

U.S. SENATE, CYNTHIA LUMMIS

Proposal and Comment Information

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

Comment ID: FR-2025-0083-01-C51

Submitter Information

Organization Name: U.S. Senate

Organization Type: U.S. Senate

Name: Cynthia Lummis

Submitted Date: 02/06/2026

See attached letter.

February 6, 2026

Benjamin W. McDonough, Deputy Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: *Request for Information and Comment on Reserve Bank Payment Account Prototype*
(Docket No. OP-1877)

Dear Mr. McDonough,

Thank you for the opportunity to comment on the Federal Reserve Board of Governors (“Board”)’s Payment Account proposal.¹ I want to thank Governor Waller and Vice Chair Bowman for their leadership on this issue.

This proposal is an important step forward for responsible payments innovation in the United States, and will make payments faster, cheaper and safer. The proposal will promote competition and reduce systemic risk, by lessening concentration risk,² and promoting broader settlement in central bank money for financial market participants.³

Additionally, the proposal is a step forward in implementing the direction of Congress in the *Monetary Control Act of 1980*, which mandated that “all Federal Reserve bank services covered by the fee schedule shall be available to nonmember depository institutions” and that “nonmember depository institutions” includes “any bank which is eligible to make application to become an insured bank under section 5 of [the Federal Deposit Insurance] Act.”⁴

The Board should provide greater flexibility for Payment Accounts commensurate with the actual quantum of risks present. To that end, I strongly recommend the Board make the following modifications to the proposal:

1. Reduce Operational Complexity Regarding Overnight Balance Limits—Currently, the proposal envisions an overnight balance limit of \$500mm or 10% of the assets of the institution, whichever is less.⁵ This combination of factors would disproportionately impact small institutions and actually increase some risks from an operational perspective.

¹ See Bd. Gov. Fed. Rsrv. Sys., “Request for Information and Comment on Reserve Bank Payment Account Prototype,” Docket No. OP-1877, 90 Fed. Reg. 60,096 (Dec. 23, 2025).

² See Bd. Gov. Fed. Rsrv. Sys., *Correspondent Concentration Risks*, Supervisory Letter 10-10, <https://www.federalreserve.gov/boarddocs/srletters/2010/sr1010a1.pdf> (last visited Feb. 4, 2026).

³ See Bank for Int’l Settlements, *Wholesale Central Bank Money in the Context of Technological Innovation*, Sept. 2025, at *5, <https://www.bis.org/publ/othp99.pdf> (settlement in central bank money “enhance[s] the safety and efficiency of payment and settlement arrangements, and more broadly limit[s] systemic risk.”).

⁴ 12 U.S.C. § 248a(c)(2), 12 U.S.C. § 461(b)(1)(A)(i) (emphasis added). See also *Custodia Bank v. Fed. Rsrv. Bank of Kan. City*, 157 F.4th 1235, 1267 (10th Cir. 2025) (Tymkovich, J., dissenting).

⁵ Bd. Gov. Fed. Rsrv. Sys., “Request for Information and Comment on Reserve Bank Payment Account Prototype,” Docket No. OP-1877, 90 Fed. Reg. 60,096, 60,097 (Dec. 23, 2025).

The 10% cap prevents *de novo* payment institutions with a strong risk management framework from meaningfully competing on a level playing field with more established payments providers with a larger balance sheet.

The current bounds of the proposal would see smaller providers be required to engage in substantively greater operational complexity to reduce the size of their account at the end of a business day—vis-à-vis larger providers—by moving money in a scramble. The regulatory burden of this requirement would therefore regressively fall hardest on smaller institutions, which is an outcome that should be avoided. The percentage cap should be removed.

My understanding of the purpose of the overnight balance limit is to prevent Payment Accounts from being used to hold all of an institution's assets. This goal can still be accomplished by providing greater flexibility for overnight balances.

Giving Reserve Banks authority to make limited exceptions is not adequate—based on my experience, proposals to depart from this standard will receive strict scrutiny from staff and be presumptively rejected. The norm should be providing Payment Account holders and Reserve Banks with more clear, risk-based flexibility up front.

The Board should simplify the requirement in the proposal and establish a uniform, single \$250mm to \$500mm cap that applies to all Payment Account holders, with Reserve Banks maintaining explicit backup authority to prevent the majority of an institution's assets from consistently being held in a Payment Account, i.e., that Payment Account holders must adequately diversify their assets based on their business plan—like any prudently managed depository institution should.

A simple, numerical cap achieves the purpose of ensuring the account is used for payments and cannot be used to park all of an institution's assets. If 100 Payment Account institutions each held \$250mm in their Payment Account, this would total \$25bn, which would represent 0.38% of the Federal Reserve System's consolidated balance sheet of approximately \$6.5tn today—which not a meaningful impact.⁶

2. ACH and Treasury Securities Services: The Board should also provide a pathway for institutions to access ACH services in a responsible way. ACH is *essential* to providing competitive equality in payments for all eligible institutions. While ACH transactions may present some quantum of credit risk to Reserve Banks, this risk is easily managed by requiring institutions to hold some amount of cash in reserve or as collateral to pre-fund or cover potential reversed transactions. The Board should provide a meaningful pathway for institutions that have used their Payment Account responsibly to access ACH services in years 2-3 after opening of the account, with appropriate pre-funding or other risk-based controls as appropriate.

⁶ Bd. Gov. Fed. Rsrv. Sys., *Credit and Liquidity Programs and the Balance Sheet*, https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm (last visited Feb. 6, 2026).

Similarly, the Board should permit access to the Fedwire Securities Service for Transfers Against Payment. Institutions need full access to the range of Treasury securities services to manage their liquidity, especially given the overnight balance limit. The Board should require transfers to be pre-funded to manage minimal credit risks present here.

If information technology upgrades are necessary to effectuate these recommendations, the Federal Reserve System could begin implementing them when this proposal is finalized, with a view towards providing ACH and Transfer Against Payment in years 2-3 to Payment Account holders.

I fully support finalization of the Payment Account proposal as soon as possible, but not later than the end of this year.

Sincerely,

A handwritten signature in blue ink, reading "Cynthia M. Lummis". The signature is fluid and cursive, with the first name "Cynthia" being the most prominent part.

Senator Cynthia M. Lummis
Chair, Subcommittee on Digital Assets
U.S. Senate Committee on Banking, Housing and Urban Affairs