CIRCLE INTERNET GROUP, INC.

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

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Submitter Information

Organization Name: Circle Internet Group, Inc.

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Please find attached Circle Internet Group, Inc's response to OP-1878; Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests. Responses to Reg A and Reg D notices will be submitted separately.

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

Circle appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's ("Board") proposed revisions to the Federal Reserve Policy on Payment System Risk ("PSR") and the Guidelines for Account and Services Requests to accommodate the provision by Reserve Banks of special-purpose Payment Accounts. Circle supports the Board's effort to create a standardized, prefunded, lower-risk account structure through which legally eligible institutions can clear and settle payment activity directly with the Federal Reserve Banks. Properly calibrated, the Payment Account will strengthen the U.S. payment system by improving settlement resiliency, reducing unnecessary reliance on multilayer payments arrangements, and supporting safe private-sector payments innovation.

We generally support the Payment Account and believe it brings the United States in line with other major financial and payments centers of the world. As a regulated stablecoin issuer, we also see the Payment Account as implementing an important facet of the Guiding and Establishing National Innovation for U.S. Stablecoins Act ("GENIUS Act" or "the Act") which recognizes the role and importance of permitted payment stablecoin issuers ("PPSIs") holding reserves at Federal Reserve Banks. Access to Federal Reserve settlement services implements an important complement to existing private-sector settlement mechanisms by adding a transparent, resilient, and risk-reducing payment channel.

EXECUTIVE SUMMARY

- We see the proposal, with targeted recalibration, as a low-risk, pro-innovation model that can expand direct access to Federal Reserve settlement services without importing as a baseline the broader credit, operational, and supervisory elements that come with a Master Account. For federally supervised PPSIs, it implements an important facet of the GENIUS Act's reserve structure[1] and would support timely redemption, reduce concentration risk, and add resilient dollar settlement capacity while preserving the important role of commercial banks. We offer the following targeted recommendations to strengthen the design:

[1] 12 U.S.C. 5901, §4(a)(1)(i) allows PPSIs to hold "money standing to the credit of an account with a Federal Reserve Bank."

- **Establish a path to prefunded FedACH access.** Excluding FedACH materially limits the utility of the Payment Account for ordinary payment activity. The Board should not allow existing operational limitations to hard-code an incomplete account design, and should direct the Reserve Banks to evaluate controls such as full prefunding, credit-push-only origination, or other automated overdraft-rejection mechanisms that would permit FedACH access without creating Reserve Bank credit exposure.

- **The Closing Balance Limit should be flexible, activity-based, and calibrated to actual payment use.** Circle supports the Board's decision to move away from an asset-based cap, but a fixed $1 billion ceiling is too low for high-throughput or 24/7 payment activity, including managing settlement demands across weekends, holidays, and stress periods. The Closing Balance Limit should function as a settlement-only calibration tool that can evolve with actual usage data, sector growth, and market conditions. The PSR should include periodic recalibration methodology and temporary-exceedance processes to preserve transparency while avoiding the risk that an overly rigid rulemaking framework undermines uptake or constrains activity that otherwise benefits the safety of the payment sector.

- **The Board should permit a narrow, controlled path for FedNow Operating Circular 1 ("OC 1") Respondent access.** Circle supports the baseline prohibition on Payment Account holders acting as OC 1 Correspondents given the centrality of Master Accounts. However, Respondent access offers a middle-ground approach that provides a more direct ability to participate in FedNow with the reserve structures remaining under sponsor banks' control. Such arrangements can be structured to avoid Reserve Bank credit exposure and ensure that access remains instant, prefunded, and subject to real-time controls.

- **Zero interest and a low closing-balance cap should be assessed together because they may create unintended operational risks.** Both tools appropriately constrain the Payment Account's balance-sheet footprint, but if calibrated too tightly they could incentivize predictable morning funding inflows, end-of-day sweeps, congestion near the Federal Reserve close, weekend and holiday liquidity strains, or conversely under-utilization of the account. The Board should monitor these second-order effects as adoption scales and retain flexibility to adjust parameters so the account remains useful for payments.

- **The Board should preserve optionality for bounded Excess Balance Account ("EBA") access as a potential future reserve-management or stress-contingency tool.** EBAs should not be available as routine sweep vehicles for ordinary Payment Account balances, but a tightly conditioned EBA framework could provide a more administrable alternative to creating a separate limited-purpose or stress-based pathway to remunerated balances or a wider Master Account.

- **Illicit-finance considerations should turn on federal supervisory status, not insured status**. Circle supports the Board's decision not to impose bespoke illicit-finance requirements as part of the Payment Account application; standard terms and the ability to request further information provide sufficient opportunity

for the Reserve Banks to assess compliance. If the Board adds further certifications or requirements, the appropriate dividing line should be whether the applicant is subject to federal banking agency supervision for Bank Secrecy Act ("BSA") compliance, not whether it is federally insured.

- **In parallel, the Account Access Guidelines should be updated to reflect federally supervised PPSIs and preserve clear review timelines**. A 90-day review expectation for Tier 2 and Tier 3 Payment Account applications is a meaningful improvement, but the final framework should define application completeness, require specific deficiency notices, provide written reasons for denials, and establish a Board escalation path. For PPSIs, the tiering framework should center on the applicant's supervisory status, rather than automatically granting favorable treatment because a PPSI parent is an insured bank or holding company.

- **The final policy should prevent bank-affiliated PPSIs from using parent-bank relationships to circumvent issuer-level ringfencing**. Bank-subsidiary PPSIs that are granted Payment Accounts should not be able to rely on a parent insured depository institution's Master Account, affiliated EBA arrangements, deposit-token structures, rebates, intraday credit, discount-window access, guarantees, asset purchases, or preferential liquidity lines. Congress designed the GENIUS Act to separate the activity of stablecoin issuance from the activity of banking conducted by affiliates or parents. An arm's-length framework, consistent with Regulation W principles, would preserve competitive parity and reduce two-way transmission of liquidity, operational, and reputational risk.

Circle offers the following responses, grouped thematically, to the questions posed by the Board.

I. Payment Account strengthens the payment system, but should include a path to FedACH access. (Question 1)

Circle supports the revised Payment Account design. A prefunded account with no intraday credit and automatic rejection controls is an appropriate lower-risk alternative to a Master Account. The Payment Account would serve an important public-policy function. For consumer-facing payment providers, direct access to Federal Reserve settlement services can reduce reconciliation delays, lower dependence on intermediary settlement chains, and improve payment reliability. For business-oriented payment firms, the account can improve orchestration between retail and wholesale payment systems. By design, the Payment Account reduces the credit risk, operational complexity, and supervisory burden that comes with a wider Master Account.

For federally supervised PPSIs, the benefits are even more pronounced: it allows inherently full-reserve PPSIs to support timely redemption, provides needed optionality to reduce concentration risk, and increases the resilience of dollar payment activity during stress. For PPSIs, we expect the account to operate alongside, not in place of, commercial settlement banks. We do not see the Payment Account as reducing the role of private-sector banks in the payment stablecoin ecosystem, but instead adding a direct, transparent, and credit-risk reducing settlement channel that can reduce single-point-of-failure risk and provide additional capacity when private banking rails are

constrained. That architecture is consistent with the GENIUS Act and the Board's stated objective of supporting payments innovation in a manner that prudently manages the risks identified in the Account Access Guidelines.

We highlight below and in the related responses on Regulations A and D several elements of the proposal that merit further analysis. However, we see several targeted elements that merit inclusion in the PSR Policy in order for the Payment Account to serve as a viable settlement path. First, as noted in response to the prototype proposal, we encourage the Board to ensure that Payment Account access includes access to FedACH which remains a core payment service for ordinary U.S. payments activity. A Payment Account that cannot access FedACH will be materially less useful for firms that need to support payroll, consumer disbursements, recurring payments, merchant settlement, and redemption-related bank transfers. The result is an account that is valuable for some wholesale and instant-payment use cases but incomplete as a practical payments utility.

Circle recognizes the Board's concern that FedACH currently presents operational challenges because the Reserve Banks may not be able to reject all overdraft-causing ACH transactions without disrupting the network. That concern is real, but given the feasibility of technical and operational controls to remedy it, this should not become a permanent design constraint.

There are several administrable paths the Board could evaluate. First, the Reserve Banks could require Payment Account holders to prefund ACH activity in an amount sufficient to eliminate the possibility of an overdraft. Alternatively, the Reserve Banks could limit Payment Account holders to credit-push ACH activity, or otherwise restrict debit-pull origination that creates return and credit-risk complications. Third, the Reserve Banks could combine prefunding, exposure limits, file-level controls, and enhanced monitoring to permit a narrower form of FedACH access initially, with expansion over time as operational controls mature. These options would preserve the Board's no-credit design while making the Payment Account usable for a broader set of real payment activity.

The Board should direct the Reserve Banks to identify options to establish a prefunded FedACH access model for Payment Account holders. At minimum, the final policy should make clear that the Board expects to revisit FedACH access as Reserve Bank controls evolve and that Payment Account holders should not be required to seek a full Master Account to obtain basic ACH functionality when the credit risk can be addressed through prefunding and service-level controls.

II. The closing balance limit should be scalable, activity-based, and stress-responsive. (Questions 2 and 4)

Circle supports the Board's decision to move away from the prototype RFI's formulaic asset-based cap and toward an activity-based Closing Balance Limit. A payment-oriented account should be calibrated to payment activity, not a percentage of total assets. Circle also supports the Board's clarification that the limit applies only at the Federal Reserve's close of business and not intraday which is an important step forward to supporting at-scale payments demand.

We encourage the Board in its final framework to treat the Closing Balance Limit as a calibration tool, not a rigid structural component. As a result, the Board should establish the Closing Balance Limit in the proposed new Part IV of the PSR Policy. The core purpose of the Closing Balance Limit, at a principles level, is to support the settlement-only character of the Payment Account and mitigate potential effects on the Federal Reserve's balance sheet and monetary policy implementation. However, absent data based on actual Payment Account usage—vice historic Master Account closing balances—the methodology, numeric limit, temporary-exceedance process, and periodic recalibration should remain in the PSR Policy or related Reserve Bank procedures. That approach provides transparency while preserving the flexibility necessary to adapt to observed payment activity, sector growth, and, if necessary, manage stress conditions without going through a full Administrative Procedure Act rulemaking and comment process.

Substantively, we continue to believe that a fixed $1 billion maximum is too low and not sufficiently grounded in expected payments volume, particularly given the ubiquity of 24/7 payments activity within the United States. The Board's historical analysis of existing Reserve Bank account closing balances is informative, but it reflects closing balances for institutions that maintain access to the full suite of Master Account services, including overnight remunerated accounts, as well as those that provide a different function and footprint in private borrowing markets. As such, we do not see past performance as an adequate indicator for future use by the set of institutions the Payment Account is designed to serve. For example, high-throughput or 24/7 payment firms may need to hold sufficient overnight liquidity to support open-of-business settlement, redemption demand which may scale over weekends, holidays, and stress-periods.

For payment stablecoin issuers, the Board should consider as a starting point an activity- or percentage-based limit tied to observable settlement and redemption flows. A limit calibrated to expected payment flows or stressed short-horizon liquidity needs would better reflect the actual operational function of the account than one tied to total circulation. The relevant question should be whether balances are reasonably related to payment, redemption, and settlement needs, not whether they fit within a fixed nominal ceiling derived from historical account balances of dissimilar institutions.

The Board should also establish clear mechanisms for higher individual limits and temporary increases. If the Board retains any fixed ceiling, the final policy should provide Reserve Banks with authority to set higher institution-specific limits where justified by payment activity and risk controls. It should also define objective temporary-increase pathways for weekends, holidays, quarter-ends, and periods of exogenous market or banking-sector stress. Those temporary increases should be supported by clear triggers, documentation, supervisory notification, and post-event review. A stress-responsive mechanism would make the account more useful precisely when additional settlement capacity is most valuable. The Board should also preserve optionality for bounded EBA access or a similar limited-purpose reserve-management mechanism as an alternative to forcing all stress-period liquidity through the Payment Account's ordinary Closing Balance Limit.

Lastly, the interaction between the Closing Balance Limit and zero interest is central. Both tools constrain the Payment Account's balance-sheet footprint. If calibrated too tightly, however, they can jointly reduce the account's utility and create new operational risks. A zero-rate account combined with a low, binding closing-balance cap may encourage predictable morning funding inflows and end-of-day sweeps, concentrate activity near the Federal Reserve's close of business, increase short-term funding-market pressure, and push settlement demand back into correspondent-bank channels. As uptake increases, that could re-concentrate the very risks the Payment Account is designed to reduce.

The Board should therefore monitor second-order effects as Payment Account adoption scales and ensure there is discretion to modify the parameters of the Closing Limit and zero interest restriction so that they collectively support, rather than negate, the Account's payment purpose.

III. The Board should permit controlled FedNow OC 1 Respondent access. (Question 3)

Circle generally supports the Board's baseline prohibition on Payment Account holders acting as OC 1 Correspondents, and we recognize the additional operational, counterparty, and liquidity concerns that the consultation raises. The Board should, however, consider a narrow carveout for FedNow OC 1 Respondent access where the arrangement does not create Reserve Bank credit exposure and the correspondent applies automated reject and overdraft-prevention controls. Fundamentally, FedNow is an instant, prefunded settlement service, and a properly structured FedNow respondent arrangement does not present the same deferred-settlement credit risk that motivates the broader OC 1 prohibition. The final policy should add a distinction for the ability for the correspondent to set controls for the OC 1 Respondent that preserve the prefunded, non-nested access structure from wider multi-party settlement arrangements and correspondent relationships that would be possible as an OC 1 Correspondent.

To do so, the Board could require the correspondent institution to evaluate and manage onboarding, liquidity, operational-resilience, transaction controls, and exit-plan risks. Those requirements can strengthen the carveout without eliminating basic payment functionality. The Board could also limit the carveout initially to FedNow, require real-time balance and transaction monitoring, and prohibit any arrangement that creates direct or indirect Reserve Bank credit exposure.

Separately, the final policy should also address the possibility of regulatory arbitrage for certain PPSIs holding Payment Accounts. Specifically, a bank-subsidiary PPSI may be able to use a Payment Account to leverage parent or affiliate correspondent or respondent arrangements, including parent EBA, deposit-token, rebate, or other structuring arrangements, to obtain services, credit support, or preferential liquidity that are both unavailable to Payment Accountholders and create interlinkages and dependencies between PPSI and parent that Congress specifically designed the Act to eliminate. The Board should make clear in both Payment Account guidelines and GENIUS rulemaking that bank-subsidiary issuers may not use a parent insured depository institution's Master Account, affiliated EBA arrangements, deposit-token structures, rebates, intraday credit capacity, discount-window access, guarantees, asset purchases, or preferential credit lines to circumvent the interaffiliate limitations of the Act. An arm's-length approach,

consistent with Regulation W principles, would preserve parity between bank-affiliated and nonbank issuers and protect both the Reserve Banks and parent IDIs from unanticipated credit and liquidity risk.

IV. Illicit-finance mitigants should turn on supervisory status, not insured status. (Question 5)

Circle agrees with the Board's current approach that does not include specific illicit finance requirements in connection with a Payment Account request. The standard terms and ability to request further information provide sufficient opportunity for the Reserve Banks to assess compliance without creating duplicative or additive supervisory requirements on top of that of the existing BSA/AML regime.

To the extent, though, that the Board considers additional measures for certain entities, the criteria should not hinge on federally insured status, but on whether the Accountholder is supervised by a federal bank supervisor. Unlike prudential oversight, BSA/AML supervision, examination, and compliance obligations are uniformly applied by a given regulator regardless of entity type. For example, an OCC-supervised insured national bank and an OCC-supervised national trust bank will be held to substantially identical standards, requirements, and monitoring for BSA compliance. Drawing an artificial distinction based on insured status would imply differences in BSA supervisory standards within the same supervisory organization that do not exist, undermining the integrity and coherence of the federal BSA supervisory regime. Given Congress' establishment of a new category of federally supervised non-insured financial institution, the Board should take this opportunity to revisit the Account Access Guidelines. The relevant question in assessing additional certifications should be whether the applicant and Payment Account holder is subject to federal banking agency supervision for BSA/AML compliance, and whether the Reserve Bank can obtain sufficient supervisory information to evaluate the applicant's compliance framework.

The insured-status anchor is also less likely to be germane to the Payment Account proposal which is designed for entities that conduct a narrower set of payment and settlement activities and, in many cases, are unlikely to be insured depository institutions. Using insured status as the gating benchmark does not map to the account's risk profile or the Board's stated purpose.

V. The Account Access Guidelines should reflect federally supervised PPSIs and preserve transparent review timelines. (Questions 6 and 7)

Circle supports the Board's proposal to evaluate Payment Account requests under the Account Access Guidelines and to provide indicative review timelines. The Payment Account's standardized controls reduce residual risk relative to a Master Account, and the review process should reflect that difference. A 90-day review expectation for Tier 2 and Tier 3 Payment Account requests is a meaningful improvement over an open-ended process, provided that the final framework includes clear completeness triggers and transparent procedures for extensions. We encourage the Board to define standards for when an application is complete, require Reserve Banks to identify deficiencies with reasonable specificity, and limit successive information requests that could effectively restart or indefinitely pause the clock. The Board should also require written reasons for

denials and provide a clear Board escalation path for applicants that experience materially inconsistent treatment across Reserve Banks or repeated open-ended extensions.

In parallel, we encourage the Board to revisit and update the Account Access Guidelines' tiering framework to reflect the creation of a new federally supervised class of institutions in PPSIs. The existing Guidelines were developed before Congress established the GENIUS Act framework and remain centered on categories that do not fully account for the Act's issuer-level supervisory architecture. GENIUS was designed to regulate PPSIs as ringfenced issuers, distinct from their parents and parent holding companies, with intentional firewalls between entities to ensure that the issuer maintains sufficient resources to independently meet the Act's prudential, reserve, liquidity, and other risk-management obligations. The current tiering framework risks undermining that architecture by granting bank-subsidiary PPSIs a higher-tier treatment and corresponding streamlined review process solely based on the parent holding company's insured status, rather than a reduced risk profile or appropriate separation of banking and stablecoin issuance within the holding company.

This also would address the differences in tiering that otherwise accrue to the same activity by a nonbank PPSI and bank-subsidiary PPSI. Despite being subject to the same statutory supervisory framework and risk management requirements, the latter would have little incentive to seek a Payment Account as it would be treated as a higher tier for Master Account access based on implied parent holding company support. This misalignment amplifies some of the very risks the GENIUS Act is designed to minimize in establishing a ringfenced issuing entity. The issuer may receive expedited treatment under the current framework even though the parent-bank relationship may introduce two-way risk: stress at the issuer could transmit liquidity, operational, reputational, or support expectations to the parent bank, while stress at the parent bank could affect the issuer's reserve, settlement, or redemption operations.

The Board should therefore revisit the Guidelines to recalibrate the tiering framework so it is applicable to both banking and PPSI regulatory regimes, centering on whether the applicant itself is subject to prudential supervision by a federal bank regulator. This recalibration should cut in both directions: a federally supervised nonbank PPSI should not be assigned a lower tier solely because it lacks an insured depository institution parent. Conversely, a bank-affiliated PPSI should not receive reduced scrutiny solely because its parent is an insured depository institution, a Federal Reserve-supervised holding company, or an existing Master Account holder. This approach would better align the Guidelines with the new class of federal, prudentially supervised institution, preserve the statute's issuer-level ringfencing, and avoid incentives that could blur the boundary between Payment Account access, Master Account access, and parent-bank support.