RIPPLE, STU ALDEROTY

Proposal and Comment Information

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

Comment ID: FR-2025-0083-01-C65

Submitter Information

Organization Name: Ripple

Organization Type: Company

Name: Stu Alderoty

Submitted Date: 02/06/2026

Ripple provides the attached comment letter.

February 6, 2026

Benjamin W. McDonough
Deputy Secretary of the Board
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 - Docket No. OP-1877

Dear Mr. McDonough:

Ripple Labs Inc. ("Ripple") welcomes the opportunity to comment on the Board of Governors of the Federal Reserve System's ("the Board") Request for Information ("RFI") regarding the proposed Reserve Bank Payment Account prototype [Docket No. OP-1877]. As a leader in enterprise blockchain, stablecoin and cross-border payment solutions, Ripple is committed to the safety, efficiency, and modernization of the U.S. payment system.

Ripple thanks the Board for its initiative in exploring tailored account structures that reflect the evolving landscape of digital finance. The Federal Reserve's objective to support payments innovation through modernized risk management is critical as liquidity increasingly flows through high-velocity, real-time digital asset infrastructure. Our input aims to assist the Board in refining the Payment Account (PA) prototype to ensure it serves as a robust, macroprudential tool that enhances systemic resilience and secures U.S. economic leadership.

About Ripple

Founded in 2012, Ripple is the leading provider of blockchain-based enterprise solutions across traditional and digital finance. Its solutions span global payments, custody, liquidity, and treasury management, serving as a one-stop shop for moving, storing, exchanging, and managing value. Ripple's stablecoin, RLUSD, and the cryptocurrency XRP underpinning these solutions allow Ripple and its customers to shape the modern financial system.

Ripple's commitment to safety and soundness is demonstrated by our extensive global regulatory footprint. Our subsidiaries hold over 75 global financial licenses, including money transmitter licenses (MTLs) in a significant majority of U.S. states, a BitLicense from the New York Department of Financial Services (NYDFS), and a NYDFS limited purpose trust charter. Most recently, in December 2025, Ripple received conditional approval for the Ripple National

Trust Bank In Organization, a national entity purpose-built to manage stablecoin reserves under the highest standards of prudential supervision.

Two of Ripple's core business lines directly align with the objectives of the proposed PA prototype:

- **Ripple Payments Direct (RPD)** is a comprehensive, 24/7/365 global settlement platform designed to facilitate real-time, cross-border transactions across any asset class. While the system leverages the speed and scalability of the XRP Ledger, it is a broad-spectrum payments engine capable of handling Fiat-to-Fiat, Fiat-to-Crypto, Crypto-to-Fiat, and Crypto-to-Crypto exchanges seamlessly. By operating as a blockchain-based alternative to legacy correspondent banking, Ripple provides a modernized financial infrastructure that compliments traditional financial rails. While XRP - the token native to the XRP ledger - can be utilized as a potent liquidity tool to enable fast and low-cost transfers, the RPD architecture is built to support a diverse range of currencies, tokens, and financial use cases, ensuring transparency and instant settlement regardless of the underlying asset being moved.

- **RLUSD:** Ripple is the issuer of RLUSD, an enterprise-grade payment stablecoin designed for 1:1 parity with the U.S. dollar. Issued via our NYDFS-regulated trust company, RLUSD meets the strict requirements of NYDFS stablecoin guidance and the GENIUS Act of 2025 (GENIUS Act),[1] ensuring that all reserves are held in cash or high-quality liquid assets (HQLA). For added protection, Ripple National Trust Bank (In Organization) will serve as a trustee for the assets held by the NYDFS trust company.

By combining over a decade of operational experience with a robust compliance framework, Ripple is uniquely positioned to partner with the Board in testing and scaling the PA prototype as a foundational utility for the digital dollar ecosystem.

Ripple's interest in this proposal is driven by a dual, yet integrated, perspective:

- **As a Fully-Compliant Payment Stablecoin Issuer:** Through our NYDFS-regulated limited-purpose trust company and our plans to have Ripple National Trust Bank (In Organization) manage the stablecoin reserves, Ripple has consistently demonstrated a commitment to the highest standards of prudential oversight. This commitment is more vital than ever following the codification of stringent reserve and safety standards in the GENIUS Act. The PA prototype offers a critical pathway for Permitted Payment Stablecoin Issuers (PPSIs)[2] to eliminate counterparty risk by holding 1:1 reserves directly at a Federal Reserve Bank, the "gold standard" for reserve safety and the ultimate realization of the GENIUS Act's stability objectives.

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[1] 12 U.S.C. §§ 5901 *et seq.*

[2] 12 U.S.C. § 5901(23).

- **As a Global Payments Facilitator:** Ripple utilizes distributed ledger technology (DLT) to orchestrate high-velocity, cross-border settlement. Direct access to FedNow and Fedwire via the PA would significantly reduce intermediation friction and settlement latency. We specifically applaud the proposed 90-day review period as a vital catalyst for innovation.

The proposal of the PA prototype represents a crucial shift in the Board's approach to digital asset integration in the broader financial system. By creating a direct settlement bridge for eligible non-bank innovators, the Board is effectively modernizing the "plumbing" of the U.S. financial system to match the speed of the burgeoning global digital economy. Ripple views this initiative as a strategic imperative and commends the Board for recognizing the importance of such a proposal. As digital settlement gains more traction through the adoption of global oversight, the ability for regulated U.S.-based innovators to settle transactions in central bank money is essential to maintaining the primacy of the U.S. dollar and augmenting consumer protection initiatives. The proposed PA provides a mechanism to bring digital-native transaction flows under the direct oversight of the Federal Reserve System (Fed), enhancing the safety and soundness of the entire payments ecosystem, and bringing the U.S. financial system into the 21st century.

Ripple sees the PA as building a bridge to connect traditional financial systems not a pathway to replace traditional systems. Ripple supports the Board's proposal, and believes the PA prototype serves as a pragmatic solution to the tiered access challenges facing modern payment facilitators. Historically, the reliance on commercial bank intermediaries for central bank access has created unavoidable layers of both additional costs and operational friction and counterparty risk. The PA design correctly identifies that digital clearing and settlement solutions can safely complement traditional credit-intermediated activities of traditional banking. By doing so, the Fed can foster a more competitive, resilient, and transparent financial landscape without expanding the federal safety net past risk tested limits. The PA framework can become the benchmark for how central banks can safely integrate with the digital asset economy on a global scale.

Of note, the GENIUS Act was enacted with the express intent of fostering a competitive and technologically neutral landscape for digital payments through the use of stablecoins. By establishing a federal framework for stablecoin issuers, Congress recognized that non-bank innovators may work alongside traditional depository institutions, creating opportunities for both to compete in the creation of innovative services and to have their customers benefit from the use of blockchain technology when subjected to equivalent prudential standards. The PA prototype must provide the competitive parity necessary for eligible PPSIs to operate effectively. Without the enhancements proposed below, eligible PPSIs that are not subsidiaries of banks with access to the Fed master account remain at a structural disadvantage, forced to bear the high costs of a 1:1 reserve mandate without the interest neutrality or liquidity backstops that are available to bank-affiliates. Achieving this parity is not merely a matter of fairness; it is essential to ensuring that stablecoin activity remains within a transparent, federally supervised environment rather than being driven toward less regulated, offshore alternatives. Parity does not mean a lighter touch regulatory regime, but any regime must be fit-for-purpose.

Ripple believes that the proposal can be modified to address structural frictions and service gaps that may limit the PA prototype's intent and effectiveness. Specifically, we recommend four key modifications to the PA Term Sheet which would provide for greater operational efficiency without impeding on the safety and soundness of the U.S. financial system:

1. **Treasury Market Resilience:** Establishing limited-purpose Discount Window access for compliant PPSIs as a macroprudential "safety valve" for the U.S. Treasury market.
2. **Systemic Liquidity Parity:** Granting Interest on Reserve Balances (IORB) to PPSIs to provide optionality to concentrating all PPSI stablecoin reserves within the commercial banking system.
3. **Proportional Liquidity Scaling:** Removing the arbitrary $500 million overnight balance threshold in favor of a strictly proportional limit (for example, 10% of total assets) to ensure account capacity scales with an institution's verified settlement needs.
4. **Comprehensive Service Scope:** Incorporating Pre-funded ACH services to eliminate "fragmented settlement" and allow facilitators to process high-volume payouts without credit risk to the Federal Reserve.

These modifications would significantly increase the functional utility of the PA, and we emphasize that, even with these modifications, the PA would remain sufficiently distinct from a traditional Master Account. Even with these modifications, the PA proposal would not provide access to intraday credit or daylight overdrafts, nor would it confer the authority to engage in correspondent banking services. By strictly limiting the account's scope to final clearing and settlement, the Fed can foster a competitive and modern payment ecosystem without extending the federal safety net. This approach ensures that full Master Account access remains reserved for institutions engaged in the unique public mission of credit intermediation and maturity transformation, while the PA serves as a robust, low-risk utility to onboard the digital economy.

These enhancements only further the robust consumer protections envisioned by the GENIUS Act. By providing eligible PPSIs with the tools to manage liquidity and real-time settlement, the Federal Reserve ensures that a stablecoin holder's right to immediate redemption is supported by the same modernized settlement finality that defines traditional banking. Failing to bridge this operational gap results in a fragmented system that is not optimal for a 24/7 economy. Implementing these modifications ensures a unified and efficient financial ecosystem.

I. As a Stablecoin Issuer

Discount Window Access and Treasury Market Stability

RFI Question 8: Are there additional features or limits that the Board should consider in the design of the Payment Account prototype?

The PA prototype currently excludes access to the Discount Window. Ripple urges the Board to reconsider this limitation for PPSIs. Ripple recommends doing so not for purposes of bailing out an insolvent issuer, but rather, to provide an important safety valve for the U.S. Treasury market.

Under the GENIUS Act, a PPSI is required to maintain 1:1 backing in HQLAs,[3] primarily short-term U.S. Treasury securities (Treasuries). Because of this requirement, a PPSI does not face the liquidity and solvency risk typical of traditional banks which are subject to fractional reserve banking and typically hold riskier and less liquid assets on their balance sheets, such as mortgages which are inherently subject to different liquidity profiles and maturity transformation. However, during rare periods of extreme market stress and illiquidity, a PPSI could receive substantially increased volumes of redemption requests. While this remains a remote risk given the highly liquid nature of the reserves, it is a critical risk that needs to be properly managed through various controls, one of which should be the Discount Window. In a stressed environment, if a stablecoin issuer faces heavy redemptions and is forced to liquidate a significant amount of Treasuries in a short period, it can lead to undue stress.[4]

1. Demand for redemptions may exceed the issuer's immediate cash-on-hand.
2. The issuer may need to sell Treasuries rapidly into secondary markets during periods of reduced dealer balance-sheet capacity and limited market depth.[5]
3. Price-insensitive selling of Treasuries can spike yields, distort the yield curve, and widen bid-ask spreads, increasing borrowing costs for the U.S. government and adding stress to the broader financial system.[6]

In this scenario, limited access to the Discount Window would allow the Fed to intervene as the "lender of last resort" for the Treasury market.[7] Ripple supports a tailored discount window which would allow a PPSI to pledge its 1:1 Treasury reserves as collateral for a short-term loan so the Fed can provide the necessary cash to fulfill redemptions immediately. This would

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[3] 12 U.S.C. § 5903(a)(1)(A).
[4] *See* Federal Reserve Board, *Financial Stability Report*, at 37-42 (Nov. 2025) (analyzing how funding risks in non-bank sectors, including those utilizing Treasury-backed instruments, can lead to "fire sale" prices and "stress across markets" when rapid withdrawals outpace immediate liquidity).
[5] *See* Darrell Duffie, *Still the World's Safe Haven? Redesigning the U.S. Treasury Market After the COVID-19 Crisis*, Hutchins Center Working Paper (explaining how constraints on primary dealer balance sheets can lead to yield spikes when large-scale selling occurs during periods of limited market depth).
[6] Gov. Michael S. Barr, *Exploring the Possibilities and Risks of New Payment Technologies*, Remarks at the 2025 DC Fintech Week (Oct. 16, 2025), *available at* https://www.federalreserve.gov/newsevents/speech/barr20251016a.htm (noting that stablecoins must be redeemable at par even during "stress in the market that can put pressure on the value of even otherwise liquid government debt").
[7] *See* Michael S. Barr, *Stablecoins and Financial Stability*, Remarks at the Federal Reserve Bank of Richmond (Oct. 2025) (noting that the quality and liquidity of reserves are critical because issuers currently lack access to central bank liquidity).

prevent a PPSI from being forced to sell large blocks of Treasuries on the open market, thereby preserving the stability of the U.S. treasury market and mitigating the risk of a broader run on stablecoin issuers as this nascent industry grows. While a “run” can theoretically be managed given the 1:1 reserve requirement, its consequences can be mitigated if not entirely avoided by access to the Discount Window.

We emphasize that Ripple is not advocating for the conversion of the PA into a *de facto* Master Account. For a PPSI, a tailored Discount Window would serve a purely mechanical function: it acts as a liquidity bridge to convert 1:1 HQLA reserves into immediate cash for settlement during unique periods of high redemption volume. Because this access would be strictly limited to the pledging of government-backed collateral and would specifically exclude the provision of intraday credit or 'daylight overdrafts,' the risk to the Federal Reserve Bank is fundamentally lower than that posed by a traditional depository institution with fractional reserves and deposits that are not exclusively comprised of HQLA.

Access to a tailored liquidity facility for PPSIs should be viewed as a defensive tool for the U.S. Treasury market rather than a credit subsidy for the issuer. By providing a mechanical bridge to convert HQLA into settlement cash, the Fed ensures that the high-velocity redemption of digital dollars does not result in the disorderly liquidation of government securities, thereby insulating the categorically risk-free asset from private-sector volatility.

Systemic Liquidity Parity and the Prevention of Reserve Concentration

RFI Question 6: What are the benefits and drawbacks of paying no interest on overnight balances in a Payment Account?

Ripple also respectfully disagrees with the Board’s proposal to prohibit the payment of interest on PA balances. An interest-free mandate would be fundamentally at odds with the Fed’s objective of reducing systemic interconnectedness. For a PPSI, fully compliant with the GENIUS Act, the maintenance of 1:1 reserves in HQLA is a foundational safety requirement. However, if the PA remains non-interest-bearing while the IORB rate remains a primary tool of monetary policy, the Fed would be effectively imposing a "liquidity tax" on the most compliant and transparent issuers.[8]

Here too, we emphasize that providing interest on these balances would not transform the PA into a Master Account or a vehicle for "narrow banking." In a traditional Master Account, interest is often a component of a bank's profit-maximization and credit-intermediation strategy. In contrast, for a PPSI, interest only serves to remove the economic friction that currently compels issuers to overly concentrate dollar reserves within the commercial banking tier to capture market yields.

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[8] *See* Federal Reserve Bank of New York, The Fed’s "Ample-Reserves" Framework, Liberty Street Economics (2022) (explaining how IORB sets the baseline opportunity cost for liquid dollar holdings).

Moreover, the GENIUS Act prohibits PPSIs from paying interest or yield to stablecoin holders in certain circumstances.[9] This statutory prohibition ensures that granting IORB to a PPSI cannot lead to the disintermediation of retail bank deposits, as the issuer itself is legally barred in many cases from passing this yield through to the public to compete with commercial bank savings products. While issuers are prohibited from paying direct interest on stablecoins, the cost of distribution can be offset by incentivizing distributors through revenue sharing or activity-based rewards. Consequently, interest on a PA would function not as a competitive draw for capital, but as a macroprudential tool that ensures reserve neutrality, mitigating any opportunity cost for a PPSI to hold reserves at a commercial bank.[10] By allowing issuers to hold reserves at the Reserve Bank without an opportunity cost, the Board can encourage the migration of wholesale dollar liquidity into a federally supervised environment, shielding the private banking sector from the pro-cyclical volatility of stablecoin redemption shocks and preventing the "contagion loops" witnessed during the banking stresses of 2023.[11]

Far from disintermediating the banking system, the PA serves as an additional safety valve for commercial banks. By providing, as a complement, a dedicated central bank home for stablecoin reserves, the Board effectively mitigates the volatility of the digital asset markets from the stability of the traditional deposit-taking sector, ensuring that stress in one does not lead to liquidity stress in the other.

II. As a Payments Facilitator

Proportional Liquidity Scaling

RFI Question 5: What are the benefits and challenges of imposing an overnight balance limit on a Payment Account? Are there adjustments to the proposed formula for setting the balance limit that the Board should consider?

The proposed overnight balance limit, the lesser of $500 million or 10 percent of assets, represents a legacy approach to risk that fails to address supervisory blind spots present in modern payments systems. For a global payments facilitator, a static $500 million cap is an arbitrary bottleneck that is easily exceeded during routine high-velocity settlement. When an account holder hits this limit, they could be forced to divert overflow liquidity into opaque

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[9] 12 U.S.C. § 5903(a)(11) (explicitly stating that “"[n]o permitted payment stablecoin issuer shall pay the holder of any payment stablecoin any form of interest or yield (whether in cash, tokens, or other consideration) solely in connection with the holding, use, or retention of such payment stablecoin.)
[10] *See* Gara Afonso, Gabriele La Spada, and John C. Williams, Measuring the Ampleness of Reserves, Federal Reserve Bank of New York: Liberty Street Economics (Oct. 5, 2022), *available at* https://libertystreeteconomics.newyorkfed.org/2022/10/measuring-the-ampleness-of-reserves/ (demonstrating that interest on reserve balances (IORB) is the primary tool for rate control and for mitigating the opportunity cost of holding wholesale liquidity in an ample-reserves regime).
[11] *See* Board of Governors of the Federal Reserve System, Financial Stability Report, at 34 (May 2023) (detailing how "interconnectedness with other parts of the financial system" caused the stress at Silicon Valley Bank to transmit to the broader digital asset ecosystem).

settlement channels, often non-bank or offshore rails, that fall entirely outside the Fed's oversight.

Ripple recommends that the Board refine the PA Term Sheet by removing the static $500 million overnight balance threshold, solely instituting the proposed proportional limit of 10 percent of total assets. A fixed dollar cap threshold is an arbitrary constraint and fails to provide a workable limit for large-scale payments facilitators who stand to benefit most from the PA prototype. By allowing the PA to scale proportionately with an institution's total assets, the Board can ensure that high-velocity dollar flows remain within the Federal Reserve's direct oversight.

The Technical Necessity of Pre-Funded ACH

RFI Question 1: Would the design of the Payment Account (PA) prototype support payment activities of eligible institutions?

RFI Question 2: What payment activities or use cases would a Payment Account best facilitate (or be unable to facilitate)?

Ripple disagrees with the proposed exclusion of ACH services from the PA prototype. The Board's notice states that this exclusion is necessary because the ACH system currently lacks "automated solutions that can reject transactions that would cause daylight overdrafts," and that PA holders "would not be permitted to incur daylight overdrafts." While we recognize the Board's focus on mitigating credit risk, this technical limitation should not serve as a categorical barrier for institutions subject to federal or state banking supervision.

For institutions subject to direct federal or state banking supervision, such as those operating under a national or state trust charter, sophisticated internal liquidity monitoring is a baseline regulatory requirement. These institutions are operationally and legally required to ensure that all payment orders are fully funded. For a federally or state supervised banking entity, the absence of a Reserve Bank-side automated "reject" switch is not an unmanageable systemic risk; rather, it is an operational requirement already addressed by the institution's own real-time internal risk controls.

For the broader PA prototype, Ripple proposes the implementation of a pre-funded ACH model. Under this framework, the Reserve Bank would only process ACH files after verifying that 100% of the settlement value is present in the PA at the time of submission. This approach effectively externalizes the automated control by requiring pre-validation of funds, achieving the Board's objective of zero credit risk without necessitating a redesign of the FedACH core.

Pre-Funding Requires Scalability

Ultimately, the viability of a pre-funded ACH model is mathematically dependent on the overnight balance limit. A static $500 million cap creates a ceiling on the size of payments that can be pre-funded. If a single settlement batch exceeds this limit, a common occurrence for global facilitators, a static cap makes pre-funding an operational impossibility.

Furthermore, when paired with a zero-interest policy, a static cap creates a gridlock risk for high-velocity rails. Account holders are backed into minimizing overnight balances to avoid opportunity costs, leaving them with insufficient buffers for large morning payment orders.

To ensure the prototype's success, the Board should implement throughput-adjusted limits that scale with an institution's verifiable, real-time payment velocity. By aligning the balance cap with the requirements of pre-funded settlement, the Board would eliminate the incentive for jurisdictional arbitrage and keep the digital dollar's settlement future firmly under Fed supervision.

Ripple appreciates the opportunity to provide feedback on this request for information as the Board studies these important issues. We would encourage and support further dialogue as needed, and should you wish to discuss any of the points raised in this letter, please do not hesitate to contact Lauren Belive, the Global co-Head for Policy at lbelive@ripple.com.

Sincerely,

Stu Alderoty
Chief Legal Officer
Ripple