RIPPLE LABS INC., WANSUN SONG

Proposal and Comment Information

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

Comment ID: FR-2026-0015-01-C19

Submitter Information

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Organization Type: Company

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See attached files

July 27, 2026

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Proposed Amendment to Regulation D: Reserve Requirements of Depository Institutions — (Docket No. R-1893, RIN 7100-AH25)

Dear Ms. Misback,

Ripple Labs Inc. ("Ripple") appreciates the opportunity to comment on the proposal by the Board of Governors of the Federal Reserve System (the "Board") to amend Regulation D to exclude Payment Account (PA) balances from interest on reserve balances and to prevent PA holders from participating in Excess Balance Accounts (EBAs).[1] As an enterprise-grade digital asset infrastructure provider and stablecoin issuer, Ripple welcomes the Board's formalization of a special-purpose account framework. However, as proposed, the zero-interest requirement compounds rather than complements the Closing Balance Limit, imposing an asymmetric economic cost on PA holders that the Board's own stated objectives do not require.

Ripple is concurrently submitting a comment letter on the Board's proposed revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests [Docket No. OP-1878]. Because the zero-interest question directly implicates the operational and competitive equity concerns addressed in that submission, Ripple respectfully directs the Board to its concurrent OP-1878 submission, which is being filed alongside this letter, for the full statement of its views.

Ripple contends that the proposed Regulation D amendment codifies a restriction whose independent necessity has not been established. The Board's own notice describes the Closing Balance Limit and the zero-interest requirement as working "together" to ensure a PA is not used as a store of value. Both restrictions serve the same underlying objective.[2] Because the Closing Balance Limit already places a firm ceiling on the balance available to earn any return, it is sufficient on its own to manage the Federal Reserve's balance-sheet exposure. The zero-interest requirement, layered on top of an already activity-calibrated limit, imposes an unnecessary

[1] Regulation D: Reserve Requirements of Depository Institutions, 91 Fed. Reg. 30,503 (May 26, 2026) (Docket No. R-1893, RIN 7100-AH25).
[2] Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests, 91 Fed. Reg. 30,627, 30,640 (May 26, 2026).

economic friction on Payment Account holders without advancing the Board's financial-stability or monetary-policy objectives beyond what the balance cap already achieves.

For Permitted Payment Stablecoin Issuers ("PPSIs") operating under the GENIUS Act's 1:1 reserve mandate,[3] this friction is particularly acute. A PA that pays no interest on operational reserves imposes an asymmetric cost on PPSIs choosing to hold liquidity at a Reserve Bank relative to those maintaining equivalent balances at a commercial bank earning a market rate, creating an incentive to concentrate reserve balances within the commercial banking sector that the PA framework is intended to reduce.

Ripple urges the Board to rely on the Closing Balance Limit as its primary tool for managing balance-sheet effects and eliminate the zero-interest restriction from any final rule implementing the Payment Account.

Ripple appreciates the opportunity to comment on these important issues and welcomes further dialogue on any of the matters raised in this letter.

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[3] *See,* 12 U.S.C. § 5903(a)(1)(A).

July 27, 2026

Ann E. Misback, 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 Account Access Guidelines (Docket No. OP-1878)

Dear Ms. Misback,

Ripple Labs Inc. ("Ripple") appreciates the opportunity to comment on the proposal by the Board of Governors of the Federal Reserve System (the "Board") to revise the Federal Reserve Policy on Payment System Risk[1] ("PSR Policy"). As an enterprise-grade digital asset infrastructure provider and stablecoin issuer, Ripple welcomes the Board's formalization of a special-purpose account framework. However, the proposed Payment Account ("PA") is unlikely to attract widespread adoption without meaningful changes to its product offering. Moreover, as proposed, the PA risks creating a second-tier Federal Reserve account that leaves digital asset and financial technology companies at a material competitive disadvantage relative to incumbents that have secured a full Master Account.

I. Background

The PA framework was developed, in part, to bring payment activity by non-bank, digital-asset-focused institutions under direct Federal Reserve oversight and to facilitate competition between innovative financial services companies and incumbent depository institutions. While Ripple strongly supports this objective, the proposed restrictions limit the utility of the PA. By imposing asymmetric economics, the framework is unlikely to drive high-volume transaction activity to direct Reserve Bank settlement with entities holding a PA; consequently, the current structure whereby payment activity is limited to commercial bank intermediaries will remain largely uninterrupted.

This outcome undermines the goals of the PSR Policy and conflicts with the clear intent of Executive Order 14,405 (*Integrating Financial Technology Innovation into Regulatory Frameworks*), which directs the Board to securely integrate "digital asset and innovative technology into the traditional financial services and payments systems."[2] To achieve the policy aims articulated in

[1] Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests, 91 Fed. Reg. 30,627 (May 26, 2026) ("Payment Account Notice").
[2] Exec. Order No. 14,405, 91 Fed. Reg. 30,475 (May 22, 2026) ("EO 14,405").

EO 14,405, the final rule must replace the proposed prohibitions with tailored, risk-adjusted boundaries that encourage adoption.

This is a general observation which frames the specific recommendations below. Each recommendation is intended to align the PA's operational utility with the commercial realities of the market, without expanding the account's risk profile beyond what the Board's risk-mitigation objectives require.

Our comments address five areas: (1) the redundancy of the proposed closing balance limit and interest prohibition; (2) the categorical exclusion of FedACH access; (3) the prohibition on PA holders acting as correspondents or respondents; (4) the discount window exclusion and its implications for consumer protection and payment stability; and (5) the timeline and access framework for Tier 3 institutions.

Ripple appreciates the opportunity to provide this feedback and welcomes further dialogue with the Board or Reserve Bank staff on any of these positions.

II. The Board Should Implement Only the Closing Balance Limit to Serve the Overlapping Purpose Presented for the Interest Prohibition

(Response to Regulation D Docket No. R-1893, Question 2 and Question 2(b))

The Board has asked whether it should consider codifying the Closing Balance Limit in Regulation D given its functional overlap with the proposed prohibition on paying interest on PA balances, and whether there are important interactions between the two that the Board has not identified. Ripple appreciates the Board's recognition of this overlap and offers the following observations.

The Board's explanation of the Excess Balance Account (EBA) prohibition describes the Closing Balance Limit and the prohibition on paying interest as working "together" to ensure a PA is not used as a store of value.

Further, the Board expresses concerns about the potential for PAs to have undesirable impacts on financial stability and monetary policy. To address the concerns, under the PA proposal, a PA holder would be subject to an individualized Closing Balance Limit set by its regional Reserve Bank, which will be based on the institution's expected payment flows and capped at $1 billion. At the same time, the PA proposal would prohibit the payment of interest on a PA; the justification for such a prohibition is the same.

A Closing Balance Limit would prevent the PA from functioning as a passive investment vehicle by placing a ceiling on the balance available to earn a return if interest could be earned. The impact of paying a market rate of interest on this balance would be unlikely to have a meaningful impact on the Federal Reserve's balance sheet, even at the capped amount.[3] Accordingly, because the individual Closing Balance Limit is sufficient on its own to manage the Federal Reserve's balance-sheet exposure, the Board should allow balances held in a PA to earn interest. To that end, the interest prohibition imposes an unnecessary economic friction on account holders without advancing the Board's financial-stability or monetary-policy objectives beyond what the activity-based balance cap already achieves.

In addition, Ripple supports the Board's objectives to reduce counterparty and contagion risk presented by the current requirement that only certain banks may have a master account and access to Federal Reserve services. However, consider that once the GENIUS Act becomes effective, permitted payment stablecoin issuers ("PPSIs") in the U.S. will be required to hold reserves on a 1:1 basis in cash or high-quality liquid assets ("HQLAs"). For PPSIs, paying no interest on operational reserves imposes an asymmetric cost on those PPSIs choosing to hold liquidity at a Reserve Bank relative to those maintaining equivalent balances at a commercial bank earning a market rate. Over time, that asymmetry could create an incentive to concentrate reserve balances within the commercial banking sector, further compounding counterparty and contagion risks.

Moreover, by designing the PA as a transaction-only clearing and settlement mechanism and rejecting its utility as an overnight reserve-management vehicle, the Board introduces significant operational friction. For a PPSI, transaction execution and reserve storage are not mutually exclusive functions; rather, overnight reserve balances are required to clear real-time, 24/7 client redemptions and high-velocity multi-asset transaction flows. It would be far more beneficial to the safety and soundness of the financial ecosystem if the Board allowed this framework to be of better, more comprehensive use to PPSIs by permitting payment of interest on PA balances up to the Closing Balance Limit—recognizing that maintaining reserve balances up to the individualized closing balance limit is an operational prerequisite for real-time payment finality, not a passive store of value.

Because the individualized Closing Balance Limit effectively prevents the account from functioning as an alternative store of value on a large scale, the interest prohibition is unnecessary and should be eliminated from any final actions to implement a PA.

III. The Board Should Replace the Exclusion of FedACH Access With a Capital- and Track-Record-Based Approach

(Response to Docket No. OP-1878, Question 1)

The Board described the proposed restriction on FedACH as being driven by the credit risk from received ACH debits. The Board further stated the Reserve Banks do not have the ability to predict debit transactions with sufficient accuracy or limit the amount of debit transactions a PA

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[3] We note that the Board's own analysis suggests that the great majority of PAs will operate well under the maximum. Payment Account Notice, 91 Fed. Reg. at 30,640.

could receive to a certain threshold.[4] Rather than a categorical and permanent exclusion of FedACH, this perceived risk would be better addressed by considering an institution's capital and liquidity position. For example, the Board could require well-capitalized institutions to maintain a dedicated, pre-funded collateral buffer within the account. Because any inbound debit-pull transaction would settle directly against these restricted funds, the risk of an uncollateralized central bank credit extension would be significantly mitigated.

If the Board concludes that it currently lacks sufficient empirical data to set a permanent collateral standard with confidence, it could implement a conservative initial limit on ACH volume. This initial limit would serve as an interim step and would allow the Reserve Banks to gather the real-time transaction data and operational track record necessary to define long-term, risk-adjusted standards, while ensuring that well-capitalized institutions are not permanently restricted due to an initial lack of data.

IV. The Board Should Reconsider the Prohibition on PA Holders Acting as Correspondents or Respondents

(Response to Docket No. OP-1878, Question 3)

The Board's proposal would prohibit a PA holder from acting as either a Correspondent or a Respondent as defined under Operating Circular 1 ("OC 1"). The Board states that these relationships involve an amplified risk profile because multiple institutions' transactions settle through a single account, and because the failure or abrupt termination of a relationship could disrupt downstream access and cause challenges for other participants in the payment system.[5] Ripple appreciates the Board's confirmation that this rule does not prevent a holder from clearing standard customer activity,[6] but nonetheless contends that a categorical prohibition on acting as an OC 1 Correspondent unnecessarily restricts the utility of the PA framework. Ripple raises the respondent prohibition as a separate but related concern below.

PA holders will be uniquely positioned to optimize transaction flows for downstream platforms, and the prohibition on acting as an OC 1 Correspondent represents an unnecessary constraint on the framework's utility. By acting as an OC 1 Correspondent, a PA holder could provide downstream entities with safe, regulated access to real-time central bank money settlement. Thus, such a prohibition prevents the PA framework from scaling its efficiency benefits across the broader commercial payment sector.

The operational and credit risks identified by the Board can be effectively neutralized through structural design choices. Ripple proposes the following guardrails as a probationary framework that allows Reserve Banks to develop the supervisory data and operational track record necessary to evaluate a PA holder's performance as an OC 1 Correspondent over time:

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[4] Payment Account Notice, 91 Fed. Reg. at 30,630-31.
[5] *Id.*, at 30,638.
[6] *Id.*

- *Mandatory Pre-Funding:* Any downstream institution utilizing the PA holder as an OC 1 Correspondent must fully pre-fund 100% of its transaction volume. Settlement would occur directly against these restricted, verified funds, completely eliminating daylight overdraft and credit exposure for the Reserve Bank. Consistent with standard correspondent banking practice, the respondent's pre-funded balance would be maintained with the PA holder directly, mirroring the nostro/vostro model through which correspondent relationships are operationally managed today, though under stricter pre-funding conditions than traditional arrangements require. The PA holder would in turn assess whether sufficient funds are present in the PA to cover net settlement obligations when related transactions occur. This ensures that if a downstream respondent experiences an abrupt operational failure, the risk is contained within its pre-funded allocation and cannot trigger a liquidity shortfall that impacts other participants or the central ledger.

- *Consolidated Risk and Compliance Oversight:* To satisfy the Board's due diligence expectations, eligible PA holders seeking Correspondent status could be required to deploy programmatic, real-time transaction monitoring and enhanced BSA/AML controls across transaction volumes.

These guardrails are designed to give the Board and Reserve Banks the supervisory experience necessary to evaluate PA holders as correspondents before extending broader access. A categorical prohibition forecloses that opportunity entirely. If the final rule prohibits PA holders from acting as correspondents entirely, the Board is unlikely to develop an empirical basis to assess whether PA holders can engage in this activity safely and over time. Ripple therefore recommends a walk-before-run approach which permits PA holders to act as correspondents pursuant to these conditions. This approach would be subject to ongoing review, whereby the Reserve Banks have discretion to relax these guardrails upon a determination that sufficient performance data supports a more tailored framework, including demonstration of capital adequacy and BSA/AML compliance history. This approach is consistent with responsible regulatory integration and ensures the PA framework evolves based on real metrics rather than assumption.

If the Board does not permit third-party correspondent relationships, it should clarify that the prohibition does not apply to intra-corporate affiliate transaction flows. Because an enterprise payment ecosystem routinely operates across specialized, separately chartered corporate entities, the final rule should explicitly clarify that transaction clearing between commonly controlled corporate affiliates is categorically excluded from the OC 1 prohibition, preventing routine internal liquidity positioning from being misconstrued as third-party correspondent activity.

Additionally, Ripple asks the Board to reconsider the prohibition on PA holders acting as OC 1 Respondents. The PA is purpose-built for payment activity, yet the respondent prohibition restricts a standard arrangement through which payment activity flows in the U.S. financial system. Master Account holders retain the flexibility to access correspondent arrangements for payment flows that their direct settlement infrastructure cannot accommodate. The respondent prohibition denies PA holders that same operational flexibility, leaving them with less optionality for settlement flows even where the underlying payment activity presents no greater risk. The operational and credit risks the Board has identified can be addressed through the same structural design choices proposed for correspondent activity above without a categorical prohibition that cuts against the PA's own stated purpose.

V. The Board Should Evaluate the Discount Window Exclusion Under Regulation A Through a Systemic and Consumer Protection Lens

(Response to Docket No. OP-1878, Question 8; cross-referenced under Regulation A, Docket No. R-1892)

The Board's proposed exclusion of PA holders from Discount Window access should be evaluated through the lens of maximizing settlement finality and safeguarding consumers, specifically end-users of regulated payment stablecoins, rather than exclusively through the lens of minimizing credit risk to the Reserve Banks. The decision not to extend any liquidity backstop to PA holders has direct consequences for retail consumers. A stablecoin holder's ability to redeem at par depends on the issuer's capacity to convert reserves to cash reliably and immediately, including during periods of acute market stress.

For a PPSI operating under a strict 1:1 liquid reserve mandate, a sudden, high-velocity redemption event during a period of market stress could compel the rapid, price-insensitive liquidation of HQLAs on the open market. Without access to any liquidity facility, a PPSI facing heavy redemptions has no alternative to forced open-market Treasury sales. This outcome presents two distinct harms. First, price-insensitive selling of U.S. government securities during periods of reduced market depth introduces disorderly volatility into the secondary market for U.S. Treasury securities. Second, and more directly, it leaves end consumers exposed to redemption uncertainty at the precise moment they are most reliant on the stability the GENIUS Act's reserve requirements are designed to guarantee.

Because a PPSI's reserves are limited by law to cash and certain HQLAs,[7] the credit risk presented by extending Discount Window access to a PPSI is fundamentally different from traditional Discount Window borrowing and has not been adequately assessed for the distinct risk profile that PPSI reserve structures present.. The GENIUS Act's prohibition on pledging reserve assets includes limited exceptions that may provide a pathway for a tailored liquidity mechanism through which the Fed could act as a backstop source of liquidity for PPSIs facing

[7] *See* 12 U.S.C. § 5903(a)(1)(A).

extraordinary redemption demands.[8] Ripple urges the Board to engage with the OCC and relevant prudential regulators to explore whether such a mechanism can be designed within the existing statutory framework, and to reconsider the categorical exclusion in light of the consumer protection consequences it produces.

VI. The Board Should Decouple Traditional Master Account Reviews from the Payment Account Rulemaking and Define Clear, Parallel Access Parameters

(Response to Docket No. OP-1878, Question 6)

The Board has encouraged Reserve Banks to pause all decisions on access requests from Tier 3 institutions until the Board completes its policy development process on the PA, with that pause currently expected to conclude on or before December 31, 2026.[9] Ripple understands the Board's desire to ensure that final access decisions are made against a settled regulatory framework. However, extending the moratorium to traditional Master Account applications is an overbroad and unnecessary mechanism. A policy review regarding a new specialized account track should not serve as an administrative justification to freeze the evaluation of standard Master Account requests from eligible institutions. This freeze directly conflicts with current federal directives aimed at streamlining financial technology infrastructure.

The availability of a specialized PA track should complement, rather than substitute for, a clear, merit-based path to full Master Account capabilities for responsible financial technology-focused banking institutions that are legally eligible and satisfy robust prudential, capital, and risk-management requirements. While the Board noted in its RFI responses that a PA holder's operating history "could inform" but not dictate a subsequent Master Account review, this standard provides zero predictability to the public.[10] By leaving the relationship between these two account types undefined, the PA risks becoming a second-tier account type for financial technology companies with eligible bank charters while Master Accounts are reserved for banking incumbents. Such an outcome would be inconsistent with EO 14,405, which directs the federal government to "remove overly burdensome and fragmented regulations and supervisory practices that form barriers to entry and primarily benefit incumbent financial services firms."[11]

Accordingly, the final rule should clarify that the availability of a PA does not replace, delay, or substitute for a standard Master Account review. The Board should codify specific, objective

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[8] The GENIUS Act's prohibition on pledging or rehypothecating reserve assets includes a limited exception permitting pledging to create liquidity to meet reasonable expectations of requests to redeem payment stablecoins, subject to prior approval from the relevant prudential regulator. See 12 U.S.C. § 5903(a)(2)(iii). Whether this exception would permit a pledging arrangement with the Federal Reserve would require clarification from the OCC or the relevant prudential regulator prior to implementation. Ripple raises this observation as a potential structural approach for the Board's consideration, subject to that determination.
[9] Payment Account Notice, 91 Fed. Reg. at 30,636, n. 27.
[10] *Id.*, at 30,635.
[11] *See supra* note 2.

parameters regarding how an applicant's broader operational track record will be evaluated independently for each account track. Defining these clear boundaries will ensure the PA functions as a legitimate, additional utility within the central bank ledger rather than an administrative mechanism to permanently stall fintech innovation.

Ripple appreciates the opportunity to comment on these important issues and welcomes further dialogue on any of the matters raised in this letter.

Sincerely,

Wansun Song

Wansun Song

Deputy General Counsel, Ripple