CIRCLE INTERNET GROUP, INC.

Proposal and Comment Information

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

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Submitter Information

Organization Name: Circle Internet Group, Inc.

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Circle Internet Group, Inc. appreciates the opportunity to comment on the Board's Reg D rulemaking as part of its proposed Payment Account. Responses to other elements of the framework have been 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. R-1893; RIN 7100-AH25; Regulation D: Reserve Requirements of Depository Institutions

Circle appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's ("Board") proposed revisions to Regulation D to address the payment of interest on balances maintained in special-purpose Payment Accounts. Circle supports the Board's effort, through the companion Payment System Risk Policy and Regulation A proposals, 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 while preserving the account's limited settlement purpose.

Circle supports finalizing the Regulation D amendments with targeted recalibration and clarifications. Zero interest on ordinary Payment Account balances is a reasonable initial safeguard when paired with prefunding, no Reserve Bank credit, automated overdraft rejection, and an activity-based Closing Balance Limit. The Board should not, however, treat zero interest and a low closing-balance cap as independent constraints and should continue to analyze both as actual account usage data emerges. Those tools should be assessed together because, if calibrated too tightly, they may reduce account utility, concentrate funding flows, and preserve pathways in stress that can add risk to both payments and private banking channels.

EXECUTIVE SUMMARY

- Circle supports the proposed Payment Account structure as a targeted launch framework; however, we encourage the Board to continue assessing certain account attributes as actual usage data becomes available. Zero interest on ordinary Payment Account balances is appropriate at launch because it reinforces the account's settlement-only purpose and reduces incentives to treat the Payment Account as a store of value. But the Board should expressly preserve flexibility to revisit the interest framework as Payment Account usage, PPSI supervision, rate conditions, and settlement behavior become observable.

- **Zero interest and the Closing Balance Limit should be assessed together**. Both tools constrain the Payment Account's balance-sheet footprint as well as potentially Account usage, but if calibrated too tightly, they could concentrate flows and create liquidity constraints at close, weekend, and holiday periods. 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 continue evaluating a bounded ON RRP-rate framework for federally supervised PPSIs.** Circle does not recommend paying IORB on Payment Account balances or paying interest on ordinary Payment Account balances at launch. However, the Board should continue to assess a bounded account construct—whether via the zero interest constraint or Excess Balance Account ("EBA")—for specific use cases, such as PPSI reserve risk management. If the Board does so, the ON RRP rate is the appropriate reference rate because it reflects the administered overnight floor available through many reserve custody and money-market structures without conferring Master Account economics.

- **The final Regulation D framework should prevent affiliate and structuring arbitrage**. Congress designed the Guiding and Establishing National Innovation for U.S. Stablecoins Act ("GENIUS Act" or "the Act") to establish permitted payment stablecoin issuers ("PPSIs") as standalone, ringfenced entities that maintain all of the prudential, compliance, and operational risk management resources within the issuer. Bank-subsidiary PPSIs should not be able to obtain the economic equivalent of remunerated accounts, preferential liquidity, or balance-sheet support by virtue of a parent insured depository institution's Master Account, affiliated arrangements, deposit-token structures, guarantees, rebates, preferential credit lines, or other arrangements that the Act was intended to eliminate.

- **The Closing Balance Limit should remain a flexible PSR Policy tool rather than a numeric cap codified in Regulation D.** The PSR Policy preserves flexibility to recalibrate activity-based limits, temporary-exceedance processes, and stress-responsive adjustments as actual usage, payment volumes, market structure, and monetary-policy conditions evolve.

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

I. Regulation D should preserve a monitoring framework for monetary-policy and payment-system effects of the Closing Balance Limit and zero interest rate. (Questions 1 and 2)

Circle agrees that the Board has identified the principal direct monetary-policy and balance-sheet effects of Payment Accounts. A Payment Account that is fully prefunded, does not receive Reserve Bank credit, maintains automated overdraft controls, and is subject to an activity-based Closing Balance Limit should not materially impair monetary-policy implementation. The zero-interest term reinforces the account's limited settlement purpose by discouraging use of the account as a store of value, an important consideration as the Board observes usage activity.

At the same time, the Board should assess Payment Accounts by their net effect on monetary-policy implementation, not only by the gross amount of balances that may appear in Payment Accounts. A properly calibrated Payment Account may reduce intraday demand for intermediary bank balance-sheet capacity by allowing eligible payment institutions to settle directly through a prefunded account rather than routing all settlement activity through multilayer correspondent bank arrangements. For PPSIs, direct settlement access can facilitate timely redemption and increase settlement capacity which can free up private bank reserves for credit creation and other economic activity. That shift can be neutral-to-positive for monetary-policy implementation while reducing opaque intermediation, improving visibility into settlement flows, and placing less demand on a concentrated set of banking counterparties during stress-periods.

Circle therefore supports a launch posture of providing zero interest on ordinary Payment Account balances as a settlement-account safeguard. The Board should supplement the final rule with a monitoring framework for indirect and second-order effects of the combination of Closing Balance Limit and zero interest constraint. Zero interest may minimize balances in normal rate environments, but it can also create behavioral incentives that matter operationally during low-rate environments and periods of wider market turmoil. For example, even with the proposed tight Closing Balance Limit, many Payment Account holders may sweep balances out of the account before the Federal Reserve's close of business and re-fund the account at the start of the next Federal Reserve business day. The result could be predictable morning inflows, concentrated end-of-day outflows, heightened operational demands near cutoff windows, and new dependencies between Payment Account holders and commercial bank liquidity providers. This dynamic may be most acute over weekends, holidays, and stress periods, particularly given the now ubiquitous 24/7 offerings of retail payment providers. Adjusting the Closing Balance Limit alone may not address the monetary policy implications without periodic or ad hoc monitoring and review of the zero-interest requirement.

The Board's procedures should address rate-cycle effects and edge cases. In a high-rate environment, zero interest creates a stronger incentive to minimize balances and may reduce account use. In a zero- or negative-rate environment, the policy case for zero interest may differ materially from the case in a positive-rate environment. The final rule should preserve the Board's ability to revisit the interest framework as the monetary-policy environment changes.

The Board should therefore evaluate Payment Accounts by their net effect on monetary-policy implementation and balance-sheet operations, not only by gross Payment Account balances. For PPSIs and other payment-focused firms, direct prefunded access may reduce reliance on multilayer private settlement arrangements and rapid movement among bank deposits, Treasury instruments, repo, money market funds, and correspondent channels. Properly calibrated, that shift can improve transparency and reduce stress-period pressure on private intermediaries without materially expanding the Federal Reserve's balance sheet beyond what is needed for efficient payment settlement.

The final framework should preserve flexibility to recalibrate the Closing Balance Limit and, over time, evaluate whether a bounded ON RRP-based framework for federally supervised PPSI reserve and settlement liquidity would better support stability as an alternative to Master-Account access.

II. Zero interest and the Closing Balance Limit should be calibrated together, with the Closing Balance Limit remaining in the PSR Policy. (Questions 3)

Circle supports the Board's decision to address the Closing Balance Limit in the PSR Policy rather than codifying a numeric cap in Regulation D. Zero interest and the Closing

Balance Limit serve overlapping purposes, but the Board should retain flexibility to monitor and, if necessary, adjust them to respond to changing monetary policy environments. The PSR Policy is the appropriate place to set and recalibrate operational account terms that must respond to observed payment activity, account usage, market structure, and stress dynamics.

The Closing Balance Limit is a calibration tool, not a structural prohibition. The Board does not yet have empirical evidence with actual Payment Account usage, including how legally eligible payment-focused firms will manage balances, how intraday and overnight flows will develop, how payment stablecoin issuers will size settlement liquidity, or how account usage will change across rate cycles and stress events. Codifying a numeric cap in Regulation D would harden an untested constraint and make future recalibration slower and more procedurally burdensome.

The PSR Policy should therefore preserve flexibility for Reserve Banks and the Board to tailor limits to observable activity. The final framework should center on activity-based limits, higher individual limits where justified, temporary increases during exigent circumstances, and periodic recalibration as payment volumes grow. A fixed $1 billion cap may be too low for high-throughput payment activity, reflecting that calibration belongs in the PSR Policy and related Reserve Bank procedures, where it can be adjusted based on experience, rather than in Regulation D based on historical Master Account data.

III. The Board should continue assessing a bounded ON RRP-rate framework for federally supervised PPSIs. (Question 2(c))

Circle supports the Board's decision not to pay IORB on ordinary Payment Account balances at launch. As the rate paid on Master Account reserve balances, IORB is central to the banking-sector reserve framework and an appropriate ceiling for bank-intermediated private funding. Paying IORB on Payment Accounts would blur the distinction between Payment Accounts and Master Accounts, weaken the settlement-only design, and create avoidable arbitrage incentives for institutions that might otherwise seek a Master Account through the full Account Access review process.

The Board should not, however, foreclose a future, calibrated framework under which eligible payments institutions receive interest on Payment Account balances held for issuer-level reserve management and payment-settlement purposes. In such cases, the appropriate reference rate would be the ON RRP rate as the Federal Reserve’s administered floor for a broad set of nonbank cash investors that are not eligible to earn IORB. It reflects the floor available, directly or indirectly, through many reserve custody and money-market structures that payment institutions already use to manage high-quality liquid reserve assets. Using ON RRP as the reference rate under conditional use criteria—e.g., as a backup facility or during market stress periods—would provide optionality that could ensure that changes in the money market fund environment or wider market do not impact the payments space.

We recognize the Board’s intent to retain the zero interest as an initial prototype safeguard and encourage it to expressly commit to evaluating PPSI-specific remuneration as the GENIUS Act framework matures, Payment Account usage becomes observable, and the Board gains empirical data on settlement flows, closing balances, and potential monetary policy second-order implications.

We would expect a neutral net effect on the Federal Reserve balance sheet given that PPSIs currently hold equivalent reserve assets in the form of Treasury bills, repo, government money market funds, or custody structures that themselves interact with reserves or the ON RRP facility. In many cases, it would change the composition and transparency of Federal Reserve liabilities by substituting a capped, administered-rate for less transparent flows through bank reserve, repo, money market fund, or private intermediation channels. Pricing that liability at the ON RRP floor would avoid creating an above-market rate incentive while giving the Board clearer visibility into reserve and settlement liquidity.

The stress-stabilization benefits are particularly important for PPSIs. If federally supervised PPSIs can pre-position capped liquidity at the Federal Reserve at an ON RRP-based rate, they are less likely to rely on rapid Treasury bill sales, sudden deposit withdrawals, or intraday reallocations through private intermediaries to meet redemption or settlement demand. That can support payment continuity, reduce pressure on bank funding channels, and lessen the risk that PPSI reserve management amplifies stress during periods of volatility in short-term Treasury or repo markets. The Board should view this as a potential future monetary-policy and financial-stability tool.

IV. The Board should prevent Payment Accountholder affiliate or structuring arbitrage. (Questions 2, 2(c), 2(d), and 2(e))

Finally, the Board should prevent structural workarounds that would undermine evenhanded application of the zero-interest term. A bank-subsidiary PPSI should not, for example, be able to obtain the economic equivalent of interest, preferential settlement economics, or credit support through a parent, affiliate, correspondent, EBA, or Master Account structure that by statutory design is unavailable to an unaffiliated PPSI using a Payment Account. The Board should apply an arm's-length principle to affiliate relationships and should clarify that the zero-interest term captures indirect pass-throughs, rebates, or preferential terms designed to replicate yield.

The final rule should also address arrangements that could blur the GENIUS Act's issuer-level ringfencing. Bank-subsidiary issuers should not be able to rely on a parent insured depository institution's Master Account, intraday credit capacity, discount-window access, guarantees, asset purchases, deposit-token structures, or preferential credit lines to create economic benefits or liquidity support that the Payment Account framework does not provide and that the GENIUS Act is designed to eliminate. An arm's-length approach, consistent with Regulation W principles, would preserve parity between bank-affiliated and nonbank issuers and protect both Reserve Banks and parent insured depository institutions from unanticipated credit and liquidity risk.

This clarification is particularly important because Regulation D controls only part of the account architecture. A zero-interest rule can be undermined if Payment Accountholder affiliates replicate remuneration through rebates, preferential transfer pricing, affiliated deposit-token conversion paths, favorable settlement terms, or balance-sheet support.

The Board should make clear both in Regulation D and GENIUS implementing rules that Payment Account terms apply in substance as well as form, and that affiliated arrangements may not be used to confer economic advantages that the Payment Account framework denies directly.

V. The Board should preserve flexibility to consider EBA access as an alternative to a limited-purpose or stress-scenario remunerated account, while leaving the pass-through and term-deposit provisions unchanged. (Questions 2(d) and 2(e))

Circle supports the Board's objective of preventing Payment Accounts from being used to circumvent zero interest, the Closing Balance Limit, or the settlement-only purpose of the proposed framework. At the same time, the Board should preserve flexibility to consider whether bounded access to an EBA could serve as an effective alternative to creating a separate limited-purpose remunerated account or a special stress-scenario mechanism for Payment Account holders.

An EBA could, if appropriately conditioned, provide a more administrable mechanism for holding PPSI reserve balances at a Reserve Bank in limited circumstances without redesigning the Payment Account itself. For example, the Board could evaluate whether EBA access should be available only to eligible federally supervised PPSIs, only for reserve credit-risk management or stress-contingency purposes. That approach could allow the Board to address PPSI reserve-safety objectives without converting the Payment Account into an interest-bearing account or weakening its settlement-only design.

For that reason, Circle recommends that the Board distinguish between two separate issues: preventing routine circumvention of Payment Account limits, and preserving optionality for a tailored risk-management tool for payment institutions. The Board could prohibit the use of EBAs as a general sweep vehicle for ordinary Payment Account balances.

Circle also agrees that no revisions to Section 204.10(c) or Section 204.10(e) are necessary at this time. The pass-through-balance provision is tied to reserve-balance requirements, and reserve requirement ratios are currently zero. The term-deposit provision addresses a monetary-policy tool that is not the operational mechanism through which the Board is proposing to control Payment Account balances.