# INDEPENDENT COMMUNITY BANKERS OF AMERICA, SCOTT ANCHIN

## Proposal and Comment Information

**Title:** Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests, OP-1878

**Comment ID:** FR-2026-0013-01-C67

## Submitter Information

**Organization Name:** Independent Community Bankers of America

**Organization Type:** Organization

**Name:** Scott  Anchin

**Submitted Date:** 07/27/2026

The Independent Community Bankers of America (ICBA) appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's proposed revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests, which would accommodate a new special-purpose Payment Account. ICBA has strong concerns about the proposed Payment Account as discussed in the attached letter.

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July 27, 2026

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

**Re: Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests [Docket No. OP-1878]**

Dear Mr. McDonough:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (the Board or the Federal Reserve) proposed revisions to the Federal Reserve Policy on Payment System Risk (PSR Policy) and the Guidelines for Account and Services Requests (Account Access Guidelines or Guidelines), which would accommodate a new special-purpose Payment Account. ICBA has strong concerns about the proposed Payment Account as discussed below.

This notice is one of three related proposals through which the Board would establish the Payment Account, along with the proposed amendments to Regulation A (Docket No. R-1892) and Regulation D (Docket No. R-1893).[2] ICBA is submitting comments on each and respectfully asks that the Board consider them together.

ICBA has significant concerns about expanding direct Federal Reserve account access to institutions that operate outside the traditional banking regulatory framework. If a Reserve Bank chooses to grant these institutions access to the payment system, a highly constrained Payment Account presents fewer risks than a full Master Account. Access to Federal Reserve accounts and services should remain tied to strong prudential oversight, and lightly regulated entities should not receive the same comprehensive access as insured depository institutions.

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[1] The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams.
[2] *See* ICBA, Response to Federal Reserve's Regulation A: Extensions of Credit by Federal Reserve Banks Proposed Amendments, https://www.icba.org/w/icba-response-to-docket-no-r-1892 (July 27, 2026); ICBA, Response to Federal Reserve's Regulation D: Reserve Requirements of Depository Institutions Proposed Amendments, https://www.icba.org/w/icba-response-to-docket-no-r-1893 (July 27, 2026).

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**Summary of the Proposal**

The Board proposes to add a new Part IV to the PSR Policy and to update the Account Access Guidelines to accommodate a Payment Account, a special-purpose Reserve Bank account that a legally eligible institution could use to clear and settle its payment activity. The proposal does not expand or change legal eligibility for access to Reserve Bank accounts and services. A Payment Account would carry a standard set of risk-mitigating terms, including:

- A Closing Balance Limit set by the Reserve Bank based on the institution's expected payment activity, not to exceed $1 billion;
- No access to intraday credit or the discount window;
- No interest on balances;
- Access limited to Federal Reserve services with automated controls to prevent overdrafts: the Fedwire Funds Service, the FedNow Service, the National Settlement Service, and the Fedwire Securities Service for transfers free of payment; and
- A prohibition on using the account to settle a respondent institution's transactions.

A request for a Payment Account would generally receive a more streamlined review than a request for a Master Account, completed within 90 calendar days of a complete submission. The Board is also encouraging the Reserve Banks to pause decisions on access requests from Tier 3 institutions until it completes its policy development process. The discount window exclusion and the no-interest term would be implemented through companion amendments to Regulation A (Docket No. R-1892) and Regulation D (Docket No. R-1893), on which ICBA is commenting separately.

**ICBA Response**

The proposed Payment Account is substantially similar to the prototype described in the Board's December 2025 request for information (RFI), on which ICBA submitted comments.[3] In those comments, ICBA urged that any such program not be a prototype in name only but instead be structured as a genuine pilot program with stated desired outcomes, explicit account approval criteria, clear limits, strong enforcement mechanisms, mandatory evaluation points, off-ramp mechanisms, and transparency requirements, and that it be time-barred in the event it is not successful. The current proposal would build the Payment Account into the PSR Policy and the Guidelines rather than establish it as a defined pilot, and it does not adopt several of the safeguards ICBA recommended.

ICBA's position reflects a long-held view that access to Federal Reserve accounts and services should remain tied to strong prudential oversight, and that the Federal Reserve should continue to limit Master Account access to institutions that meet the financial services sector's highest standards. ICBA has cautioned that granting access to entities with novel business models or limited federal oversight can create new vulnerabilities, and it has urged clear eligibility rules, consistent application of supervisory standards across the 12 Reserve Banks, and Board-level involvement for higher-risk applicants.

ICBA recently expressed significant concerns with the Federal Reserve Bank of Kansas City's approval of a limited purpose account for Kraken Financial, a non-federally insured, crypto-affiliated institution

[3] ICBA, Response to Federal Reserve's RFI on Payment Account Prototype, https://www.icba.org/w/response-to-federal-reserve-s-rfi-on-payment-account-prototype (Feb. 6, 2026).

that is not subject to consolidated federal supervision. The Payment Account proposed here is distinct from that grant, but it raises the same underlying concern: extending direct access to the Federal Reserve's payment system to institutions that fall outside the prudential framework governing banks.

ICBA supports confining the Payment Account to Federal Reserve services that include automated controls to prevent overdrafts. In particular, ICBA supports excluding the FedACH Service, which does not include those controls; limiting the account to prefunded settlement over the Fedwire Funds Service, the FedNow Service, the National Settlement Service, and the Fedwire Securities Service for transfers free of payment is consistent with the account's limited purpose and the goal of containing risk to the Reserve Banks.

ICBA reiterates the following recommendations:

**1. Closing Balance Limit.** The proposal would set a Closing Balance Limit calibrated to a Payment Account holder's expected payment activity, not to exceed $1 billion, an increase from the RFI's limit of the lesser of $500 million or 10 percent of the institution's total assets. In its RFI comments, ICBA recommended starting with a lower cap, such as $250 million, and adopting an aggregate cap across all Payment Accounts to limit total exposure on the Federal Reserve's balance sheet. A higher, activity-based ceiling moves in the opposite direction. ICBA continues to recommend a lower per-account limit at the outset and an aggregate limit across all Payment Accounts, together with a clear enforcement approach that includes escalating consequences for violations and an off-ramp if the limit proves unenforceable.

**2. A defined program with a mandatory review.** ICBA urges the Board not to make the Payment Account a permanent feature of the PSR Policy and the Guidelines before its controls have been validated in practice. The Board should establish a numerical cap on the number of Payment Accounts across the Federal Reserve System for the first three years, publish the specific outcomes and evaluation criteria it intends to apply, and commit to a mandatory review after three years. Any decision to continue should be made only after a public review and comment process.

**3. Specific and mandatory illicit finance requirements.** Under the proposal, a Reserve Bank would be permitted, but not required, to obtain information demonstrating a Payment Account holder's compliance with Bank Secrecy Act and anti-money laundering (BSA/AML) and sanctions requirements, and the proposal asks whether specific illicit finance requirements should apply to Payment Account holders that are not federally insured. ICBA believes that such requirements are necessary. Banks today perform critical BSA/AML and sanctions screening functions as federally supervised institutions, and when an institution obtains direct access through a Payment Account, those responsibilities shift to an entity that may have less oversight, fewer resources, or a more limited compliance infrastructure.

The proposal identifies measures a Reserve Bank may use for this purpose, including independent third-party assessments of BSA/AML and sanctions compliance programs, attestations of compliance, program audits, and notification of events that may affect an institution's illicit finance risk profile. ICBA believes these protections are not sufficiently specific. Governor Barr emphasized their inadequacy in

his dissenting statement.[4] Specific measures should be required of all Payment Account holders rather than left to Reserve Bank discretion, and the Board should impose transaction limits during an initial trial period.

**4. Consistent application and Reserve Bank discretion.** ICBA has long urged that the standards governing account access be transparent, rigorous, and consistently applied across the 12 Reserve Banks. The Payment Account should not enable regulatory arbitrage or allow institutions to bypass the prudential framework that governs banks. The review of a Payment Account request, while more streamlined than the review of a Master Account request, should remain rigorous. By statute, decisions on access requests rest with the individual Reserve Banks, and the proposal preserves each Reserve Bank's discretion to grant, condition, or deny a Payment Account request. The 90-day review expectation should be understood as a measure of timeliness rather than an obligation to approve, and the final framework should confirm that a Reserve Bank retains discretion to deny a request that would pose undue risk.

**5. No pathway to a Master Account.** The Board should state explicitly that obtaining a Payment Account creates no expectation of, or pathway to, a Master Account. ICBA believes that an institution seeking a Master Account should meet the financial services sector's highest prudential standards from the outset, including by obtaining federal deposit insurance. ICBA appreciates that the proposal treats the Payment Account as separate and distinct from a Master Account, and the final framework should make that point unambiguous.

**6. Transparency and public reporting.** ICBA recommends that the Board commit to quarterly public reporting of aggregate program statistics, including the number of applications received, approved, and denied, and the general features of applications that are approved or denied.

**7. The temporary pause on Tier 3 requests.** ICBA supports the Board's decision to encourage the Reserve Banks to pause decisions on access requests from Tier 3 institutions until the Board completes its policy development process and urges the Board to maintain the pause until the framework is finalized.

**8. Eligibility and the scope of access.** The Board has asked whether changes to the tiering framework are warranted. Consistent with ICBA's view that Master Account access should be limited to institutions that meet the financial services sector's highest standards, institutions in the highest-risk tier, which are not federally insured and not subject to federal prudential supervision, should not be eligible for a full Master Account. The Payment Account should not be used to extend eligibility or increase the services available under the framework. Any such expansion should be subject to a separate notice-and-comment rulemaking process to ensure appropriate public input and transparency.

Finally, ICBA remains concerned that the Payment Account could create competitive imbalances that disfavor community banks. The capital, supervisory, consumer protection, and deposit insurance requirements that apply to community banks protect depositors, support responsible local lending, and help keep the payment system safe. A Payment Account holder that is not subject to those

[4] Board of Governors of the Federal Reserve System, Statement on Payment Account Proposal by Governor Michael S. Barr, https://www.federalreserve.gov/newsevents/pressreleases/barr-statement-20260520.htm (May 20, 2026).

requirements could gain a competitive advantage over a community bank, even without earning interest and despite a balance limit. This would confer key benefits of direct Federal Reserve access without the regulatory safeguards that underpin that access. ICBA is concerned that this imbalance could draw deposits and payment activity away from community banks and the communities in which they reinvest, and encourages the Board to weigh these effects in the competitive impact analysis the proposal undertakes.

Thank you for the opportunity to comment on this proposal. ICBA looks forward to continuing to work with the Board to ensure that the payment system remains fast, efficient, and safe. Should you wish to discuss these comments in further detail, please do not hesitate to contact me at scott.anchin@icba.org.

Sincerely,

/s/

Scott Anchin
Senior Vice President, Strategic Initiatives and Policy