

PAYWARD, INC.

Proposal and Comment Information

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

Comment ID: FR-2025-0083-01-C89

Submitter Information

Organization Name: Payward, Inc.

Organization Type: Company

Submitted Date: 02/06/2026

Via Electronic Submission

Benjamin McDonough
Ombudsman and Deputy Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

February 6, 2026

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

Dear Mr. McDonough:

Payward, Inc., d/b/a Kraken (“Kraken”)¹ welcomes the opportunity to respond to the Board of Governors of the Federal Reserve System’s (“Board”) Request for Information and Comment on the Reserve Bank Payment Account Prototype (“RFI”).² We commend the Board for continuing to solicit the input from relevant stakeholders to modernize America’s payment infrastructure while allowing for both innovation and risk mitigation.

Kraken was founded in 2011 and has steadily grown into one of the world’s oldest and largest digital asset infrastructure businesses. Through our Payward family of businesses, we power traditional and crypto market investment allocation for customers across the world. Today, we safeguard over \$48 billion in assets and we executed over \$2 trillion in transaction volume in 2025. Kraken is consistently named one of the most secure places to buy and sell digital assets due to our robust security for client assets.

As an independently operated affiliate, Kraken Financial obtained a Special Purpose Depository Institution (“SPDI”) bank charter from the State of Wyoming in September 2020.³ Kraken Financial operates as a full-reserve institution offering qualified custody solutions and does not engage in lending. In October 2020, Kraken Financial applied for a master account with the Federal Reserve Bank of Kansas City (“FRBKC”) and received its ABA Routing Number from the FRBKC in 2022.⁴

¹ Payward, <https://www.payward.com>.

² Federal Reserve System, “Request for Information and Comment on Reserve Bank Payment Account Prototype,” Docket No. OP-1877, 90 Fed. Reg. 60,096 (Dec. 23, 2025).

³ Kraken Financial, <https://www.kraken.com/financial>.

⁴ Nikhilesh De, *Kraken Hits Key Milestone in Quest to Gain Fed Account, Equal Treatment With Traditional Banks*, CoinDesk (Mar. 26, 2022), <https://www.coindesk.com/policy/2022/03/26/kraken-hits-key-milestone-in-quest-to-gain-fed-account-equal-treatment-with-traditional-banks/>.

Executive Summary:

Kraken supports the Board’s effort to evaluate a framework for Payment Accounts that can expand safe, resilient, and practical access to Federal Reserve Bank payment services for eligible institutions, while maintaining appropriate safeguards for the payment system. Our key recommendations include:

- 1. Restrictions on services should be tied to identifiable risks.** Kraken recommends the Board align Payment Account limits with identifiable risks, not limited features that make accounts less useful. Most proposed mitigants would not meaningfully reduce operational, credit, or systemic risk and may add new risks.
- 2. Available services for Payment Accounts should be expanded.** Kraken recommends Payment Accounts include additional payment services to enhance practical use of Payment Accounts for eligible institutions. Services for the Payment Accounts should include FedNow, Fedwire Funds, and FedACH, so institutions that meet the qualifications for the Payment Account can engage a broader range of services to better address clients’ needs.
- 3. Firms should not be permanently limited to a Payment Account.** Payment Accounts should function as an on-ramp to a wider range of services rather than a permanent solution. If an institution operates safely for a sustained period, the Board should provide a clear, performance based path to removing restrictions.

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Kraken provides the following comments in response to the Board’s RFI.

1. Would the design of the Payment Account prototype support payment activities of eligible institutions?

While the design of the Payment Account prototype represents a meaningful step toward direct access to Federal Reserve payment rails for legally-eligible institutions, the Board should allow flexibility on limits that do not meaningfully mitigate risk and constrain its practical value.

At a foundational level, the Payment Account prototype would support the payment activities of legally-eligible institutions by enabling direct clearing and settlement in central bank money through permitted Federal Reserve services, reducing reliance on correspondent banking relationships. Historically, a broad range of legally-eligible but nontraditional financial institutions have relied on correspondent banks to access national payment rails indirectly. Such firms include digital asset firms, payments innovators, and other fintechs that facilitate and support the digital economy, all of which foster competitive and financial inclusion objectives.

This structure of correspondent banking has introduced operational fragility, higher costs, and increased latency, particularly for time-sensitive or high-volume payment flows. Relying on correspondent banks to access national payment rails often forces institutions to maintain redundant relationships to manage concentration risk and ensure business continuity. Even a single

service disruption or operational failure can materially impair critical payment functions. Direct access to national payment rails through a Payment Account would meaningfully improve resilience, transparency, and operational certainty for legally-eligible institutions.

The Payment Account's proposed restriction on different payment methods makes it difficult to support all of the safe payment activities from eligible institutions. For a range of legitimate business models, the lack of access to FedACH Services would materially limit the practical utility of the Payment Account and may undermine the policy objective of supporting a safe and efficient payment system.

Additionally, the Payment Account prototype does not provide the ability for additional services to be added over time. Payment products and payment infrastructure are evolving rapidly, both in terms of underlying rails and how end users and institutions interact with them. The Payment Account prototype should be framed as a foundation to include, at a minimum, FedNow, Fedwire Funds, and FedACH Services, with a clear path for expansion and adaptation of service scope and operating conditions over time.

Kraken recommends that the Board set out a defined pathway to a full Master Account when a firm has demonstrated that it has been able to operate safely within the Payment Account parameters. Designing the framework to evolve alongside changing payment models will be critical to ensuring that the Payment Account remains workable, relevant, and supportive of safe and sound innovation across legally-eligible institutions.

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

The Payment Account prototype best supports wholesale payments, treasury operations, business-to-business transactions, and inter-institution balance movement where direct access to national payment rails reduces reliance on correspondent banking relationships and ensures settlement finality. However, the prototype leaves significant gaps for consumer-facing models, day-to-day payment flows for commercial customers' operations, and any use case that depends on ubiquitous, low-cost retail rails, specifically FedACH Services.

This limitation is particularly acute for retail-scale funding and payout workflows, especially with respect to payment stablecoin operations, where institutions wish to support end users with low-cost and widely accepted payment mechanisms. Without access to FedACH Services, legally-eligible institutions may continue to rely on correspondent relationships to support retail payment flows, reintroducing operational risks, raising costs, and undermining the objectives that the Payment Account is intended to advance.

To address these gaps and fully realize the Payment Account's potential, we recommend that FedACH Services be made accessible through the prototype and disabled only where a legally-eligible financial institution poses demonstrable risk that such a limitation would appropriately mitigate.

3. What barriers to innovation in payments would a Payment Account eliminate or alleviate?

We welcome the Board's effort to design a Payment Account protocol that addresses the risks and needs of institutions focused on payments innovation. The Payment Account prototype would be valuable to a broad range of digital asset firms and other legally-eligible but nontraditional financial institutions that seek to connect with traditional payment rails. Today, these institutions rely on correspondent banking relationships as outlined in Question 2.

The Payment Account prototype reduces the need for such institutions to depend on correspondents for indirect access to basic settlement. This reduces the points of failure and improves system-wide resiliency. It also simplifies the payment chain underpinning novel payment flows, reducing delays and costs for end users that arise from the number of intermediaries involved in the movement of funds.

This supports the scalability of new payment use cases and enhances the viability of payments innovation. Fewer layers in the payment stack would also improve transparency, controllability, and predictability in payment operations, giving legally-eligible institutions greater operational autonomy and enabling them to design end-to-end settlement workflows more efficiently.

However, to fully realize the Payment Account's potential to support innovation, it is critical that services offered not be too restrictive. The design would be materially strengthened by removing controls that do not directly mitigate identified risks, rather than imposing overbroad or loosely defined restrictions that add complexity without enhancing safety.⁵

4. Would the design of the Payment Account prototype potentially increase the range of risks to the payment system identified in the Guidelines? If so, in what ways?

The current design of the Payment Account prototype is conservative by its design and therefore is unlikely to increase risks to the payment system.

If any risks were to be added to the payment system, it would depend on the business model and balance sheet structure of the account holder. Because risk is inherently institution and use-case-specific, the design of the prototype should be based on a risk-calibrated framework, not a one-size fits all approach. Specifically, we recommend that the Board design the Payment Account with a minimum set of services including FedNow, Fedwire Funds, and FedACH Services enabled by default, and impose limitations only where they directly mitigate identified risks for an applicant. We also recommend a pathway toward a broader range of financial services as the Payment Account users demonstrate their safe and sound operations over time.

This approach is warranted because not all legally-eligible institutions present the same credit, liquidity, operational, settlement, cyber, or other risks to the payment system.. Key risk drivers include how the Payment Account would be funded and used, and whether the institution's

⁵ For further detail, please see our responses to Questions 1, 2, 5, 6, and 7.

business model introduces leverage, maturity transformation, or other balance-sheet mismatches that could generate liquidity stress and propagate payment disruptions.

For example, full-reserve models materially mitigate these core “mismatch” risks. As a Wyoming-chartered SPDI, Kraken Financial operates under a regulatory regime that enforces strict full-reserve requirements. Unlike fractional reserve banking models, we do not lend customer deposits, thereby structurally limiting mismatch risk. Institutions that maintain 100 percent reserves and do not engage in lending are positioned to meet customer withdrawal and redemption demands without creating strain on the payment system. Any incremental systemic risk relating to a Payment Account would already be addressed within the institution’s existing supervisory framework, without the need for additional constraints under the prototype.

Additionally, we recommend the Reserve Banks to incorporate the assessments of an institution conducted by its primary regulator into their risk evaluations, consistent with the Guidelines’ treatment of payment-system risk.⁶ The Payment Account prototype should not be designed to override or duplicate the prudential judgments of an institution’s primary regulator by imposing default limitations that are not tied to any clearly articulated, risk-based rationale.

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 if it decides to establish a Payment Account?

While an overnight balance limit can serve a beneficial purpose by reinforcing the Payment Account’s use as a clearing and settlement account, the proposed formula for setting the balance limit is overly restrictive. By tying the limit so closely to asset size, the proposal would disproportionately constrain institutions that are smaller in size, without any clear risk-based justification.

Rather, the proposed formula would increase operational risk and complexity by requiring a low balance at the close of the business day. This approach would not only constrain the ability to scale payment activity in a safe, orderly, and compliant manner, but could also introduce intraday volatility in Payment Accounts and increase operational risks.

We recommend a practical, risk-calibrated approach to setting overnight balance limits for smaller institutions. Specifically, we recommend the Board to consider establishing a minimum balance cap combined with a cap that increases over time as the Payment Account holder demonstrates its safe payment operations. This approach of ensuring that smaller institutions can effectively utilize such an account would better align the overnight balance limit with actual settlement needs, support operational reliability and safety, and allow institutions the opportunity to scale responsibly, while preserving the Payment Account’s narrow purpose.

⁶ For further detail, please see our response to Question 7.

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

The proposal would prevent a Payment Account holder from receiving interest on balances held in order to encourage limited overnight balances, however it does not identify specific risks that this restriction is intended to mitigate. The payment of interest on overnight balances in a Payment Account to legally-eligible institutions would not, in itself, create risks to financial stability or impair the Board's ability to implement monetary policy. The overnight balance cap coupled with the prohibition on interest on reserve balances are unnecessarily redundant measures to discourage expansion of the Board's balance sheet.

Such as restriction on interest might also introduce operational inefficiencies and risk. A zero-interest design can disadvantage Payment Account holders and create an incentive to maintain Payment Account balances that are insufficient to support day-to-day settlement, liquidity management, and payment operations, particularly for institutions operating at scale or supporting time-sensitive payment flows.

We recommend the Board adopt a more nuanced approach to managing its balance sheet concerns. The Board could consider calibrating the overnight balance caps and interest rate prohibitions by deploying these tools in complementary but not overlapping ways. This approach would preserve the purpose of the Payment Account, avoid unintended incentives for intraday volatility and underfunding accounts, and better align operational resiliency with the Board's monetary policy objectives.

7. How might the Federal Reserve condition access to a Payment Account on the applicant having an acceptable AML, Bank Secrecy Act (BSA) and Countering the Financing of Terrorism (CFT) compliance programs and, more generally, how can the Federal Reserve best constrain AML/BSA/CFT risks associated with a Payment Account?

The U.S. dual banking system is predicated on the coexistence of state and federal charters operating within independent and complementary prudential frameworks. State-chartered institutions are not exempt from safety and soundness requirements and are subject to charter specific requirements designed to address the risks of their authorized activities.

Respecting the dual banking system and consistent with the Federal Reserve's Statement of Supervisory Operating Principles, Kraken recommends Board supervisory staff to rely on the work of the primary state supervisor rather than duplicating examinations and other supervisory activity.⁷

Kraken Financial's primary regulator is Wyoming Division of Banking, which already imposes strong AML/BSA/CFT governance requirements, including board-approved programs, annual

⁷ Board of Governors of the Federal Reserve System, "Federal Reserve Board Releases Information Regarding Enhancements to Bank Supervision," (Nov. 18, 2025), <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20251118a.htm>

written risk assessments, independent testing, sanctions screening, immediate notification obligations, and use of analytics providers.⁸

Relying on the Wyoming Division of Banking’s requirements implements the Board’s operating principles while preserving a single point of accountability. Federal Reserve Banks can play a complimentary role in working with state prudential regulators to ensure governance requirements are up to date in a rapidly evolving payment landscape. This aligns with the Board’s commitment to reduce duplicative exams, sharpen supervision around material risk, and rely on primary supervisors “to the maximum extent possible.”

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

Kraken supports the Payment Account as a limited-purpose account designed to facilitate clearing and settlement and encourages the Board to calibrate its features and limits to clearly identifiable risks. As discussed above, there are certain constraints that are not demonstrably linked to reductions in operational, credit, liquidity, or systemic risk. These would diminish the practical utility of the Payment Account without providing a corresponding supervisory or financial stability benefit.

In calibrating the prototype, we encourage the Board to place emphasis on operational resilience. A Payment Account with significant limitations would risk defeating the Board’s policy goals by forcing legally-eligible institutions to continue to rely on correspondent banking relationships for routine settlement and liquidity management.

* * *

Kraken appreciates the opportunity to respond to this Request for Information and our team stands ready to support the Board in any way we can.

Sincerely,

Payward Inc., d/b/a Kraken

⁸ 021-20 Wyo. Code R. § 20-7 (Anti-Money Laundering, Customer Identification and Sanctions Compliance) (current through June 13, 2025).