THE DIGITAL CHAMBER, ZUNERA MAZHAR

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-C99

Submitter Information

Organization Name: The Digital Chamber

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The Digital Chamber ("TDC") appreciates the opportunity to comment on the Board's proposed revisions to the Federal Reserve Policy on Payment System Risk, including the new Part IV governing Payment Accounts. TDC is the world's largest digital asset and blockchain trade association, representing more than 250 members across the global blockchain ecosystem.

TDC agrees that many eligible institutions engaged primarily in payment activities need access to only a limited set of Federal Reserve services. The May 2026 proposal reflects meaningful progress over the December 2025 Prototype, most notably the shift to an activity-based Closing Balance Limit and the addition of defined review timelines, both consistent with TDC's prior recommendations. Our comments urge targeted modifications to ensure Payment Accounts are commercially functional, advancing payments innovation while preserving the Board's risk management and financial stability objectives.

Via Electronic Submission
July 27, 2026

Benjamin W. McDonough
Deputy Secretary of the Board
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 (OP 1878)

The Digital Chamber (***"TDC"***) welcomes the opportunity to respond to the Board of Governors of the Federal Reserve System's (***"Board"***) Request for Comment on the proposed revisions to the Federal Reserve Policy on Payment System Risk (***"PSR Policy"***), including the proposed addition of a new Part IV, to accommodate the provision by Reserve Banks of special-purpose accounts that would clear and settle certain payment activity (***"Payment Accounts"***).

TDC agrees with the Board's assessment that many eligible institutions engaged primarily in payment activities seek access to only a limited set of Federal Reserve services. Consistent with our recommendations on the December 2025 Prototype, the Board has modified the balance limit to an activity-based Closing Balance Limit, and the addition of defined review timelines in the May 2026 proposal represents a notable improvement over the December 2025 Prototype. We continue to advocate for targeted modifications that will ensure Payment Accounts are commercially functional, enhancing payments innovation while preserving the Board's risk management and financial stability objectives.

TDC is the world's largest digital asset and blockchain trade association, representing more than 250 members across the global blockchain ecosystem including stablecoin issuers, digital asset firms, national banks, blockchain analytics firms, custodians, tokenization platforms, and companies building core blockchain infrastructure. Guided by the principle of industry compliance with applicable law, TDC works to foster a regulatory environment that provides clarity and stability for digital asset users and innovators as they apply blockchain technologies across a broad range of commercial, financial, and societal use cases.

TDC supports the Board's effort to modernize the U.S. payments system and encourages continued innovation in this area. Expanding access to Federal Reserve payment infrastructure is critical to fostering competition, supporting responsible innovation, and ensuring new payment models develop within the regulatory perimeter. By offering tailored account options, the proposal would allow payment-focused institutions to access the Federal Reserve services they need under a supervisory framework aligned with their activities, rather than requiring them to fit within banking models designed for different business lines.

This initiative also helps ensure the U.S. remains competitive as other major jurisdictions including the United Kingdom, European Union, Brazil, and India have taken steps to allow distinct classes of non-bank and non-insured financial institutions to access central bank payment infrastructure.[1]

1. *Would the design of the Payment Account, as updated from the RFI, support eligible institutions' payment activity and be an attractive account option?*

For institutions that currently do not have access to settlement services, the proposed payment account represents a meaningful improvement over the earlier prototype design. The most notable change is the recalibrated closing balance limit, with a new ceiling of up to $1 billion. The Federal Reserve also continues to confirm that eligible institutions with payment accounts will have access to the Fedwire Funds Service, the National Settlement Service, and FedNow.

While TDC continues to have substantive comments on the proposal, at its core this initiative provides payment-focused institutions with a workable path to facilitate payments on Federal Reserve payment rails without assuming the full obligations associated with a Master Account.

For a significant cohort of TDC's membership, FedACH access remains the most significant and concerning exclusion in the proposed Payment Account framework. ACH is the dominant noncash payment rail by value in the United States. According to the Federal Reserve's own 2025 triennial payments study, ACH accounted for roughly 74 percent of noncash payment value in 2024, totaling approximately $104 trillion.[2] An account that cannot reach it is therefore cut off from the largest share of the very payment activity its intended users handle (including payroll, consumer bill payments, recurring debits, and B2B transactions) and has extremely limited commercially viability. These firms view inclusion of ACH access as essential to making Payment Accounts a viable alternative to Master Account access for payment-focused firms.

Other members, including some of TDC's Federally Insured Depository Institutions, do not support expanding Payment Accounts to include ACH Access. They agree with the Board's stated rationale regarding the unique characteristics of ACH, including deferred settlement, batch processing, and the availability of returns and reversals for both credit and debit transfers. In their view, Payment Accounts are designed to ensure finality: prefunding, no overdrafts, and no Federal

[1] Bank for International Settlements, Committee on Payments and Market Infrastructures, *Enhancing Cross-Border Payments Step by Step: Insights from the 2025 Monitoring Survey*, CPMI Brief No. 13, at 11 (May 2026).
[2] Board of Governors of the Federal Reserve System, *Federal Reserve Issues Initial Findings from Its 2025 Triennial Payments Study* (July 1, 2026), https://www.federalreserve.gov/newsevents/pressreleases/other20260701a.htm.

Reserve credit exposure. These members believe that this requirement is appropriate and cannot accommodate the "No Good Funds" conditions necessary to facilitate ACH transactions.

Accordingly, TDC recommends that the Board conduct additional analysis of how FedACH access could be offered, including technical modifications and appropriate risk controls to permit FedACH access or conduct analysis on the effect of ACH inclusion for payment account holders on automated overdraft prevention requirements.

2. *The Board is proposing to establish the Closing Balance Limit in a new Part IV of the PSR Policy.*
    a. *Given that paying zero interest and limiting closing balances on Payment Accounts both serve a similar function and have important interactions, should the Board consider codifying the Closing Balance Limit in Regulation D? Why or why not?*
    b. *Are there important interactions between limiting closing balances and paying zero interest on Payment Accounts that the Board has not identified?*

TDC recommends that the Board retain the Closing Balance Limit in the PSR Policy and not codify it in Regulation D. The Board has designed the limit to be individualized and calibrated to each holder's payment activity, recognizing that settlement needs are not uniform. Closing balance limits must account for periods when external liquidity may be limited, such as weekends and holidays, and reflect concerns about quarter-ends and the concentrated flows handled by firms such as payroll processors. Codifying a single figure in Regulation D would freeze that number into a regulation that is slow to amend and ill-suited to a limit meant to flex with individual circumstances. Keeping the limit in the PSR Policy preserves the Board's ability as needed to adjust it as payment activity, risk controls, and technology evolve, without disturbing its role in mitigating overarching risks to financial stability and the implementation of monetary policy.

The interaction between limiting closing balances and paying zero interest on Payment Accounts are complementary, but the Board should more fully draw out the implications of how these provisions interact. Because Payment Account holders receive no interest on balances, the zero-interest term already does much of the work of discouraging the account's use as a store of value. It follows that the Closing Balance Limit does not need to be set conservatively to achieve its deterrence purpose: zero interest and an activity-calibrated limit can coexist without undermining the Board's balance-sheet or monetary-policy objectives. Setting the limit tightly on top of an effective zero-interest deterrent over-controls balance size at the expense of the account's operational utility.

3. *The Board is proposing to restrict a Payment Account from being an OC 1 Correspondent or OC 1 Respondent for any service to which Payment Accounts have*

access. Should a Payment Account holder be permitted to access the FedNow Service as an OC 1 Respondent? If an institution were permitted to offer OC 1 Correspondent services to a Payment Account holder for use of FedNow in an OC 1 Respondent capacity, are there particular or unique risks the institution should consider in deciding whether or not to offer such services?

TDC supports the prohibition included in the proposal precluding Payment Account holders from providing correspondent services to other institutions. However, the Board should make clear that institutions with Master Account Access are not prohibited from providing correspondent services to institutions with Payment Accounts. While Payment Account holders will not provide correspondent services, they should be eligible to receive such services from institutions with full Master Account Access. This is critical to ensuring that payment accounts remain competitive without disrupting existing correspondent banking relationships.

4. *The Board is proposing that the Closing Balance Limit be established based on an institution's expected payment activity at the beginning of the Federal Reserve's business day, not to exceed $1 billion.*
    a. *Is $1 billion an appropriate maximum for the Closing Balance Limit?*
    b. *Are there effects of limiting closing balances in Payment Accounts that the Board has not identified?*

For a significant cohort of TDC's membership, the Board's move to an individualized, activity-based limit and its increase of the ceiling to $1 billion are directionally correct. The Board has recognized that settlement needs are not uniform, and the $1 billion Closing Balance Limit should not operate as a rigid, universal ceiling.[3] High-volume, payment-focused institutions, stablecoin-related payment infrastructure, and institutions supporting large customer transaction flows may have legitimate settlement needs above $1 billion, particularly over weekends, holidays, and stress periods when correspondent liquidity is least available.

The Board should establish a defined process for approving a Closing Balance Limit above $1 billion where an institution demonstrates operational need and adequate risk controls, rather than treating the figure as an absolute maximum. Several commenters suggested alternatives, including that the asset-based limit serve as an upper bound for an activity-based limit, that a holder's limit increase over time as it demonstrates safe payment operations, and that upward adjustments be

[3] Proposal, 91 Fed. Reg. at 30,632 (recognizing that "an asset-based limit may not reflect a payment-oriented institution's actual payment needs" and proposing that Reserve Banks set an individual Closing Balance Limit based on analysis of each holder's payment flows).

subject to established public standards.[4] Consistent with those approaches, each holder should receive a written explanation of its assigned limit, and the Board should provide a defined process for reconsideration as payment firms grow and use of the account evolves.

A limit set below an institution's genuine settlement needs would reintroduce the credit and operational risks the account is meant to remove. It would also add operational complexity around ordinary business activity, particularly during stress periods when external liquidity is limited.

Other members, including some of TDC's Federally Insured Depository Institutions, do not support the Proposal's increased cap of $1 billion. In their view, the Board may consider raising the cap at a later date, but it should first assess the use of Payment Accounts at the lower cap of $500 million, to ensure institutions with such access have sufficient risk management, operational resilience, and capital and liquidity resources to support appropriate use. These members indicated that the Board should maintain the $500 million cap considered in the prior proposal.

5. *The proposal does not include specific illicit finance requirements in connection with a Payment Account request. Should there be requirements for institutions that are not federally insured? For example, if an institution requesting a Payment Account were not federally insured, should the institution be required to submit an attestation that it is a "bank" under the BSA or be required to submit an assessment of its BSA/AML and OFAC compliance programs from an independent third-party, or should the Reserve Bank be required to confirm that the BSA/AML and OFAC supervisory and regulatory regime of the institution is comparable to that of a federally insured institution?*

TDC has been deeply engaged on illicit-finance issues, working with regulators on efforts to modernize the Bank Secrecy Act (BSA) and highlighting how its members are developing innovative, technology-driven methods for meeting compliance and due-diligence obligations in a more effective and risk-based manner.[5] Strong illicit-finance controls are crucial, and the proposal has such strong illicit finance controls embedded throughout.

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[4] Proposal, 91 Fed. Reg. at 30,632 (summarizing commenter suggestions that "the asset-based limit set forth in the RFI should serve as an upper bound for an activity-based limit"; that the Board "establish[] a limit that increases over time as a Payment Account holder demonstrates its safe payment operations"; and that "upward adjustments to an institution's limit should be subject to established public standards").

[5] The Digital Chamber, *Comment Letter on Permitted Payment Stablecoin Issuer Anti-Money Laundering/Countering the Financing of Terrorism Program and Sanctions Compliance Program Requirements*, RIN 1506-AB73, Docket No. FINCEN-2026-0100 (submitted by Chapman and Cutler LLP) (June 9, 2026); The Digital Chamber, *Comment Letter on the FDIC, OCC, and NCUA Proposed Rule Related to Anti-Money Laundering and Countering the Financing of Terrorism Programs*, RIN 3064-AF34 (submitted by Steptoe LLP) (June 9, 2026).

The proposal does not require additional enhancement as it relates to illicit finance. The Board should retain the approach proposed, including an illustrative, non-exhaustive set of controls that Reserve Banks may require at their discretion, rather than converting any of those controls into categorical mandates. As the proposal contemplates, a Reserve Bank requires a Payment Account holder be able to provide information demonstrating compliance with BSA, anti-money-laundering (AML), and Office of Foreign Assets Control (OFAC) obligations. This includes independent third-party compliance assessments, attestations, copies of audit reports, regular compliance engagement with the Reserve Bank, and prompt notification of enforcement actions or material deficiencies. Calibrating these requirements to the individual applicant is what allows Reserve Banks to address material and proven risks.

The Board should also consider where firms engaging with public blockchains or holding business relationships with counterparties transacting on public blockchains leverage advanced compliance capabilities (including ecosystem monitoring, risk assessments, threat assessments, and other advanced tools) to meet their BSA/AML and CFT obligations more effectively.

Many applicable institutions are already subject to rigorous federal or state prudential supervision, hold state money-transmitter or trust charters carrying BSA/AML examination, are registered with FinCEN, and maintain mature compliance programs. Where risk varies widely across applicants, a case-by-case assessment supported by existing supervisory examinations, state examinations, FinCEN registration, audit reports, and other credible compliance materials targets that risk far more precisely than a uniform mandate could. Layering broad, one-size-fits-all illicit-finance obligations onto these accounts would impose disproportionate burdens without meaningfully addressing systemic risk. The relevant question is whether the applicant's own BSA/AML and OFAC program adequately mitigates any risk its business presents.

Other members, including some of TDC's Federally Insured Depository Institutions, expressed that institutions should receive direct access to Federal Reserve payment rails only if they are subject to ongoing AML/CFT examination by a federal agency, or to a supervisory framework the Board has affirmatively determined to be equivalent. Direct access to the Federal Reserve's payment rails must be subject to rigorous oversight and mirror federal standards where applicable. TDC presents this view given the range of viewpoints within its membership, which can inform the Board as it finalizes the proposal.

6. *Should the Board make any changes to the existing tiering framework in connection with the Payment Account proposal and the proposed amendments to the Guidelines?*

At this time, the Board should consider what changes to the existing tiering framework, in connection with the Payment Account proposal and the proposed amendments to the Guidelines, would look like. The proposal establishes two review timelines (45 calendar days for Tier 1 access requests and 90 calendar days for Payment Account requests) but draws no distinction between Tier 2 and Tier 3, effectively treating all non-Tier 1 requests as a single operational category for Payment Account purposes.

One recommendation is to align the framework with that structure by consolidating Tiers 2 and 3 for purposes of Payment Account access, since the Payment Account's structural constraints compress the residual-risk differences the distinction was designed to capture. Other members, however, do not support changes to the tiering framework in connection with this proposal. TDC therefore encourages the Board to consider what changes to the existing tiering framework, including consolidation, would entail and how it could affect the review timelines established under the proposal.

7. *Is the proposed timeline for reviewing access requests from Tier 1 institutions appropriate? Should the Board consider setting timelines for reviewing other access requests from Tier 2 and Tier 3 institutions?*

The proposed review timelines of 45 calendar days for Tier 1 access requests and 90 calendar days for Payment Account requests following receipt of all requested documentation are well calibrated. This is a welcome improvement over the open-ended review periods that have characterized account access decisions to date. The Board should extend defined review timelines to all non-Tier 1 access requests, which face the greatest uncertainty today and for which predictable timelines provide the greatest value.

To ensure these timelines are meaningful in practice, the Board should give applicants the option either to have their application denied or to accept additional time for Federal Reserve consideration. This gives Federal Reserve staff sufficient time for review and ensures applicants can challenge any denial through the administrative process.

As part of this proposal, the Board also encouraged Reserve Banks to pause decisions on Tier 3 access requests while the Payment Account policy process is ongoing. Given the uncertainty this creates for affected institutions, the Board must affirm December 31, 2026, as a firm end date rather than allow an open-ended, rolling pause. The Board should also permit current applicants to supplement their pending applications during the pause, so that an application filed before the process concludes is not disadvantaged by requirements that change while it remains under review.

Conclusion

The substantial progress this proposal represents over the prior proposal is commendable. The Payment Account addresses a real gap in the U.S. payments system, and the refinements since the December 2025 prototype demonstrate that the Board has engaged seriously with commenter

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feedback. The recommendations in this letter will ensure that the Payment Accounts are not only well-designed as a matter of risk policy but commercially functional for the institutions these types of accounts are meant to serve. An account that reaches the payment rails its users need, calibrates limits and controls to each holder's actual activity, and operates within a predictable and streamlined access framework will extend Board oversight to a growing segment of payment activity that would otherwise develop outside it.

TDC and its members stand ready to serve as a resource to the Board and Reserve Bank staff as this proposal is finalized and implemented. We welcome the opportunity to discuss any of the recommendations above in further detail.

Respectfully submitted,

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Zunera Mazhar
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CC: Jonathan Schmalfeld, Policy Director
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