

# COMMUNITY BANKERS ASSOCIATION OF ILLINOIS, DAVID SCHROEDER

## Proposal and Comment Information

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

**Comment ID:** FR-2025-0083-01-C35

## Submitter Information

**Organization Name:** Community Bankers Association of Illinois

**Organization Type:** Organization

**Name:** David Schroeder

**Submitted Date:** 02/05/2026

Please see the attached comment letter from the Community Bankers Association of Illinois regarding:  
Request for Information and Comment on a Reserve Bank Payment Account Prototype - Docket No. OP-1877.



February 5, 2026

Mr. Benjamin W. McDonough  
Deputy Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, DC 20551

Regarding: Request for Information and Comment on a Reserve Bank Payment Account  
Prototype - Docket No. OP-1877

To whom it may concern:

The Community Bankers Association of Illinois (“CBAI”), which proudly represents nearly 250 Illinois community banks, welcomes the opportunity to provide our observations and recommendations to the Board of Governors of the Federal Reserve System (“Federal Reserve” or “Fed”) regarding the request for information and comment on a “special purpose Reserve Bank account prototype (Payment Account) tailored to the risks and needs of institutions focused on payments innovation [(“Proposal”)].” CBAI understands that new business models are seeking access to the Federal Reserve’s payment services and that a Payment Account would be distinct from and would have fewer benefits than a Federal Reserve Master Account.

CBAI has concerns with, and we oppose what is commonly being described as a Federal Reserve “skinny” payment account. However, if the Fed chooses move forward with and approve applications for Payment Accounts, CBAI has several specific recommendations for how the

**CBAI is dedicated exclusively to representing the interests of Illinois community banks and thrifts through effective advocacy, outstanding education, and high-quality products and services. CBAI’s members hold more than \$80 billion in assets, operate 940 locations statewide, and lend to consumers, small businesses, and agriculture. For more information, please visit [www.cbai.com](http://www.cbai.com).**

Federal Reserve should proceed.

CBAI opposes any type of novel financial institution or financial entity (“Novel FIs”) from being legally eligible to have the rights and privileges for access to the nation’s payments system with a Federal Reserve Master Account. Novel FIs should access the payments system through real or actual, full-service and FDIC-insured, state or nationally chartered banks (“Traditional Banks”) which are subject to the full suite of regulatory requirements including safety and soundness, consumer compliance, CRA, BSA/AML, auditing and reporting, periodic examination and enforcement actions, and others that they are subject to on an ongoing basis. Anything less (i.e., a “skinny” Payments Account), regardless of the limitations on services available to Novel FIs, will represent an unlevel playing field and will disadvantage Traditional Banks and particularly the nation’s community banks.

CBAI’s advocacy on this matter is consistent and dates back to our responses in July of 2021, and again in April of 2022, to the Federal Reserve’s proposed supplemental guidelines for evaluating requests for accounts and services at Federal Reserve Banks. Despite the proposed tiered regulatory approach, CBAI concluded then, as it does now with this Proposal, that if Novel FIs are ineligible for a Federal Reserve Master Account and services then there is no alternate level of due diligence or scrutiny that would make them eligible for a limiting segment of the benefits of a Federal Reserve “skinny” account and services.

CBAI’s position on this matter does not represent a disregard for innovation. We appreciate the need for innovation to satisfy consumer and small business demands and to be competitive with the rest of the world in providing financial services. CBAI and its community bank members are actively engaged in financial and payment modernization. We have formed both a payments and innovations committee to investigate and discover opportunities for the adoption of these advances. We supported the earliest possible launch of the FedNow Service with robust functionality and interoperability. We are now engaged in opining on the different types of digital assets, including payments stablecoin and tokenization.

CBAI’s position on this matter does not reflect protectionism or being anti-competitive. Community banks not only compete vigorously among themselves, but also with the largest banks, credit unions, industrial loan companies and industrial banks, commercial and consumer finance companies, payment services, check cashing services, and a host of others, including crypto institutions and the forthcoming Permitted Payments Stablecoin Issuers (PPSIs). If all competitors are being appropriately and consistently regulated, examined for compliance,

enforced against, and the playing field is otherwise level, community bankers do not object to competition.

However, Novel FIs are not subject to the same robust regulatory compliance regime; they have not demonstrated the fair, honest and respectful treatment of their customers and communities for many decades or in many cases for over a century; they likely do not meet robust regulatory capital requirements; and they have not met the rigorous standards achieved by community banks in compliance with the entire spectrum of laws, rules, and regulations. If Novel FIs are allowed Federal Reserve “skinny” accounts and services, they will not only have an unfair competitive advantage over community banks but will additionally pose a significant risk of harming consumers, the financial system and American taxpayers.

The commercial motivations of these Novel FIs to gain access to Federal Reserve accounts and services are obvious. This access would lend credibility to their operations by connoting the strength and stability of Traditional Banks. Another benefit is their ability to avoid the cost of settlement when processing payments through intermediary banks. The cost of settlement through banks is rooted in large part on the robust regulatory, operational and compliance requirements to which Traditional Banks are subject. These Novel FIs will need to, and should be required to, follow all of these same requirements and replicate the many safeguards, which will come at a significant cost, so the economic benefit of “skinny” accounts will likely be diminished. If the Novel FIs are able to avoid these requirements and costs, the competitive landscape will be skewed in their favor and against community banks.

Novel FIs could create a toxic mix of commercial and financial services activity, which CBAI has consistently opposed. When large commercial and technology companies are permitted entry into financial or payments services, their concentrations of power and influence can present serious privacy concerns for consumers in addition to undermining financial stability and creating significant risks to the economy. CBAI urges the Federal Reserve to be additionally concerned about breaching the firewall between banking and commerce, and for consumer privacy and data security reasons, when considering accounts and access to services by Novel FIs.

In the event the Federal Reserve is willing to allow Novel FIs to have access to its accounts and services via a “skinny” account, the Fed should include all of the restrictions listed in the Payment Account Term Sheet. Additionally, great care should be taken to construct an application process, initial and ongoing requirements, regular examinations, and rigorous

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enforcement that mirror everything that is required of Traditional Banks. These requirements will be in recognition of the fact that these Novel FIs are untested and untried and pose new and unique risks and threats.

The application and ongoing review process should not only apply to the Novel FIs but should also encompass their holding companies and any affiliates, so the regulators can know the complete picture of the risks they present. Doing so will allow for the possibility that the Federal Reserve's policy objectives will be achieved, and there will be a more level playing field, which minimizes the discrimination against community banks.

All of these requirements are necessary in recognition of the fact that access to a Federal Reserve account and services is a privilege – not a right.

If the Federal Reserve approves “skinny” accounts to Novel FIs, we urge that these privileges be permitted to only a select few in number. Also, permission should be granted on a trial basis and be subject to a formal, comprehensive review after a suitably brief period of time to assess the consequences of their approval.

CBAI appreciates the opportunity to provide our observations and recommendations about this Proposal. CBAI objects to the Federal Reserve offering “skinny” payment accounts. If, however, the Federal Reserve will consider applications and approve a small number of Novel FIs for these accounts, then CBAI urges the Fed to incorporate the restrictions in the Proposal and all requirements that Traditional Banks must comply with in the application process and well as with the ongoing compliance requirements and enforcement.

If you have any questions or require any additional information, please contact me at [davids@cba.com](mailto:davids@cba.com) or (847) 909-8341.

Sincerely,

/s/

David G. Schroeder  
Senior Vice President  
Federal Governmental Relations

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