July 27, 2026

VIA ELECTRONIC SUBMISSION

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

Re: Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests (Docket No. OP-1878)

Dear Mr. McDonough:

The Crypto Council for Innovation ("CCI") appreciates the opportunity to comment on the Federal Reserve Board's proposal to establish special-purpose accounts ("Payment Accounts") at Federal Reserve Banks for the purpose of clearing and settling payments activity for an institution and its customers (the "Proposal").[1]

I. Overview

CCI is a global alliance of leaders within the digital assets industry committed to promoting the benefits of digital assets and their potential for transformation. CCI's members represent various sectors within the digital asset ecosystem and share the common objective of advocating for the responsible global regulation of digital assets to unlock economic opportunities, promote financial inclusivity, safeguard national security, and counter illicit activity. CCI firmly believes that achieving these goals necessitates well-informed, evidence-driven policy choices achieved through collaboration with regulators and policymakers.

As the Board notes at the outset of the Proposal, the payment ecosystem continues to evolve rapidly in light of technological progress, statutory developments, and shifting consumer preferences.[2] These evolutions can benefit American consumers by lowering transaction costs, expanding access to financial services, and increasing consumer choice.

[1] *See* Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests, 91 Fed. Reg. 30627 (May 26, 2026) (Docket No. OP-1878), https://www.federalregister.gov/documents/2026/05/26/2026-10375/proposed-revisions-to-the-federal-reserve-policy-on-payment-system-risk-and-the-guidelines-for.
[2] Proposal at 30628.

Fully realizing these benefits requires regulatory policies that keep pace with innovation while appropriately managing risk to consumers and the financial system. CCI commends the Board for building on its December 2025 Request for Information ("RFI") with this Proposal, which will help promote innovation by extending Federal Reserve Bank services to institutions at the forefront of payments, reducing dependencies on intermediary sponsor banks and associated costs, and freeing up resulting savings to fund new products and services.

As an initial matter, CCI appreciates the Board's thoughtful approach and its consideration of comments submitted in response to the RFI. To that end, CCI offers targeted recommendations to ensure the Payment Account better serves as a meaningful, viable pathway to Federal Reserve Bank services. Specifically, CCI encourages the Board to:

- Revisit the Account Access Guidelines' tiering framework to account for Permitted Payment Stablecoin Issuers (PPSIs);
- Expand the closing balance limit to give Payment Account holders flexibility to meet payment demand;
- Enable Payment Account holders to access FedACH services;
- Allow Payment Account balances to earn at least modest interest;
- Affirm the expedited 90-day application process and clarify the process for reviewing applications;
- Clarify that seeking a Payment Account does not restrict a legally eligible institution from obtaining a Master Account; and
- Work with federal payment stablecoin regulators to give payment stablecoin issuers flexibility to hold reserve assets at Federal Reserve Banks.

In addition, CCI shares the Board's focus on ensuring Payment Accounts operate consistent with robust anti-money laundering ("AML") and countering the financing of terrorism ("CFT") requirements. CCI recommends that the Board address illicit finance concerns by clarifying that Payment Account holders must meet AML/CFT requirements, while leveraging existing regulatory frameworks and ensuring ongoing compliance through effective and efficient monitoring, without duplicating existing requirements.

II. Expanded Access Promotes Responsible Innovation

Under the Federal Reserve Act, Federal Reserve Banks may accept deposits from a member bank or other depository institutions, providing the legal basis for Federal Reserve Banks to establish Master Accounts for legally eligible institutions.[3] Pursuant to this authority, the

[3] *See* Federal Reserve Act § 13 ("Any Federal Reserve Bank may receive [deposits] from any of its member banks, or other depository institutions").

Board adopted Account Access Guidelines in 2022 establishing a risk-tiered framework under which Federal Reserve Banks evaluate which legally eligible institutions may access Federal Reserve services. These Guidelines classify institutions into three tiers based on their supervisory status and the financial, operational, and compliance risks associated with granting access. For example, Tier 1 institutions are federally insured depository institutions that are subject to a comprehensive and consistent set of federal banking regulations and generally receive the lowest level of scrutiny for Master Account access. Tier 2 institutions are not federally insured but are subject to federal prudential supervision at the institution level and, where applicable, the holding company level.[4] Tier 3 institutions are neither federally insured nor subject to prudential supervision at either level. In practice, application of these Guidelines and an indefinite review process has generally precluded a broad range of Tier 2 and Tier 3 institutions from obtaining a Master Account, even though Congress declared such institutions legally eligible to access Federal Reserve Bank services under the Federal Reserve Act itself.[5]

Recommendations

CCI strongly supports the Board's underlying objective of expanding access to Federal Reserve payment services through the establishment of Payment Accounts. In contrast to the current framework, whereby a broad range of non-Tier 1 innovation-forward charters are entirely locked out of any and all Federal Reserve Bank services, the Proposal stands to provide a transparent, risk-mitigating pathway for more legally eligible institutions to access core payment services directly, allowing them to clear and settle transactions in central bank money. Without such access, legally eligible institutions must rely on sponsor banks to route payment activity, which increases costs, operational complexity, and concentration risk among a limited subset of sponsor institutions. As a result, many innovative legally eligible institutions are forced to rely on a narrow set of banks for clearing and settlement, concentrating counterparty, operational, financial, and regulatory risk while constraining competition. By eliminating unnecessary intermediaries and their associated costs, Payment Accounts would allow account holders to redirect savings toward building new products, hiring workers, and investing in innovation that benefits the broader payments ecosystem. For these benefits to be realized, however, the Board must reconsider its proposed restrictions, which threaten to substantially constrain the ability of

[4] *See* Guidelines at 7 (also noting the Board would expect holding companies of Tier 2 institutions to comply with similar requirements as holding companies subject to the Bank Holding Company Act).
[5] *See, e.g.*, Complaint, *Custodia Bank, Inc. v. Federal Reserve Board of Governors*, No. 1:22-cv-00125-SWS (D. Wyo. June 7, 2022) (alleging that Custodia, a Wyoming-chartered depository institution that the Kansas City Fed confirmed met the legal eligibility requirements for receiving a Master Account, nonetheless faced more than 19 months of delay without a decision on its completed Master Account application, during which it remained unable to obtain direct access to Federal Reserve services).

Payment Account holders to develop innovative and efficient payment services. CCI therefore proposes targeted modifications to the Payment Account design in section III below.

CCI also encourages the Board to revisit the Account Access Guidelines' tiering framework to account for PPSIs regulated under the GENIUS Act. All federally qualified PPSIs are supervised by a federal banking regulator and subject to consistent supervisory requirements irrespective of whether they are organized as a bank subsidiary or a nonbank entity. While existing Tier 2 criteria turn on the supervision of an applicant's parent company, the GENIUS Act's statutory design deliberately requires PPSIs to remain ring-fenced from any holding company and bars them from relying on holding company resources for safety and soundness purposes. Accordingly, the Board should update Tier 2 criteria to account for this new class of federally supervised entities. Until updated, the existing criteria will effectively serve as a gating mechanism for federally qualified PPSIs, create a competitive disadvantage for nonbank issuers with no federally-supervised parent, and force bank subsidiary PPSIs to rely on a holding company relationship in a manner that may elevate risk to both the PPSI and its parent institution, contrary to the GENIUS Act's mandate.

III. <u>Payment Account Design</u>

CCI appreciates the Payment Account design's overall objective of expanding access to Federal Reserve services while mitigating risk. To ensure the Payment Account delivers meaningful access and measurable benefits in practice, CCI offers targeted recommendations regarding the closing balance limit, FedACH access, the payment of interest, and the application review timeline and process.

a. Closing Balance Limit

Under the Proposal, Reserve Banks would set an individual closing balance limit for each Payment Account holder based on an analysis of the holder's payment flows, subject to a hard cap of $1 billion.[6] The Proposal also directs Reserve Banks to analyze a holder's payment flows "at the beginning of the Federal Reserve's business day, and take into consideration periods of time when external sources of liquidity may be limited, such as during weekends and holidays."[7]

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[6] *See e.g.*, Proposal at 30639.
[7] *Id.*

Recommendations

CCI recommends that the Board focus the closing balance limit on an institution's actual payment flows rather than adopting a hard-dollar cap. CCI appreciates that the Proposal improves on the prototype proposed in the RFI, which proposed a cap of the lesser of $500 million or 10 percent of the Payment Account holder's assets. Tying closing balance limits to payment activity better aligns the cap with underlying risk and the Board's stated objective of establishing Payment Accounts as payments-focused facilities.

However, the proposed standard leaves Reserve Banks with significant discretion, raising the risk that similarly situated institutions receive materially different treatment depending on which Reserve Bank reviews their application. The Board should provide transparent, objective standards to reduce uncertainty of outcomes in this area. CCI recommends that the Board codify a principles-level activity-based closing balance standard in Regulation D, while keeping any numeric cap and adjustment process in the Payment System Risk Policy so the Board retains flexibility to scale the cap over time.

The proposed $1 billion cap itself remains an arbitrary fixed threshold that may prove impractical for larger institutions—particularly PPSIs operating at national scale. PPSIs are uniquely focused on payment services, and the GENIUS Act already imposes robust risk-mitigating requirements, including 1:1 reserve backing and a prohibition on rehypothecation of reserve assets. Moreover, the GENIUS Act explicitly contemplates PPSIs holding reserve assets in an account at a Federal Reserve Bank, as deposits held at a Federal Reserve Bank are explicitly enumerated as a permissible reserve asset.[8] As written, the proposed cap frustrates this arrangement, and instead pushes reserves in excess of the closing balance limit back into commercial banks where the Federal Reserve has less direct visibility.

CCI further recommends that the Board avoid basing any balance cap on historical Master Account balances, given the fundamentally different intended use of Payment Accounts. Instead, the Board should adopt an activity-based benchmark that allows for predefined temporary increases for weekends, holidays, quarter-ends, and periods of stress.[9]

[8] GENIUS Act § 4(a)(1)(A)(i) (providing United States coins and currency (including Federal Reserve notes) or money standing to the credit of an account with a Federal Reserve Bank as permissible assets that may satisfy GENIUS Act's 1 to 1 backing requirement).
[9] For example, the Board should consider a benchmark of approximately ten percent of circulating supply for gross redemption flows.

b. Federal Reserve Payment Services Included in Payment Account

Under the Proposal, Payment Account holders would have access only to services for which Reserve Banks can automatically reject transactions that would cause an overdraft.[10] In practice, this would mean Payment Account holders could access Fedwire Funds Service, the FedNow Service, the National Settlement Service, and the Fedwire Securities Service (for free-of-payment securities transfers), but not FedACH.

Recommendations

CCI encourages the Board to continue exploring the development of necessary controls so that technical limitations are not the chief impediment to legally eligible institutions accessing FedACH services. As an initial step, the Board should explore prefunded ACH access with automated overdraft-reject controls. To the extent the Board remains concerned with how to address ACH batching, where transactions in aggregate may breach the zero balance limit, the Board could limit Payment Account holders to credit-push transactions or otherwise restrict debit-pull activity until the necessary controls are built to allow for full FedACH access. As explained in CCI's response to the RFI,[11] FedACH access is critical to allowing Payment Account holders to offer customers core, routine payment services without relying on intermediary banks. Without FedACH access, Payment Accounts' practical utility and the Board's goal of facilitating payments innovation will remain limited.

Separately, the Proposal states that Payment Account holders would only have access to, "*at most*, services for which the Reserve Banks can automatically reject transactions that would cause an overdraft."[12] Because the phrase "at most" creates ambiguity, the Board should clarify precisely which services Payment Account holders may access, so applicants and the public have clear and consistent expectations across Reserve Banks.

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[10] Proposal at 30638.
[11] *See* Letter from Crypto Council for Innovation to Benjamin W. McDonough, Deputy Sec'y, of the Board (Feb. 6, 2026) (commenting on Request for Information and Comment on Reserve Bank Payment Account Prototype), https://cryptoforinnovation.org/wp-content/uploads/2026/03/CCI-Comment-Letter-Re_-Request-for-Information-and-Comment-on-Reserve-Bank-Payment-Account-Prototype.pdf.
[12] Proposal at 30638 (emphasis added).

c. Payment of Interest

Under the Proposal, balances in a Payment Account would not receive interest.[13] According to the Proposal, this prohibition on interest, together with the closing balance limit, is intended to support the Board's goals of ensuring Payment Accounts are used for their intended payments purpose and to minimize direct effects on the Federal Reserve balance sheet to only what is needed for efficient and effective implementation of monetary policy.[14]

Recommendation

CCI encourages the Board to allow Federal Reserve Banks to pay Payment Account holders at least modest interest on Payment Account balances. A modest interest rate would make Payment Accounts more economically viable for institutions that must weigh the benefits alongside operational costs. The absence of interest will also have significant implications for PPSIs. If Payment Accounts offer no return while commercial bank deposits continue to pay interest, PPSIs will have little economic incentive to migrate reserve assets to the Federal Reserve at any meaningful scale. This will undercut the systemic benefits of holding reserve assets in central bank money, including reduced counterparty risk and reduced run risk.

A zero interest rate also works against the Board's settlement adequacy objective by providing a strong economic incentive for Payment Account holders to keep their accounts thinly funded, even at levels that threaten the successful clearing of payments. Paying modest interest would mitigate this risk and reduce stress transmission caused by Payment Account holders simultaneously withdrawing their funds at close of business to avoid foregone earnings.

d. Review Timeline & Application

The Board proposes that Reserve Banks complete review of Tier 1 account and service requests (including both Master Account and Payment Account requests) within 45 calendar days of receiving all requested documentation. For Payment Account requests from Tier 2 and Tier 3 institutions, the Board proposes a 90-calendar-day review period, with Reserve Banks consulting the Board if review is likely to exceed that window. The Proposal does not, however, specify when an application would be considered complete.

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[13] Proposal at 30647.
[14] Proposal at 30640.

Similarly, the Proposal does not specify a timeline for Master Account requests from Tier 2 and Tier 3 institutions, citing variations in charter types, business models, and risk profiles.

Recommendations

CCI supports the Board's proposed 90-day streamlined process for Payment Account applications, which appropriately reflects the Payment Account's limited-purpose structure and inherent risk-mitigating features. CCI encourages the Board to further streamline the application process by establishing clear criteria defining what documentation and information an institution must submit for an application to be considered complete. Clear, transparent criteria will create a more efficient application process and avoid delays in processing review by ensuring Reserve Banks have the necessary information to process applications within the proposed 90-day timeline. More specifically, CCI asks the Board to: (1) clearly define when an application is deemed complete; (2) limit successive, open-ended information requests once an application is complete; and (3) require Reserve Banks to provide written reasons for any denial, along with an escalation path to the Board. Finally, the Board should ensure that the Payment Account policy process does not serve as a basis for an indefinite pause on review of Master Account access decisions for Tier 3 institutions.

IV. Payment Accounts Should Not Impede Master Account Access

Under the Proposal, legally eligible institutions may choose to request either a Payment Account or a Master Account.[15]

Recommendations

CCI encourages the Board to clarify that seeking a Payment Account does not restrict or preclude a legally eligible institution from seeking a Master Account. The Board should also make explicit that establishing the Payment Account framework does not create any presumption that a Tier 2 or Tier 3 institution is limited to a Payment Account, or to some lesser product. Payment Accounts should operate alongside, not in place of, Master Account access. Further, the Board should set transparent timelines for Tier 2 and Tier 3 Master Account reviews so that the new Payment Account framework does not become, in effect, the only practical avenue available to eligible nonbank institutions.

[15] Proposal at 30629.

V. Establishing Federal Reserve Master Accounts for PPSIs

As the Board continues to review and finalize this Proposal, Federal payment stablecoin regulators are simultaneously implementing rules under the GENIUS Act, including requirements governing how PPSIs must manage their reserve assets backing their outstanding payment stablecoins. For example, the Office of the Comptroller of the Currency ("OCC") is considering a reserve asset diversification requirement that would prohibit a PPSI from holding more than 40 percent of reserve assets at any single eligible financial institution.[16]

Recommendations

Consistent with the Proposal's approach of facilitating payments innovation and mitigating risks, the Board should work closely with the OCC to enable a PPSI that is a subsidiary of an IDI to open a Master Account directly at the Federal Reserve or maintain a designated subaccount of the Parent IDI's Master Account.

In tandem, the Board should coordinate with the OCC to provide issuers with an affiliate that holds a Master Account at a Federal Reserve Bank flexibility in satisfying any final rules regarding concentration requirements. For example, a PPSI that is an IDI subsidiary or national trust bank subsidiary should be able to hold up to 100 percent of its reserve assets as deposits at the affiliate, provided that the affiliate holds an equivalent amount of cash at its Federal Reserve Master Account and remains well-capitalized. This approach would eliminate the operational risk of forcing bank subsidiary PPSIs to shift reserves to third-party institutions, avoid the complexity and fragmentation of multi-bank arrangements, and leverage the robust bank supervisory framework already applicable to these entities.

VI. Addressing Illicit Finance Concerns

Under Principle 5 of the Account Access Guidelines, Reserve Banks evaluate whether granting an account and services would create undue risk of facilitating money laundering, terrorism financing, sanctions violations, or other illicit activity. The Proposal sets out a non-exhaustive list of informational requirements that a Reserve Bank may impose on a Payment Account holder on an ad hoc or periodic basis, including third-party compliance

[16] Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency, 91 Fed. Reg. 10,202 (Mar. 2, 2026) (proposed rule).

assessments, attestations, and audit reports. The Board has specifically asked whether non-federally-insured Payment Account applicants should be required to submit a BSA "bank" attestation, an independent third-party assessment, or whether Reserve Banks should instead confirm that an applicant's existing supervisory regime is comparable to that of a federally insured institution.

Recommendations

CCI supports requiring Payment Account holders to demonstrate BSA/AML and OFAC compliance as a condition of access, provided the Board relies primarily on existing supervisory examination findings rather than defaulting to new, duplicative assessment requirements. Where an eligible institution is already subject to examination by a primary federal supervisor for BSA/AML and OFAC compliance, the Board should not impose additional, Payment-Account-specific requirements on top of that existing supervisory framework.

Of the three approaches identified in the Proposal, CCI recommends that the Board adopt an attestation requirement as the baseline standard. As the Board itself recognizes, most institutions legally eligible for a Reserve Bank account already meet the Bank Secrecy Act's definition of "bank" and are subject to AML program obligations on that basis, independent of deposit insurance or Tier 1 status. An attestation confirming this existing legal status imposes no new compliance obligation while still giving Reserve Banks a clear basis for review, making it the least burdensome of the three options. Independent third-party assessments should be reserved for cases where an applicant's existing supervisory coverage is insufficient to support the Reserve Bank's review, consistent with the Guidelines' direction that Reserve Banks rely on the assessments of an institution's primary supervisor wherever possible.

CCI further recommends that the Board clarify that Payment Account holders will not be held to a more stringent illicit finance standard than similarly situated Master Account holders merely because they hold the more limited account type.

Finally, consistent with CCI's recommendation regarding a clear application-completeness standard for the 90-day review timeline, CCI recommends that the Board similarly bound a Reserve Bank's discretion to request additional illicit finance information after an account has already been granted. Such post-approval requests should be tied to defined triggering events—such as a material compliance deficiency or a supervisory enforcement action—rather than left to open-ended discretion. The Board should also commit to coordinating with FinCEN to ensure that any illicit finance information requests connected to a Payment Account are consistent with, and not duplicative of, requirements already imposed on PPSIs under the GENIUS Act.

VII. Conclusion

CCI appreciates the Board's efforts to expand access to Federal Reserve payment services in a manner that promotes innovation while managing risk. We urge the Board to adopt the recommendations discussed above to ensure that Payment Accounts achieve their intended purpose of providing legally eligible institutions with efficient, transparent, and meaningful access to Federal Reserve services. CCI welcomes the opportunity to discuss these comments further and looks forward to continued engagement with the Board on this important initiative.

Respectfully submitted,

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