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Proposal and Comment Information

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

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Subject

Comments on Docket No. OP-1877

Submitter Information

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Hello, I'm writing with a simple curiosity that calls upon the experience and wisdom of the Federal Reserve Board and government agencies organized to safeguard the integrity of commercial and consumer financial systems.

Governor Barr expressed a concern about money laundering. I presume that there are general and special case approaches to money laundering. Has the proposed Payment Account system undergone a design review for its potential to assist government in advancing existing operational frameworks implemented to detect, contain, correct, and prevent illicit financial activity?

The RFI does not mention expectations auditor permissions and potential modalities of engagement. What requirements might specific teams of the Department of Treasury, Homeland Security, and Justice propose?

Next, I'm curious about how the lesser of \$500 million or 10% of the Payment Account holder's total assets could present systemic risk to financial institutions, or the system itself. For some institutions, \$500 million might represent a fraction of a percent and for other 10% of total assets might present insurmountable workability challenges. Right now, the reader cannot determine if total assets is intended to represent an absolute value of all assets possessed, held, or managed by a financial institution. The reserve requirement, as specified, might be too easily stripped of its power to curb financial risk. Consider a model that defines additional variables fixed and dynamic variables.

I do see the risk mitigation section, including the overdraft rejection proposal. The risk mitigation section might include feedback mechanisms that inform stakeholders about a potential need to increase reserve requirements based on variables assessed for a specific Payment Account system participant. How might this system help author a continual improvement of the financial system's stability and reliability?

The maintenance of an additional account system comes with some benefits and tradeoffs. The Federal Reserve might consider testing or surveying adoption intent of specific designs as a means of maximizing benefits to the institutional transaction layer. From a qualitative and quantitative standpoint, I'm curious about how the system could help institutions achieve operational efficiencies, by total asset demographic.

Sincerely,

Steven Quinn Singelton