

YELLOWSTONE BANK, SPENCER ANDERSON

Proposal and Comment Information

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

Comment ID: FR-2025-0083-01-C09

Submitter Information

Organization Name: Yellowstone Bank

Organization Type: Company

Name: Spencer Anderson

Submitted Date: 12/29/2025

We are writing to express Yellowstone Bank's opposition to the introduction of "Skinny" Master Accounts. Our concerns stem from the key issues addressed in the attached document, which we believe threaten the integrity and stability of the banking system.

We are writing to express Yellowstone Bank's firm opposition to the introduction of Skinny Master Accounts. Our concerns stem from the following key issues, which we believe threaten the integrity and stability of the traditional banking system:

1. Lack of Regulatory Parity

Commercial fintech entities operate outside the traditional banking regulatory framework. They are not subject to the same capital, liquidity, and oversight standards as traditional community banks. Allowing these entities direct access to the Federal Reserve system creates an uneven playing field and places traditional community focused banks at a competitive disadvantage.

2. Fundamental Unfairness to Long-Standing Traditional Banks

For decades, community and commercial banks have built, maintained, and funded the Federal Reserve's payment infrastructure through required capital, regulatory compliance, technology investments, and ongoing service fees. New fintech entrants—many of which lack equivalent supervisory obligations—seek immediate access to this same system without having contributed to its development or borne the costs of its upkeep.

3. Unfair Risk Transfer

Skinny accounts effectively ask fully regulated traditional banks to subsidize potentially risky, unproven financial service models. Many fintech's are designed for short-term monetization and exit strategies, leaving traditional banks to absorb systemic risk when these models fail. This is tantamount to making traditional banks the financial backstop for speculative ventures.

4. Threat to Financial Stability

Direct Fed access for nonbanks could divert core deposits and payment volumes away from traditional banks. This erosion of funding undermines the ability of smaller banks to provide a full range of competitive financial services and maintain strong local lending relationships.

5. Harm to Rural Banking Infrastructure

Reduced revenue from payment services will make it increasingly difficult for traditional banks to sustain branch networks—particularly in rural markets where physical access to banking remains essential.

7. Fragility of Narrow Banking Models

History shows that narrow banking structures lacking robust balance sheet protections are prone to failure. Skinny accounts, by design, omit critical safeguards such as liquidity backstops and counterbalance measures, increasing systemic vulnerability.

8. Heightened BSA/AML Exposure

Fintech entities with limited oversight that are given access to the Fed system pose significant compliance risks. Weak due diligence on these account holders will ultimately shift oversight and enforcement burdens to traditional banks, which already maintain proven BSA/AML policies that are routinely reviewed under the Fed compliance review framework.

Conclusion

Skinny Master Accounts introduce systemic risk, regulatory inequity, and operational uncertainty while undermining the financial stability of traditional/community banks that serve as the backbone of local economies. Granting direct Federal Reserve access to firms with no historical investment in the nation's banking backbone creates a structural inequity: long-standing institutions shoulder the structural burdens, while newcomers receive only the benefits at a fraction of the cost and effort. This undermines the cooperative foundation of the Federal Reserve system and devalues the substantial contributions traditional/community banks have made to ensure safety, reliability, and public trust. Yellowstone Bank urges policymakers to reject this proposal.

Sincerely,



Spencer Anderson

Senior Vice President