PERSISTENCE ANALYTICS GROUP LLC, NEIL OSNATO

Proposal and Comment Information

Title: Regulation D: Reserve Requirements of Depository Institutions, R-1893

Comment ID: FR-2026-0015-01-C01

Submitter Information

Organization Name: Persistence Analytics Group LLC

Organization Type: Company

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Persistence Analytics Group LLC appreciates the opportunity to comment on the Board's proposed amendments to Regulation D concerning special-purpose Payment Accounts.

PAG supports the Board's effort to distinguish Payment Accounts from traditional master accounts and agrees that balances maintained in Payment Accounts should not receive interest. This treatment helps reinforce that Payment Accounts are intended to provide limited clearing and settlement functionality rather than a broader deposit, investment, or monetary-policy benefit.

However, the proposed distinction should be supported by additional operational clarity.

The absence of interest does not, by itself, prevent Payment Accounts from accumulating material balances or becoming important liquidity dependencies for account holders, their customers, or connected financial platforms. Because reserve requirement ratios would remain zero, the Board should consider whether additional safeguards are needed regarding balance size, balance duration, concentration, liquidity planning, and stress conditions.

PAG recommends that the final framework address the following:

Permitted balance purpose

Balances should be limited to amounts reasonably necessary for defined clearing and settlement activity. Payment Accounts should not become general-purpose repositories for operating liquidity, customer funds, investment balances, or speculative transaction flows.

Balance concentration and duration

The Board should establish monitoring standards for unusually large, persistent, or concentrated balances. A balance that remains in a Payment Account beyond its operational purpose may indicate that the account is functioning differently from the limited structure contemplated by the proposal.

Liquidity and stress planning

Because Payment Account holders would not receive interest and may not have access to broader Federal Reserve liquidity support, applicants should demonstrate how payment obligations will be met during market stress, cyber incidents, operational outages, rapid withdrawals, or the failure of a critical counterparty or technology provider.

Public and market understanding

Federal Reserve account access may be interpreted by customers, investors, or counterparties as evidence of institutional safety, Federal Reserve supervision, liquidity support, or government endorsement. The Board should require clear disclosure that Payment Account access does not necessarily provide those protections.

Changes in activity or ownership

The continued appropriateness of a Payment Account should be reviewed when an account holder materially changes its ownership, business model, customer base, transaction volume, technology platform, or reliance on third parties.

Suspension and exit standards

The final rule should identify the conditions under which balances must be reduced, activity restricted, or a Payment Account suspended or terminated.

The central principle should be that payment access, institutional safety, liquidity support, and public endorsement remain distinct.

PAG supports a narrowly defined Payment Account structure, provided that the operational use, liquidity function, and public-risk boundaries of these accounts remain transparent and continuously verifiable.

Respectfully submitted,

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EVIDENCE-CHAIN INTEGRITY, OPERATIONAL RESILIENCE, AND PUBLIC-RISK BOUNDARIES

Federal Reserve Special-Purpose Payment Accounts

Written comment submitted in response to:

Regulation D: Reserve Requirements of Depository Institutions [R-1893]

Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests [OP-1878]

Core principle: Payment access, institutional safety, ownership integrity, liquidity support, and public endorsement are distinct claims and should remain visibly distinct.

Submitted by

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Founder

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Executive Summary

Persistence Analytics Group LLC (PAG) appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System proposals concerning special-purpose Payment Accounts. PAG supports the Board's effort to distinguish limited clearing and settlement access from traditional master-account status. The final framework should preserve that distinction not only in legal form, but also in operational design, market understanding, and failure recovery.

The proposals create a new financial-infrastructure dependency. Institutions, customers, counterparties, technology providers, and the public may rely on Payment Accounts even though those accounts would not receive interest under Regulation D and may not provide the broader liquidity, supervisory, or safety-net characteristics associated with traditional Federal Reserve account access.

A Payment Account should provide defined payment utility without creating ambiguity about supervision, ownership, liquidity support, custody quality, or government endorsement.

PAG recommends that the final framework include:

- Narrow permitted-use boundaries tied to defined clearing and settlement activity.
- Monitoring of balance size, duration, concentration, and deviations from operational purpose.
- A reconstructable evidence chain for initiation, authorization, intermediaries, beneficial parties, settlement, exceptions, and reversals.
- Explicit liquidity and continuity plans for cyber incidents, outages, rapid withdrawals, counterparty failure, and loss of a critical vendor.
- Clear disclosure that Payment Account access does not equal Federal Reserve supervision, discount-window eligibility, institutional endorsement, or protection from failure.
- Ongoing review when ownership, business model, customer base, transaction volume, technology stack, or third-party dependencies materially change.
- Defined restriction, suspension, and termination triggers, including an orderly-exit process.
- A disciplined pause on unresolved Tier 3 applications until eligibility, monitoring, failure recovery, and public-risk boundaries are explicit.

Scope of this comment

R-1893 addresses the Regulation D treatment of Payment Account balances, including the proposal that such balances earn no interest while reserve requirement ratios remain zero. OP-1878 addresses the broader Payment System Risk Policy and Account Access Guidelines, including eligibility, evaluation, operational safeguards, and treatment of Tier 3 applicants. PAG addresses both proposals as a coordinated policy package while preserving the distinct issues presented by each docket.

I. Regulation D [R-1893]

PAG supports excluding Payment Account balances from interest payments. Non-interest-bearing treatment helps reinforce that Payment Accounts are intended as limited payment infrastructure rather than a deposit, investment, or monetary-policy benefit. However, the absence of interest does not by itself prevent balances from becoming large, persistent, concentrated, or systemically important.

1. **Permitted balance purpose.** Balances should be limited to amounts reasonably necessary for defined clearing and settlement activity. Payment Accounts should not become general-purpose repositories for operating liquidity, customer funds, investment balances, or speculative transaction flows.
2. **Balance concentration and duration.** The Board should establish monitoring standards for unusually large, persistent, or concentrated balances. A balance that remains beyond its operational purpose may indicate that the account is functioning differently from the limited structure contemplated by the proposal.
3. **Liquidity and stress planning.** Applicants should demonstrate how payment obligations will be met during market stress, cyber incidents, operational outages, rapid withdrawals, or the failure of a critical counterparty or technology provider. The framework should not assume that lack of interest eliminates liquidity risk.
4. **Reserve requirement treatment.** Because reserve requirement ratios would remain zero, the Board should explain how it will identify when operational balances begin to perform a broader liquidity or funding function. The relevant question is not only the formal reserve ratio, but the economic behavior of balances over time.
5. **Public and market understanding.** The Board should require plain-language disclosure that Payment Account access does not necessarily provide Federal Reserve supervision, broader liquidity support, custody assurance, ownership verification, or government endorsement.
6. **Activity and ownership changes.** Continued appropriateness should be reviewed when an account holder materially changes ownership, business model, customer base, transaction volume, technology platform, or reliance on third parties.
7. **Suspension and exit standards.** The final framework should identify the conditions under which balances must be reduced, activity restricted, or the Payment Account suspended or terminated.

Regulation D should preserve a functional boundary: no-interest treatment must be paired with controls that prevent limited payment balances from becoming an unexamined liquidity dependency.

II. Payment System Risk and Account Access [OP-1878]

OP-1878 presents the more consequential operational and institutional questions. A new account category may improve payment access and innovation, but it also creates new dependencies across account holders, Reserve Banks, correspondent institutions, fintech platforms, cloud providers, custodians, tokenized-asset systems, and end users. The final framework should make those dependencies visible and continuously testable.

A. Permitted-use boundaries

- Define the payment activity that may clear and settle through a Payment Account.
- Identify activities that are prohibited or require migration to another account structure.
- Prevent expansion from narrow settlement utility into broader deposit-taking, custody, credit intermediation, or investment functions without new review.

B. Evidence-chain integrity

- Require the ability to reconstruct transaction initiation, authority, intermediaries, beneficial parties, settlement, exceptions, reversals, and final disposition.
- Ensure records remain available across affiliated entities, third-party processors, cloud environments, custodians, and token or ledger platforms.
- Establish auditable standards for overrides, manual intervention, exception handling, and changes to transaction logic.

C. Third-party dependency risk

- Evaluate critical cloud, core-processing, cybersecurity, identity, custody, communications, and data-service providers.
- Require substitution, continuity, and exit plans for dependencies that cannot be replaced quickly.
- Treat vendor concentration and cross-platform common-mode failure as payment-system risks rather than ordinary procurement matters.

D. Operational resilience and cyber recovery

- Set measurable recovery-time, recovery-point, incident-response, and transaction-reconciliation standards.
- Require testing for cyberattack, fraud, data corruption, outage, insolvency, and loss of a critical service provider.
- Preserve a reliable record of ownership, claims, and settlement status during and after disruption.

E. Public-risk boundaries

- Require account holders to disclose that access does not constitute Federal Reserve endorsement or guarantee.
- Avoid terminology or marketing that could cause customers or counterparties to infer supervision, liquidity support, or safety-net protection that does not exist.
- Clarify how losses and operational failures are allocated among the account holder, customers, intermediaries, vendors, and counterparties.

F. Ongoing monitoring and material change

- Review material changes in ownership, control, business model, transaction volume, customer composition, geography, technology stack, and third-party reliance.
- Use quantitative and qualitative triggers for enhanced review before risk becomes embedded.
- Require prompt reporting of events that alter the basis on which access was approved.

G. Restriction, suspension, and orderly exit

- Define graduated restrictions, remediation periods, suspension authority, termination triggers, and appeal procedures.
- Require an orderly-exit plan that protects transaction records, customer claims, and settlement continuity.
- Address migration of payment activity when an account holder loses eligibility or becomes operationally impaired.

III. Tier 3 Applicants and Implementation Standards

The proposed pause on decisions involving Tier 3 institutions reflects the Board's recognition that unresolved policy questions remain. PAG supports a disciplined pause until the Board has defined minimum eligibility, monitoring, liquidity, cybersecurity, failure-recovery, and public-disclosure standards. A pause should not be indefinite; it should be tied to completion of specific policy work and transparent decision criteria.

Recommended decision framework

Decision stage	Evidence required	Primary risk	Possible action
Application	Ownership, business model, permitted use, financial resources, technology stack, critical vendors	Eligibility and hidden dependency risk	Approve, deny, or require conditions
Pre-operation	Control testing, cyber recovery, liquidity plan, evidence-chain demonstration, disclosures	Operational readiness	Authorize limited activation or defer
Ongoing monitoring	Balance behavior, transaction growth, incidents, exceptions, material changes	Risk drift after approval	Enhanced monitoring or restrictions
Stress or failure	Liquidity status, transaction records, customer claims, vendor continuity, recovery capacity	Contagion and loss allocation	Suspend, restrict, or initiate orderly exit
Termination	Migration plan, record preservation, claim reconciliation, communications	Disorderly withdrawal of access	Supervised wind-down and post-event review

Recommended principles for the final framework

- Access should be activity-specific, evidence-based, conditional, and revocable.
- Approval should not substitute for continuous monitoring.
- Operational dependency and public-perception risks should be evaluated alongside legal eligibility.
- The evidence chain must remain reconstructable through stress, failure, and exit.
- Innovation should proceed without allowing limited payment access to blur the boundaries of ownership, supervision, liquidity support, or public protection.

IV. Conclusion

PAG supports the Board's effort to create a narrowly defined Payment Account structure. Properly designed, the framework may support innovation and improve access to payment services while preserving the integrity of the Federal Reserve's account architecture. The principal risk is not the creation of a new account label; it is the possibility that limited payment access becomes economically or publicly understood as something broader than the rules actually provide.

The final framework should therefore separate and clearly disclose five distinct concepts: payment access, institutional safety, ownership integrity, liquidity support, and public endorsement. It should also require continuous evidence that account activity, balances, technology, vendors, and business models remain within the conditions on which approval was granted.

Do not allow limited settlement access to become an ambiguous proxy for safety, supervision, ownership quality, or public support.

PAG respectfully recommends that the Board adopt explicit permitted-use boundaries, balance and concentration monitoring, evidence-chain standards, third-party dependency reviews, cyber and operational recovery requirements, public-disclosure safeguards, material-change triggers, and orderly suspension and exit procedures.

Respectfully submitted,

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Public sources and docket references

- Board of Governors of the Federal Reserve System, Proposals for Comment portal, accessed June 2026. The portal states that comments may be submitted online with attachments and generally will be disclosed without removal of personal or business information.
- Regulation D: Reserve Requirements of Depository Institutions [R-1893], comments due July 27, 2026.
- Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests [OP-1878], comments due July 27, 2026.

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