

SHAWN OSTHOFF

Proposal and Comment Information

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

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Submitter Information

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I write you today to express concern over the proposed “skinny” accounts for novel/non- traditional charters. Colorado Bankers Association advocates for banks across Colorado - representing approximately 90 percent of all banking assets in the state. We are a voice for banks of all asset sizes and in all Colorado markets.

We question if the issue has been sufficiently vetted to ensure appropriate safety measures are in place. While the proposal offers some minimal guardrails, are those guardrails sufficient to protect against illicit funds flowing through the payment system? What BSA/AML protections are in place?

Offering Fed payment accounts to non-traditional institutions, institutions with little or no regulatory supervision, may present undue risk on the payment system. Who will bear the cost of that risk? While offering Fed Now, faster payment settlement, is more efficient, it also opens a window for expedited fraud.

Master accounts have traditionally been granted to insured and low-risk institutions. Institutions that are insured have significant regulatory oversight and have limitations on what commercial activities are permissible. Limiting Fed account access to low-risk institutions protects the payment system.

We are also concerned about the risk of funds leaving the traditional banking system. Novel institutions are not required to support the community. Lending in rural Colorado would be negatively impacted by a shift of funds from FDIC-insured institutions. The Community Reinvestment Act ensures banks are meeting the needs of the communities in which they conduct business. There are no such requirements for novel institutions.

We support innovation but urge caution when considering this proposal.