERVE'S PAYMENT SYSTEM RISK POLICY ON INTRADAY CREDIT (July 20, 2023) § VI.A.2 n. 108 (noting that when an institution's account is monitored in real time, outgoing Fedwire Funds transfers and NSS transactions are rejected if such transactions exceed an institution's daylight overdraft cap).

services should be restricted even if such automated systems exist in the future.[29] Unlike payment systems such as the Fedwire Funds Service and the FedNow Service in which settlement of funds transfers is final and irrevocable, ACH items and checks are subject to long return windows.[30] For example, under Nacha rules, an ACH item that does not overdraw a Payment Account on the day it settles still could cause an overdraft weeks or months later if it is returned and the account holder does not maintain sufficient funds to settle for the return.[31] The same holds true for check services, because the Reserve Banks might receive returns or warranty claims without having a positive balance in the Payment Account to charge.

Further, complex payment systems like the FedACH Service require participating depository financial institutions ("DFIs") to have sufficient sophistication and expertise to manage the clearing and settlement of a high volume of ACH items, both credit and debit (unlike the credit-push-only functionality of the Fedwire Funds Service and FedNow Service). Allowing entities that are not subject to federal prudential supervision to access this payment service as a DFI and settle ACH activity in its own Reserve Bank account would significantly increase the risk to other DFIs, especially if the Reserve Bank refuses to handle a validly returned item due to its own credit risk. Only highly regulated financial institutions should be permitted to act as originating or receiving DFIs and settle ACH activity in their own Reserve Bank accounts.

NSS may present risks different from other Federal Reserve services because it is used to settle obligations that arise from activity cleared through private-sector services, such as payment or securities clearing systems. Because the Reserve Banks do not participate in such private-sector activity, the Reserve Banks generally would not have ongoing insight into the nature of the activity that a Payment Account holder is using NSS to settle or the risk posed by such activity—at least in the absence of transaction monitoring or ongoing diligence by the Reserve Banks of the account holder's activity. This opacity may introduce BSA/AML and other risks. The Board therefore should require the Reserve Banks, before allowing a Payment Account holder to become a settler in an NSS arrangement, to (i) confirm that such access will be used for the express purpose of settling the institution's privately cleared payment activity as part of its participation in a clearinghouse or other clearing and settlement arrangement; and (ii) consider the risks that such access may pose under each of the principles of the Guidelines, with a particular focus on impact to the overall payment system and financial stability (principles 3 and 4) and risks of facilitating illicit activity (principle 5), and require that appropriate risk mitigants and controls be adopted by the Payment Account holder and the Reserve Banks (e.g., ongoing transaction monitoring).

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[29] We expect any effort to build real-time monitoring capability for FedACH transactions would be significant and costly given both the complexity of the FedACH service (e.g., DFIs can send and receive both credit-push and debit-pull transactions) and the enormous volume of transactions it processes. If the Federal Reserve proposes to develop this capability, it should seek public comment consistent with longstanding Board policy regarding the pricing of Federal Reserve Bank services. *See* BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, PRINCIPLES FOR THE PRICING OF FEDERAL RESERVE BANK SERVICES (last updated Nov. 20, 2008), https://www.federalreserve.gov/paymentsystems/pfs_principles.htm.

[30] Although FedCash services would not present the same credit risk, access to those services would not be appropriate for Payment Account holders because cash heightens the risk of BSA and AML violations, as cash is easier to use for illicit purposes since it is less traceable than electronic payments.

[31] Even if the Federal Reserve could implement real-time monitoring for FedACH transactions, this monitoring could have negative effects for consumers and businesses using the service. For example, consumer bills might go unpaid if the monitor rejects the ACH debits originated to pay them.

The RFI also indicates that Payment Account holders would have access to the Fedwire Securities Service for free transfers only. Given the Board's principle that a Payment Account would be established "for the express purpose of clearing and settling the institution's payments," it is not clear why a Payment Account holder would need access to the Fedwire Securities Service. This service should not be made available to Payment Account holders unless the Reserve Bank determines that the service would be clearly related to the account holder's payment, clearing, and settlement activity.

We support the Federal Reserve's proposal that Payment Accounts not have discount window access, which could present credit risk to the Reserve Bank. This important safeguard is consistent with the condition that Payment Account holders have access only to those payment services that cannot result in an overdraft and thus cannot present credit risk to a Reserve Bank. To ensure this risk mitigant is applied consistently and durably over time, the Board should codify this condition in Regulation A.

C. Interest should not be paid on balances in Payment Accounts.

Consistent with the concept of granting an account for the express purpose of clearing and settling an institution's payment activity, the Federal Reserve has proposed that Payment Account holders should not receive interest on balances in their accounts. This limitation is crucial to address risks to financial stability and financial intermediation—risks that the Federal Reserve has itself identified in a similar context.[32]

With respect to financial stability risk, the Federal Reserve has observed that reserve balances are attractive investments during times of financial stress.[33] Deposits at institutions with Payment Accounts could be seen as more attractive than alternative investments such as Treasury bills, particularly if those deposits earned interest at a rate that would not necessarily fall as demand surged. As a result, Payment Accounts could serve as magnets for flights to quality from investments such as commercial paper or short-term debt issued by nonfinancial firms, financial firms, and state and local governments, which could greatly amplify systemic stress. If the Reserve Banks were to pay interest on balances in Payment Accounts, Payment Accounts would be even more attractive during times of financial stress, and runs on investments in these other entities could become more frequent and more severe.

With respect to financial disintermediation, paying interest on balances in Payment Accounts—which, again, are likely to be held by uninsured entities engaged primarily in payments activities and not traditional deposit taking and lending—could lead to fewer deposits being held at commercial banks. If deposits at institutions with Payment Accounts are seen as a more attractive investment than deposits at traditional deposit-taking banks and credit unions (because the former could now afford to pay a higher rate of interest), depositors would likely move some of their deposits to the former from the latter, even though many Payment Account holders would not be IDIs engaged in the business of taking

[32] *See* Regulation D: Reserve Requirements of Depository Institutions, 84 Fed. Reg. 8829, 8830–31 (March 12, 2019).

[33] *See id*. at 8831.

deposits to make loans to consumers and businesses. This reduction in deposits could increase bank and credit union funding costs, which in turn could raise the cost of credit for the real economy.[34]

With respect to the Federal Reserve's role in the financial system, paying interest on Payment Accounts would risk expanding the Federal Reserve's balance sheet beyond what is necessary to support account holder payment activity and would further expand the Federal Reserve's footprint in the financial system.[35] Paying interest on Payment Account deposits would increase demand for these accounts and balances held in them; because Payment Account deposits are a liability on the Federal Reserve's balance sheet, the Federal Reserve would have to purchase corresponding assets. Paying interest on these deposits thus could ultimately introduce challenges and complexities in controlling the size of the Federal Reserve's balance sheet.

We agree with the RFI that prohibiting the payment of interest on balances maintained in a Payment Account should be a term of the account itself and codified in Regulation D. Consistent with section 11(k) of the Federal Reserve Act, the Board cannot delegate rate-setting—much less the decision to pay interest at all—to the Reserve Banks. Consistent with the Federal Reserve Act, Reserve Banks should be prohibited by regulation from changing this important feature of the account.

D. Payment Accounts should not be used to benefit third parties.

We agree with the RFI that a Payment Account holder should not be permitted to act as a correspondent bank settling transactions in its Payment Account for respondent institutions.[36] In addition, consistent with the Reserve Banks' current practice for Master Accounts, we agree that the Reserve Banks should not recognize third-party interests in Payment Accounts.[37] Instead, a Reserve Bank should treat all balances in a Payment Account solely as obligations of that Reserve Bank to the account holder, as it does for balances in a Master Account. This would be a crucial risk-mitigation tool for the Reserve Banks for several reasons. First, only a limited number of institution types are legally eligible for Reserve Bank accounts. Recognizing the interest of customers of account holders in Reserve Bank accounts would contravene the longstanding statutory limitation on account provisioning by the Reserve Banks. Second, requiring Reserve Banks to recognize third-party interests in Reserve Bank accounts could expose Reserve Banks to undue risk. In the event of the insolvency or failure of the account holder, the Reserve Banks could be in a position of being subject to the claims of myriad third parties with respect to the balance of the account and would have to keep records of those persons to determine to whom they owe the balance of the account, which would be a tremendous drain on Federal Reserve resources and could create significant uncertainty and confusion.

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[34] *See*, *e.g.*, Wang, *Banks in the Age of Stablecoins: Some Possible Implications for Deposits, Credit, and Financial Intermediation* ("Empirical evidence confirms that funding shocks for banks generally translate into significant reductions in credit supply").

[35] Balance caps, even with the modifications we propose above, would not fully mitigate this risk, because payment of interest on balances would incentivize Payment Account holders to increase the size of their respective tailored balance caps and to maintain as high of a balance as possible up to their respective balance caps. Payment of interest is therefore a critical risk mitigant notwithstanding other risk mitigants proposed by the Board.

[36] *See* Request for Information and Comment on Reserve Bank Payment Account Prototype, 90 Fed. Reg. at 60098.

[37] *See id*.

To be clear, we understand the restriction outlined in the RFI that would prohibit Payment Account holders from acting as correspondent banks to mean that Payment Account holders will not be permitted to be sponsor banks (e.g., for fintech companies, payment processers, or money services businesses). Sponsor banks must be subject to a full federal examination and the highest levels of supervision. The Payment Account holder should be clearing and settling its own or direct proprietary payment flows, not providing these services to third parties. For the same reason, Payment Account holders should not be permitted to provide nesting arrangements, which would introduce unacceptable levels of BSA/AML risk.[38]

Similarly, the Reserve Banks should deny Payment Account applications from institutions that have been formed or are operated with the primary purpose of providing banking services to an affiliate, group of affiliates, or single unaffiliated party or group that would not itself be eligible or qualified for a Reserve Bank account. Absent this restriction, a Payment Account could effectively be used as a conduit that would both (i) expose the account holder to significant concentration risk with respect to that affiliate or third party and (ii) allow ineligible institutions to evade or circumvent legal eligibility requirements by establishing or utilizing an affiliate, or utilizing an unaffiliated third party, that establishes a Reserve Bank account operated in substantial part for the ineligible institution's own benefit. Such a restriction would also be consistent with the limitations Congress has imposed on the use of Federal Reserve accounts by certain financial institutions for transactions on behalf of their affiliates.[39] Given the importance of separating banking and commerce, this restriction would be particularly important for affiliates and third parties that predominantly engage in commercial, rather than financial, activities.[40] Account holder payment volume and value on behalf of any single affiliate, group of affiliates, or third party or group of third parties therefore should be capped at no more than 10 percent of a Payment Account holder's total payment volume.[41]

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[38] In a nested arrangement, a financial institution provides accounts and services to a fintech or other institution, which in turn processes activity for its own customers.

[39] *See, e.g.*, 12 U.S.C. § 1841(c)(2)(H) (excepting an industrial loan company from the BHCA's definition of "bank" so long as it does not "permit[] any overdraft . . . , or incur[] any such overdraft in such institution's account at a Federal Reserve bank, on behalf of an affiliate"). *See also* S. Rep. 100-19, at 10 ("'The risks inherent in parent-affiliate relationships would,' as Chairman Volcker observed, 'be exacerbated by the financial formula likely to be followed by a commercial parent seeking access to the payments system through ownership of a nonbank bank: token capitalization of the bank relative to both the size of the parent and to the very high dollar volume of transactions [funneled] through the bank.'").

[40] Uninsured institutions requesting Payment Accounts are less likely to be banks subject to the BHCA and thus could have affiliates that engage in commercial activities (unless they are affiliated with an IDI or other bank subject to the BHCA).

[41] While we note above that this restriction is important to maintain the separation of banking and commerce, risks also could be posed if a Payment Account were used to provide services to third parties or affiliates that themselves conduct bank-like activities. For example, some fintechs that provide payment services may also have affiliates or third-party partners that extend credit or offer deposit-like money management accounts. If a lending or money management affiliate can also provide customers direct payment system access through an affiliate's or partner's Payment Account, then together the group may closely resemble a fully functional bank, but one without consolidated federal supervision or any one entity being subject to full bank-like prudential supervision. The Federal Reserve must carefully scrutinize not only the activities of the Payment Account applicant but also the combined activities of the applicant, its affiliates, and other business partners and give due consideration to the risks that could be presented by these activities in the aggregate.

These restrictions are also important because third-party payment processing carries significant BSA/AML, sanctions, compliance, and fraud risks.[42] Any permitted use of a Payment Account therefore should require the Payment Account holder to commit to heightened risk management standards, including compliance with third-party risk management and BSA/AML expectations and examinations at the same level of rigor applicable to IDIs.

VI. The Federal Reserve should establish additional risk controls for Payment Accounts.

The RFI states that the Board is exploring additional risk controls and conditions for a Payment Account that "could cover areas of risks to the Reserve Bank and payment system (such as operational or cyber risks), or risks associated with illicit financing (such as [AML] risk mitigation)." The proposed risk mitigants in the RFI would primarily address credit risk to Reserve Banks, but these accounts present at least the same level of BSA/AML risk, operational, cybersecurity and other risks as Master Accounts. It is critically important that risk controls addressing those and other risks identified in the Guidelines be established and consistently applied across Reserve Banks to Payment Accounts. For example, without effective BSA/AML risk management, Payment Account holders could introduce BSA/AML risk to other participants in the payment system, which also could undermine confidence in the safety and security of the payment system as a whole.[43]

The Board should establish strict controls and oversight for Payment Accounts obtained by uninsured institutions to mitigate BSA/AML and economic sanctions risk consistent with those articulated in the Guidelines,[44] such as defining minimum standards and monitoring expectations,

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[42] In addition, because the Federal Reserve would continue its current practice of not recognizing third-party interests in Payment Accounts, institutions that obtain Payment Accounts may use those accounts to process their payment activity but custody customer funds with IDIs. The Board should consider whether such arrangements pose unacceptable risk under any of the standards in the Guidelines, including risk to the payment system or stability of the financial system. More generally, the Federal Reserve should consider which negative second-order effects could be precipitated if Payment Accounts are established. For example, it should consider whether there could be implications for bank and credit union funding models, including deposit classification, if funds previously held at IDIs were moved to Payment Accounts.

[43] This potential BSA/AML risk to the payment system is not hypothetical. There is a documented history of enforcement actions against nonbank entities for systematic BSA/AML and sanctions failures. The enforcement actions have consistently cited compliance issues with respect to, among other things, (i) poor transaction monitoring systems that fail to timely detect and escalate suspicious activity; (ii) inadequate customer due diligence/know your customer measures, especially for high-risk clients or given rapid onboarding; (iii) weak risk governance and oversight, including under-resourced compliance teams; (iv) sanctions screening failures and ineffective escalation of alerts; and (v) failure to implement enhanced due diligence for high-risk customers and jurisdictions.

[44] Indeed, as outlined in the Guidelines, Reserve Banks should confirm that Payment Account applicants have a BSA/AML compliance program consisting of the components set out below and in relevant regulations. These components include the following: (i) a system of internal controls, including policies and procedures, to ensure ongoing BSA/AML compliance; (ii) independent audit and testing of BSA/AML compliance to be conducted by bank personnel or an outside party; (iii) designation of one or more individuals responsible for coordinating and monitoring day-to-day compliance (i.e., a BSA compliance officer); (iv) ongoing training for appropriate personnel, tailored to each individual's specific responsibilities; and (v) appropriate risk-based procedures for conducting ongoing customer due diligence, including procedures to understand the nature and purpose of customer relationships for the purpose of developing a customer risk profile and conducting ongoing monitoring to identify

including but not limited to customer due diligence, transaction monitoring, and reporting of suspicious activities obligations.[45] Establishing strong controls is important, as the proposal in the RFI contemplates that entities that are not subject to comprehensive regulation or consistent oversight and that have not traditionally had direct access to a Federal Reserve account or services would be able to obtain such direct access. Historically, the Reserve Banks have generally relied on IDIs and other federally regulated institutions to serve as correspondents for such entities, with the entities then obtaining payment services from the federally regulated correspondents. These correspondents therefore interpose a layer of risk management on which the Reserve Banks could rely, as the entities with accounts serving as correspondents are themselves subject to robust regulation and supervision, including with respect to BSA/AML risk. Correspondent banks conduct due diligence and transaction monitoring for financial institutions for which they provide these services.

The Reserve Banks, in their capacity as payment system operators, do not supervise institutions with Master Accounts but rather rely on those institutions' primary supervisors to ensure that they abide by regulatory obligations. Because of the national imperatives of an effective, consistent BSA/AML and sanctions program, we believe that Payment Account holders should be either subject to examination and enforcement by a federal banking supervisor for these matters—or, absent such a supervisor, continued monitoring and assessments by the Reserve Banks, which could refer any findings to the institution's federal or state regulator for investigation and enforcement (e.g., the IRS and state banking agency, as well as the Financial Crimes Enforcement Network and OFAC). In all situations, the Reserve Banks should conduct an assessment of each institution requesting a Payment Account to evaluate the institution's risk management systems, including with respect to BSA/AML risk management before granting its account request.

Payment Account holders should be required to notify the Reserve Banks of material compliance and other risk issues, such as cybersecurity breaches that affect their the accounts.[46] In

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and report suspicious transactions and, on a risk basis, to maintain and update customer information. In addition, the Guidelines provide that the Reserve Bank should confirm that the institution has a compliance program designed to support its compliance with the Office of Foreign Assets Control ("OFAC") regulations and that an OFAC compliance program should identify higher-risk areas, provide for appropriate internal controls for screening and reporting, establish independent testing for compliance, designate a bank employee or employees as responsible for OFAC compliance, and create a training program for appropriate personnel in all relevant areas of the institution. The Reserve Banks should impose similarly rigorous standards and requirements for cyber risk management by Payment Account holders. A serious cybersecurity incident at a Payment Account holder could impair payment system participants and the Federal Reserve itself, with enormous consequences for financial stability and the U.S. economy.

[45] With respect to eligible institutions that will seek to become permitted payment stablecoin issuers under the GENIUS Act, the U.S. Department of the Treasury and the federal banking agencies have various rulewriting obligations, including with respect to BSA/AML and sanctions compliance requirements. The finalization of such rules will take time, and, consistent with our recommendation that entities demonstrate at least a year of successful safe and sound operation before being permitted to apply for a Payment Account, the entity's safe and sound operation must include compliance with BSA/AML and sanctions requirements. Therefore, these entities should not be understood to be eligible to apply for Payment Accounts until at least one year after commencing operation under the regulatory framework that is required to be established under the GENIUS Act.

[46] We note that the Reserve Banks' Operating Circular 5 requires institutions that have access to Federal Reserve services to provide immediate notice to the Reserve Banks of certain cybersecurity breaches and other events that

addition, Reserve Banks must be permitted to review Payment Account holders' other payment activity through their correspondent banks in order to ensure effective, holistic BSA/AML monitoring across the full scope of the account holders' payment activities.

To address other risks presented by a Payment Account, Payment Account holders should be required to:

- Have robust enterprise and operational risk management programs, including with respect to third-party risk, operational resilience, and new product approvals;
- Implement strong cybersecurity, information security and data protection measures, including with respect to identity and access management, IT resilience, network security, and cloud security;
- Comply with minimum capital and liquidity requirements and establish effective liquidity management practices;
- Have internal fraud and negligence risk management programs;
- Attest on a regular basis that they are in compliance with Federal Reserve Operating Circulars governing electronic access and participation in each payment rail;[47]
- Enter into an agreement with their Reserve Bank (which would be standardized as to content across all Reserve Banks) containing the account parameters and limitations adopted for Payment Accounts, as well as any needed variations from provisions in Operating Circulars;
- Participate in system and operational testing and endpoint security activities; and
- Maintain robust risk management, business continuity and contingency plans to ensure that, in the event of failure, they can be wound down in an orderly manner without causing systemic disruption.

In addition, before granting any Payment Accounts, the Federal Reserve should establish:

- Flexible, scalable risk-monitoring tools, including kill switches;
- Cyber and electronic access certification validation requirements;
- Scalability and capacity planning to ensure payments infrastructure can handle an increased number of participants and transaction volumes;
- 24/7 real-time monitoring of Payment Account balances;
- Effective liquidity management practices including intraday liquidity monitoring and tools to block payments that would cause an overdraft;

impact their use of or access to Federal Reserve services. *See* FEDERAL RESERVE BANKS' OPERATING CIRCULAR NO. 5, GENERAL FINANCIAL SERVICE PROVISIONS § 1.4 (Jan. 5, 2026).

[47] Payment Account holders should be bound to the same Operating Circulars as Master Account holders with respect to their account and use of Reserve Bank financial services, including, but not limited to, Operating Circulars 1, 5, 6, and 8. We recommend that the Federal Reserve review its Operating Circulars and other account- and services-related guidance, agreements, and other materials for necessary updates to reflect the limitations and requirements applicable to Payment Accounts. These materials should be standardized and made transparent to the greatest extent possible to ensure consistent, appropriate risk mitigants are implemented across Reserve Banks.

- Robust testing requirements to ensure operational resiliency, including—if applicable to the institution—mandated participation in industry-wide exercises (e.g., FedLine Advantage® file import/export and protracted outage exercises); and
- Protocols for timely communication with counterparties in the event of payment system disruptions or outages related to a Payment Account holder.

VII. Conclusion

The question of which institutions should be permitted to open accounts with a Reserve Bank, whether a Master Account or a Payment Account, or obtain Reserve Bank services remains critically important in light of the risks that such accounts or services can present to the Reserve Banks, other payment system participants, and U.S. payment and financial systems. Because certain types of eligible institutions, such as uninsured depository institutions that are not subject to federal supervision at either the institution or holding company level, have not traditionally had direct access to Reserve Bank accounts or services and may present heightened risks, the Federal Reserve should proceed methodically and cautiously in considering whether such entities should have access to any type of Reserve Bank account, including a Payment Account. The Federal Reserve should ensure that any entity granted access to a Payment Account abides by the risk mitigants identified in the RFI as well as the additional risk mitigants we have outlined in this letter to mitigate the risks presented by providing Payment Accounts to institutions that have not traditionally had such access because they are not subject to comprehensive, consolidated supervision. In addition, the Board should ensure that requests are evaluated consistently and subject to the same risk controls across Reserve Banks.

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The Associations appreciate the opportunity to comment on the proposal and would welcome the opportunity to discuss our comments further with you. If you have any questions, please contact Paige Paridon by phone at (703) 887-5229 or by email at Paige.paridon@bpi.com or Rodney Abele by phone at (347) 703-1839 or by email at Rodney.abele@theclearinghouse.org.

Respectfully submitted,

Bank Policy Institute
The Clearing House Association
Financial Services Forum

cc: Mark Van Der Weide
General Counsel

Matthew Eichner
Director, Reserve Bank Operations & Payment Systems

Appendix A

Bank Policy Institute: The Bank Policy Institute is a nonpartisan public policy, research and advocacy group that represents universal banks, regional banks, and the major foreign banks doing business in the United States. BPI produces academic research and analysis on regulatory and monetary policy topics, analyzes and comments on proposed regulations, and represents the financial services industry with respect to cybersecurity, fraud, and other information security issues.

The Clearing House Association L.L.C.: The Clearing House Association L.L.C., the country's oldest banking trade association, is a nonpartisan organization that provides informed advocacy and thought leadership on critical payments-related issues. Its sister company, The Clearing House Payments Company L.L.C., owns and operates core payments system infrastructure in the United States, clearing and settling more than $2 trillion every business day.

The Financial Services Forum: The Financial Services Forum is an economic policy and advocacy organization whose members are the eight largest and most diversified financial institutions headquartered in the United States. Forum member institutions are a leading source of lending and investment in the United States and serve millions of consumers, businesses, investors and communities throughout the country. The Forum promotes policies that support savings and investment, deep and liquid capital markets, a competitive global marketplace and a sound financial system.