

STEVEN CHAMBERS

Proposal and Comment Information

Title: Request for Information and Comment on Reserve Bank Payment Account Prototype, OP-1877

Comment ID: FR-2025-0083-01-C02

Submitter Information

Name: Steven Chambers

Submitted Date: 12/22/2025

To the Board of Governors of the Federal Reserve System:

Thank you for the opportunity to comment on the proposed “payment account” framework, which would allow eligible institutions to access Federal Reserve payment services for clearing and settling payments. I support the creation of payment accounts as a step toward modernizing access to Fed payment rails, reducing settlement risk, and increasing transparency. However, I respectfully urge the Board to reconsider—or clearly justify—the proposed prohibition on interest accrual for balances held in these accounts. I appreciate the Board’s responsibility to safeguard the payment system and maintain effective monetary policy transmission, and I offer these comments in support of those objectives.

Excluding payment-account holders from earning interest creates a significant disparity between legacy institutions with master accounts and newer entrants, including fintech and digital-asset firms. If payment-account balances are held on the Federal Reserve’s balance sheet and used to achieve settlement finality, it is unclear what statutory or economic distinction justifies denying interest relative to other balances that do receive interest. Equal access to Federal Reserve services should include equal economic treatment unless a clear legal or prudential rationale supports a distinction.

If the Board believes it lacks statutory authority to pay interest on payment-account balances, I respectfully request identification of the specific provisions of the Federal Reserve Act that prohibit such treatment and clarification of how those provisions differ from the authority used to pay interest on reserve balances held by traditional institutions. This clarity is essential to ensure consistent statutory interpretation rather than distinctions based on institutional legacy.

The Board has emphasized competitive neutrality and financial stability as guiding principles. From that perspective, a categorical prohibition on interest may be counterproductive. Allowing interest—subject to constraints such as balance caps, tiered rates, or activity-based thresholds—would promote competitive neutrality, support responsible liquidity management, reduce reliance on correspondent banking, and encourage firms to hold operational balances directly at the central bank rather than in the shadow banking system. These outcomes align with the goals of safety, transparency, and settlement finality.

I recognize that interest on balances is also a monetary policy tool, but targeted constraints could address policy concerns without imposing a blanket prohibition. Absent such analysis, it is unclear on what basis interest-bearing payment-account balances would pose greater risks than interest-bearing balances held indirectly through correspondent banks.

To ensure supervisory parity and avoid perceptions of regulatory arbitrage, the Board could condition interest eligibility on supervisory standards comparable to those applied to institutions with master accounts, preserving oversight while avoiding structural discrimination based solely on institutional form.

Given the rapid evolution of payment systems—including real-time settlement, tokenized assets, and digital-asset treasury operations—I respectfully request clarity on the Board’s long-term policy intent. Specifically, does the Board intend for payment accounts to remain structurally inferior to master accounts indefinitely, even as their operational roles converge?

To support a transparent and well-reasoned final rule, I respectfully ask the Board to address the following questions:

1. What specific financial stability or monetary policy risks arise from paying interest on payment-account balances that do not arise from interest-bearing balances held indirectly through correspondent banks?

2. How does the Board reconcile the prohibition on interest with its stated commitment to competitive neutrality?
3. What statutory authority prevents the payment of interest on payment-account balances, and how does this differ from the authority governing interest on reserve balances?
4. As real-time and digital-asset settlement expands, does the Board envision payment accounts eventually receiving treatment comparable to master accounts, or will structural disparities persist?

Thank you for your consideration.

Steven Shawn Chambers