

1MONEY CO.

Proposal and Comment Information

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

Re: Docket No. OP-1877 - Response to the Federal Reserve's Request for Information on Payment Account Prototype

To Whom It May Concern:

1Money Co. ("1Money") appreciates the opportunity to comment on the Federal Reserve Board's (the "Board" or "Fed") Request for Information ("RFI") regarding the proposed limited-purpose "Payment Account" for eligible institutions. 1Money is an innovative startup in the digital assets and payments space. We commend the Board's initiative to consider a Payment Account "prototype" that would grant fintech and stablecoin-focused firms direct access to Federal Reserve payment rails under tailored conditions. We believe this approach can foster responsible innovation while preserving the safety, soundness, and fairness of the U.S. payment system.

We write from an entrepreneurial perspective that also respects the incumbent banking community. In recent years, regulators have signaled openness to new chartered institutions in the digital assets space. The OCC in December 2025 conditionally approved five national trust banks under rigorous standards. As Comptroller Gould observed, "New entrants into the federal banking sector are good for consumers, the banking industry, and the economy," bringing diversity and competition while adhering to high regulatory expectations. The Federal Reserve itself has moved toward a "same activity, same risk, same regulation" approach, rescinding previous guidance that presumptively disfavored novel activities like crypto. 1Money shares this vision of responsible modernization of finance – innovation with proper safeguards – and we view the Payment Account concept as a practical step toward that goal.

In addressing the questions posed in the RFI, we emphasize the importance of: (i) preventing loopholes, by ensuring that Payment Accounts cannot be misused (for instance, via trust or agency arrangements) to conduct unregulated banking or "backdoor" correspondent activities; (ii) the creation of bright-line, auditable rules establishing clear, objective limits and oversight so that compliance can be readily verified; (iii) ensuring that the Payment Account should not become a proxy for providing broader payment services to third parties in contravention of its limited purpose; (iv) ensuring the fairness and neutrality of the framework, applying it evenly and without favoritism or hidden "chokepoints" that could exclude new innovators; (v) guaranteeing fair access and ensuring that lawful fintech businesses are not unjustifiably denied fundamental payment services; and (vi) fostering open competition as opposed to entrenching only the largest incumbents to the detriment of other Web3 startups. We support the Board's intent to strike a balance between supporting payments innovation and preserving risk controls, and we offer our perspective on how the Payment Account prototype can achieve that balance.

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

We believe the proposed Payment Account design would support the core payment needs of eligible fintech and digital assets institutions. By providing direct access to wholesale payment systems (Fedwire and FedNow) without the full privileges of a master account, the Payment Account enables faster, more predictable settlement of transactions for novel business models. A well-implemented Payment Account, with a streamlined review process (*i.e.*, targeted ninety (90) days), would directly support such institutions by giving them a timely and reliable way to clear payments.

In particular, the Payment Account would greatly facilitate stablecoin-related payment activities and other digital assets use cases. Stablecoin issuers and crypto platforms could manage on- and off-ramp liquidity between digital assets and U.S. dollars more autonomously and in real time to settle fiat redemptions of stablecoins instantly via Fedwire or FedNow, rather than relying on intermediary correspondent banks that operate only during banking hours. This capability to orchestrate stablecoin and fiat flows in real time will enhance customer confidence and efficiency in innovative payment services. We note that the Payment Account's contemplated design of being limited to clearing and settling the institution's own payments is aligned with these use cases. Payment activity such as redeeming a customer's stablecoin for fiat, or moving reserve funds, inherently involves an institution's obligations to its customers, not settlement on behalf of unrelated third parties. In that sense, the prototype's constraints support customer transactions and enable institutions to use Fed systems to fulfill payment obligations. Moreover, by capping balances (e.g. the lesser of \$500 million or 10% of assets) and disallowing credit features like overdrafts or discount window access, the Payment Account remains purely transactional. Firms can leverage it for payment clearing without viewing it as a source of financing or long-term liquidity without any ability to take deposits or make loans. In short, the design supports our payment needs (direct access to Fed settlement rails) while respecting the contemplated limited scope. The design's constraints also ensure support for our activities does not come at the expense of the system's integrity. By prohibiting use as a correspondent account or to settle others' payments, the Payment Account prevents an eligible institution from effectively becoming an unregulated clearing intermediary for other firms. We fully support this limitation because it focuses the Payment Account on facilitating an institution's own innovative services without creating "shadow" payment networks.

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

The Payment Account would best facilitate large-value, real-time, or high-frequency payment use cases for which direct central bank settlement adds significant speed and certainty. The Payment Account is ideal for stablecoin issuers managing reserve inflows and outflows. It allows the issuer to instantly transfer fiat funds when customers purchase or redeem stablecoins, using Fedwire for large institutional transactions and the FedNow service for 24/7 instant payments. With a Payment Account, an issuer can directly credit or debit customer accounts at other banks in real time, improving the reliability and appeal of stablecoins as a payment medium. Also, digital assets exchanges or marketplaces could use a Payment Account to clear fiat legs of crypto trades or settlements among participants. For instance, when customers withdraw dollars from a digital assets exchange, the exchange (if it held a Payment Account) could send those funds straight through Fedwire/FedNow to the customer's bank. This eliminates dependency on an external commercial bank to process payouts, reducing latency and counterparty risk in the settlement process. The allowed services (Fedwire Funds, FedNow, National Settlement Service) also cover the core needs for instant or near-instant payments.

At the same time, there are use cases the Payment Account would not facilitate or would constrain by design. The Payment Account explicitly may not be used to settle payments on behalf of other institutions or act as a correspondent account for third-party settlement (i.e., where an eligible institution isn't itself a counterparty). The RFI also notes that no "third-party interests" would be recognized in Payment Account to preclude structures where individual customers or other entities have direct claims on the account balance. The prototype Payment Account in its current design also would not offer services like FedACH, check clearing, or cash services. Additionally, the Payment Account provides no credit availability (no daylight overdrafts, no discount window), and uses that rely on short-term credit from the Fed (such as intraday liquidity management in large banks) are outside the scope. Similarly, an institution cannot leverage the account for funding loans or as a capital buffer, since balances are limited and non-interest-bearing. We agree with these pragmatic, initial limitations to prevent the Payment Account from, among other things, becoming a way for the Payment Account being used as a tool to conduct broader banking business pending further research and analysis. We support the Fed's cautious and deliberate approach in initially limiting Payment Accounts to specific services meant to support payments innovation in a narrow sense, and not to replicate all the capabilities of a full master account or permit Payment Account participants to essentially operate as depository institutions in all but name. The Payment Account's constrained scope is a strength; it focuses access where it adds value for cutting-edge payment innovations while preventing the Payment Account from morphing into a mechanism that would effectively grant participants core banking powers. If the Board considers adding additional capabilities in the future, e.g., access to FedACH services, which we encourage and support, it should do so with safeguards ensuring any expansion aligns with Congressional intent, upholds financial stability, and maintains fairness in the competitive landscape between traditional banks and fintech participants of all sizes.

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

We see the Payment Account prototype as significantly lowering several key barriers that currently impede fintech innovation in the U.S. payments sector and also democratizing access to payment system infrastructure allowing more players to participate and innovate. By introducing a tailored Payment Account with a targeted 90-day review and decision process for eligible applicants, the Fed would remove the uncertainty and excessive delay as a barrier. The Payment Account would alleviate heavy reliance on correspondent banks – which frankly has created unnecessary chokepoints where entire sectors were at risk of being "de-banked" –

by providing eligible firms a direct line into the payment system, reducing reliance on a handful of gateway banks. This is a critical development for fairness and neutrality in financial access. The Payment Account can provide a neutral, rules-based avenue for innovators to access payment rails, rather than leaving them at the mercy of a few incumbents' discretion. In practical terms, this could prevent scenarios where a startup's entire business is jeopardized because its one correspondent bank decides to exit the crypto sector. Instead, if the startup meets the Fed's eligibility and risk standards, it can maintain access independently. Additionally, a Payment Account would let a fintech leverage FedNow's 24/7 instant payment network and Fedwire's real-time gross settlement with finality, directly, eliminating barriers to instant payouts or around-the-clock settlement for digital transactions. Also, by allowing reserves (at least a portion of them) to be placed in a Federal Reserve account, the Payment Account mitigates credit risk to a private bank and enhances overall system resilience and can bolster public confidence in innovative payment mechanisms such as digital assets. In sum, the Payment Account would eliminate or reduce barriers related to access, reliance on third parties, settlement speed, and safety of funds, while fostering a more inclusive and competitive environment for payments innovation.

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

There are some areas to monitor to ensure risks do not emerge as a result of the ultimate design of the Payment Account, especially if the design were exploited or misused or if the scale of usage grows. One unique risk could arise if firms identify ways to circumvent the "own payments only" rule and effectively use a Payment Account in an unintended manner, e.g., to act as a quasi-clearinghouse for others. This could happen if, say, a Payment Account holder enters into contracts to process payments for other institutions but tries to characterize those as its "own" payments (perhaps via an agency arrangement or by commingling client funds). Such loophole engineering could increase settlement and operational risks, as the Fed would not have clear visibility into the ultimate transactional drivers. Also, such activity could create an unlevel playing field (some firms indirectly piggybacking on others' accounts without oversight). We appreciate that the proposal explicitly bans correspondent activities and third-party interests. To prevent any "backdoors," we encourage the Board to identify means to enforce those provisions appropriately. The Fed should maintain bright-line rules and appropriate supervision of Payment Account holders to ensure the payment system's resilience and integrity.

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 (lesser of \$500 million or 10% of total assets) that the Board should consider?

The overnight balance cap is one of the cornerstone safeguards of the Payment Account, and we see several clear benefits to this approach. The cap directly limits the maximum exposure of the Federal Reserve to any single institution's funds. By proposing the cap as "the lesser of \$500 million or 10% of the account holder's total assets," the Board is ensuring that even a very large institution cannot maintain more than a modest absolute dollar balance, and smaller institutions are constrained in proportion to their size. This greatly reduces the risk that a Payment Account holder's distress could ever pose a meaningful threat to the Fed or the financial system, including intraday, where balances can only exceed the cap temporarily and must be reduced by end of day. The benefit is a bright-line limit that is easy to understand and monitor, providing comfort that Payment Accounts remain a narrow conduit rather than a massive reservoir of funds. The cap also forces Payment Account holders to sweep out or redistribute any excess funds above the threshold daily. In practice, this means eligible firms will still keep the majority of their reserves in bank deposits or invested in money market instruments (like Treasury bills or tokenized money market funds) rather than sitting indefinitely at the Fed. We believe that limiting balances is a prudent compromise because the cap (combined with no interest) supports the idea that Payment Accounts are transactional. From an implementation perspective, however, it is worth noting that the burden will be on the Payment Account holder to reduce balances, with the Fed perhaps reserving the right to reject or reverse transactions that would leave an excess overnight. Accordingly, we encourage the Board to examine these types of scenarios and identify an appropriate mitigant to any such potential but seemingly manageable risk.

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

We recognize benefits to this crucial aspect. A non-interest-bearing account ensures that Payment Accounts are used solely for payments purposes and not as interest-earning vehicles. This reinforces the Board's intent that Payment Accounts are intended to be transactional. By offering zero interest, the Fed avoids creating an arbitrage where non-banks might attract funds just to place at the Fed for yield. This preserves the competitive balance with traditional banks, and we believe this is a practical solution to ensure no relaxation of access standards that might infringe on privileges granted by Congress to depository institutions. We also believe the benefits of the no-interest design of the Payment Account squarely as a payments tool outweigh any arguable drawbacks that might be borne by eligible firms arguing for interest. We believe this design choice helps ensure the Payment Account doesn't become controversial which could risk its adoption and longevity which would benefit innovators in the long run.

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

We agree that robust AML/BSA/CFT controls must be a precondition for any institution gaining a Payment Account, and that ongoing measures are needed to manage illicit finance risk. We support the FRB's indication that it is exploring requiring account holders to consent to reviews and provide periodic reporting on compliance and encourage the consistent application of bank-level compliance expectations into the framework of Payment Account access and usage.

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

We encourage the Board to consider a few other features to further strengthen the Payment Account framework, close potential gaps, and promote fairness. We encourage the Board to consider permitting well-regulated money transmitters, particularly those licensed in multiple U.S. states and subject to ongoing supervision, also be permitted as eligible applicants. The exclusion of entities solely operating under Money Transmitter Licenses (MTLs) may inadvertently sideline some of the most innovative, consumer-facing firms in the modern payments ecosystem, including stablecoin orchestration platforms, that do not yet qualify for bank or trust charters. These firms often operate under robust state-level oversight, maintain surety bond and permissible investment regimes, and are subject to BSA/AML obligations through FinCEN registration. We believe that money transmitters are as stringently regulated and operate in no less a safe and sound manner than chartered institutions. Carefully vetted MTL holders, especially those operating at national scale and in good standing with dozens of state regulators, should not be categorically excluded from access to Fed infrastructure. We urge the Board to remain open to exploring eligibility pathways for MTL holders under controlled conditions, such as participation in pilots, partnerships with supervised entities, or phased access with enhanced reporting. Doing so could promote inclusion, competitive neutrality, and broader access to payment innovation, all without compromising safety and soundness or oversight integrity.

Also, as discussed earlier, we recommend the Board harden the prohibition on using a Payment Account for anything other than the holder's own payments. In addition to the prohibition on correspondent activities and third-party settlements, the Fed could require account holders to periodically attest (e.g., via an officer's certification) that they are not using the account to indirectly settle payments for others coupled with a supervisory requirement to disclose the nature of payments processed. We believe that this feature could deter any creative attempts at creating loopholes through legal constructs like omnibus trust accounts or agency agreements. It also provides an auditable statement the Fed can check against, if necessary, transaction samples or customer agreements to ensure alignment. Additionally, to promote confidence and neutrality, the Board might consider releasing aggregate information about the Payment Account program or requiring participants to do some public disclosures. Alternatively, each Payment Account holder could be required to publish certain data (much like banks publish call report data). Transparency can help demonstrate that the Payment Account program is being used as intended and that it isn't creating hidden systemic issues. We believe that a controlled degree of transparency could be a useful feature to ensure support for the initiative. We also strongly encourage the Board to formally adopt in the Payment Account context a principle that any eligible institution that meets consistently applied and objective criteria and risk controls will be granted access without discrimination. This echoes the spirit of the OCC's current open and welcomed approach to digital assets firms and the recent Executive Order on fair banking which aims to prevent unwarranted denial of services. We think it is crucial for this basic principle to be codified in any guidance or accompanying any final rule to reassure innovators that the process is not skewed towards only the most well-resourced incumbents while aligning with the preservation of neutrality and avoiding situations where any "first movers" become entrenched to enjoy an unearned competitive advantage. The Board could also consider a pilot approach that includes a mix of firm sizes to ensure a diverse set of participants to avoid the reality or narrative of the Payment Account creating an exclusive settlement club. Overall, a feature to promote broad access and deter anticompetitive behavior should be considered. Finally, as the GENIUS Act is implemented and other agencies develop rules for stablecoin issuers, the Board should remain flexible to add features or limits that ensure consistency across regulators and to establish expectations that any initially implemented design is merely a starting point and not necessarily static.

We believe the Board's prototype is very well thought out and represents a prudent, incremental step and a "narrow path" that allows new technology-driven firms to access the Fed's core infrastructure without compromising the safeguards that protect the U.S. payment system. We are encouraged by this balanced approach and the proposal's combination of limited purpose, clear caps and restrictions, and bright-line rules to ensure fair access and protect against exploitation of any Payment Account system. We believe that if the Board implements the Payment Account with these principles at the forefront, it will succeed in fostering a more dynamic, competitive, and inclusive landscape, just as the OCC's recent charter approvals aim to do, including for firms native to the digital assets space to offer faster, safer, and more transparent payment services. We appreciate the Board's thoughtful consideration of

our comments and we are grateful for the chance to contribute our perspective. We welcome the Federal Reserve's ongoing attention to these issues and would be pleased to be a constructive partner in the effort to responsibly modernize the payments system and provide any additional information or assistance as the Payment Account framework is refined.

Thank you.

Respectfully submitted,

1Money Co.