# SUTTON BANK, J. ANTHONY GORRELL, ET. AL.

## 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-C71

## Submitter Information

**Organization Name:** Sutton Bank

**Organization Type:** Company

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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; 91 FR 30627)**

Dear Mr. McDonough:

Sutton Bank appreciates the opportunity to comment on the Board's proposal to establish a special-purpose "Payment Account" at the Reserve Banks and to revise the Payment System Risk Policy and the Account Access Guidelines accordingly. Sutton Bank is an Ohio state-chartered, FDIC-insured community bank founded in 1878. In addition to serving our local communities, we operate a meaningful payments and banking-as-a-service business through which we sponsor and support financial technology partners nationally. We therefore approach this proposal both as an insured depository institution subject to comprehensive prudential supervision and as a bank with direct, day-to-day experience intermediating novel payment providers to the core payment rails.

**Summary of position.** Direct access to Reserve Bank accounts and payment services, whether through a Master Account or the proposed Payment Account, should remain a benefit and responsibility reserved for insured depository institutions that accept the full obligations of a bank charter. As proposed, the Payment Account would extend direct access to the nation's core payment infrastructure to uninsured entities that are not subject to the prudential supervision, capital and liquidity requirements, examination, and orderly resolution regime that apply to insured banks: principally Tier 2 and, especially, Tier 3 institutions. We respectfully urge the Board not to proceed with the Payment Account as proposed and, at a minimum, to limit eligibility to Tier 1 institutions. Put simply: the benefits of direct access should follow from being a bank, and the entities that want those benefits should accept the corresponding obligations of the charter.

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**1. Direct Federal Reserve access is a core benefit and obligation of the bank charter.**

The ability to hold an account at a Reserve Bank and to reach Federal Reserve payment services directly is one of the defining privileges of a bank charter. That privilege is inseparable from the obligations that accompany it: deposit insurance and the assessments that fund it, minimum capital and liquidity requirements, ongoing prudential supervision and examination, Community Reinvestment Act obligations, and a clear, well-established resolution framework when an institution fails. An entity that seeks the benefits of direct access should be prepared to accept those obligations. The proposal would decouple the benefit from the burden, granting direct settlement access while leaving the applicant outside the supervisory and resolution framework that makes such access safe. We do not believe that tradeoff is in the public interest.

**2. Like activities should be subject to like regulation.**

The Payment Account is designed principally for institutions that are not federally insured and that may be subject to supervisory regimes that are materially weaker than the framework applied to insured banks. Extending direct access to those entities while insured banks continue to bear the full weight of prudential regulation to perform the same clearing-and-settlement function creates regulatory arbitrage and supervisory gaps. The Board itself acknowledges that Payment Account requesters are more likely to be subject to weaker or more divergent supervisory regimes and to pursue novel business lines. That is precisely the population for which direct access warrants the most caution, not a streamlined path.

**3. The proposal creates competitive inequities for community banks.**

Under the proposal, Payment Account holders would obtain direct access to Federal Reserve payment infrastructure without incurring the regulatory costs, capital commitments, and compliance investments that community banks have made over decades to earn and maintain that access. That asymmetry would dilute the payments franchise of insured institutions and place particular competitive pressure on community and mid-size banks that rely on payments and correspondent activity. A framework that lets new entrants capture the benefits of the charter while avoiding its costs undermines the level playing field on which community banking depends.

**4. The supervised sponsor-bank model already provides a safe path to the payment rails, and the proposal would displace it.**

As a bank that sponsors and supports fintech partners, we observe first-hand that the existing intermediated model performs an essential function. The sponsor or correspondent bank provides prudential risk management, BSA/AML and OFAC oversight, consumer-protection controls, and operational discipline between a novel entrant and the core payment system—and it does so as a supervised, insured institution accountable to its regulators. Granting direct access removes that supervised intermediary and shifts the associated risk-management obligations onto entities that may have less oversight, fewer resources, and more limited compliance infrastructure—and, ultimately, onto the Reserve Banks and the public. The commenters who cautioned the Board

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that reducing reliance on intermediaries merely relocates risk rather than eliminating it are correct.

**5. The illicit-finance safeguards are discretionary where they should be mandatory.**

The proposal makes enhanced BSA/AML and OFAC informational requirements available to the Reserve Banks only at their discretion, and it contemplates a 90-day review window. For applicants that are more likely to have limited compliance history, novel business lines, or divergent supervision, discretionary and expedited review is not an adequate substitute for the sustained, examination-based BSA/AML oversight to which insured banks are subject. If the Board proceeds, robust illicit-finance conditions (e.g., independent program assessments, audits, attestations, and enforcement-action reporting) should be mandatory baseline terms rather than optional tools, and the review period should be long enough to assess BSA/AML adequacy in fact.

**6. Even with the Closing Balance Limit, financial-stability and monetary-policy risks warrant caution.**

We appreciate that the Payment Account's terms—no intraday credit, no discount-window access, no interest, and a Closing Balance Limit—are intended to reduce residual risk. Those terms mitigate, but do not eliminate, the concerns. A large population of Payment Account holders, each near a $1 billion limit, aggregates to a material footprint, and in periods of stress the incentive to move balances directly onto the Federal Reserve's books could accelerate deposit flight from insured institutions at precisely the wrong moment. Uninsured Payment Account holders also lack the clear, well-established resolution regimes that make settlement and credit exposures manageable when an insured institution fails. These are reasons to proceed narrowly, if at all.

**7. We support pausing Tier 3 decisions and deferring to Congress on eligibility.**

We support the Board's request that the Reserve Banks pause decisions on access requests from Tier 3 institutions while this policy is developed, and we encourage the Board to maintain that pause. Federal law as enacted by Congress determines which entities are eligible for a Reserve Bank account. Any meaningful expansion of the population of institutions with direct access to Federal Reserve accounts and services, and any decision to make such access available to uninsured entities on a streamlined basis, should be made by Congress rather than through modifications to the Guidelines and the PSR Policy.

For these reasons, Sutton Bank respectfully urges the Board not to finalize the Payment Account as proposed. If the Board nonetheless proceeds, we urge it to limit Payment Account eligibility to Tier 1 institutions, to make robust BSA/AML and OFAC conditions mandatory, and to preserve the supervised, insured-institution gateway to the Federal Reserve's payment services. We would welcome the opportunity to discuss these comments further.

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Respectfully submitted,

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