CYN HUTCHINSON

Proposal and Comment Information

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

Comment ID: FR-2025-0083-01-C18

Submitter Information

Name: Cyn Hutchinson

Submitted Date: 01/13/2026

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Comment on Request for Information and Comment on Reserve Bank Payment Account Prototype (OP-1877)

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 (OP-1877)

To Whom It May Concern,

I appreciate the opportunity to comment on the Board's proposal regarding a special purpose Reserve Bank account prototype tailored to institutions focused on payments innovation.

At a high level, I support the direction of this proposal. The creation of a Payment Account designed to constrain risk, clarify purpose, and improve the safety and integrity of payment settlement activity reflects an important recognition: as financial and technological systems evolve, systemic risk increasingly requires structural, not merely procedural, controls.

However, I would encourage the Board to view this proposal as necessary but not sufficient in light of how modern financial, technological, and organizational systems now operate.

The Nature of Systemic Risk Has Changed

Historically, financial system safety has focused—appropriately—on where money sits, how it is custodied, and how it moves. But in today's environment, systemic risk is no longer confined to balance sheets and settlement accounts.

As payment systems, APIs, cloud platforms, embedded finance, and AI-driven operations become intertwined, systemic risk increasingly lives in:

- Who can do what
- Through which systems
- Under what authority
- With what constraints
- And with what evidence and oversight

In other words, the dominant risk is no longer just where money is, but how control, access, identity, delegation, and automation are structured across complex, interconnected systems.

Modern incidents, whether breaches, payment disruptions, vendor failures, or compliance breakdowns, rarely arise from a single account-level failure. They arise from:

- Access pathways that were not fully understood
- Identities (human, machine, vendor, automated) that were not fully governed
- Control relationships that were implicit rather than explicit
- And evidence that had to be reconstructed after the fact rather than produced as a byproduct of operation

Financial Control Alone Is No Longer Sufficient

The logic behind the Payment Account is sound: create a constrained, auditable, purpose-built control point for payment settlement activity.

But in modern institutions:

- Financial risk is inseparable from access risk
- Operational risk is inseparable from identity and delegation risk
- Compliance risk is inseparable from system and vendor dependency risk
- And increasingly, organizational risk is inseparable from automation and AI control risk

Put simply: you cannot contain systemic risk purely at the level of accounts if the real system operates through software, APIs, vendors, and autonomous processes.

The Missing Layer: Trust as Infrastructure

Most institutions today operate with:

- Many systems of record for money, trades, data, customers, and positions
- But no true system of record for trust, control, and authority across the enterprise

Trust today is fragmented across:

- Identity systems
- Access management systems

- Vendor and third-party management systems
- Policy repositories
- GRC platforms
- Security tooling
- Ticketing systems and audit artifacts

Each serves a purpose. None provides an integrated, operational view of the institution's actual trust posture.

As a result, when regulators, auditors, or boards ask:

- Who had access?
- To what?
- Through which path?
- Under what policy?
- Approved by whom?
- And what else could that access reach?

The answer often requires forensic reconstruction rather than direct inspection.

That is not a failure of effort. It is a failure of architecture.

A System-of-Record for Trust and Control

The same logic that motivates a Payment Account should, over time, extend to a broader requirement:

Institutions should maintain a system of record for trust and control—not just for money.

Such a system would make explicit and governable:

- Identities (human, machine, vendor, automated)
- Access rights and privileges
- System-to-system control paths
- Vendor and third-party dependencies
- Policy enforcement points
- And the evidence that these controls are operating as intended

This is not a call for new rules or new reporting burdens. It is a recognition that modern supervision will increasingly require architectural control points, not just procedural attestations.

From Capital Infrastructure to Trust Infrastructure

Just as financial systems evolved from manual ledgers to real-time, systemized financial infrastructure, governance and oversight must evolve from document-based processes to system-based control and evidence.

Future supervisory models will require:

- Not just capital infrastructure
- But trust infrastructure
- Not just periodic attestations
- But continuous operational visibility
- Not just policies
- But enforceable control planes and evidence-producing systems

This becomes unavoidable in a world of:

- Embedded finance
- Payment orchestration layers
- Vendor sprawl and complex supply chains
- API ecosystems
- And increasingly autonomous systems and agents

Implications for the Board's Proposal

The Payment Account prototype is a strong and sensible step toward structural containment of payment-system risk.

I would encourage the Board to view it as part of a broader, inevitable transition:

From:

- Regulating institutions through documents, reviews, and episodic examinations

Toward:

- Regulating institutions through systems, control points, and continuously observable trust posture

Over time, the most important supervisory question will not be:

“Where does the money sit?”

But:

“Who can do what, through which systems, under what authority, with what constraints, and with what evidence?”

Closing

The Board’s proposal reflects a growing recognition that modern financial stability requires modern system architecture. I strongly support that direction and encourage the Board to continue extending this architectural perspective beyond settlement accounts and into the broader domain of institutional trust, control, and governability.

Thank you for the opportunity to comment.

Respectfully submitted,

Cyn Hutchinson, JD.