AMERICA'S CREDIT UNIONS, ANDREW MORRIS

Proposal and Comment Information

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

Comment ID: FR-2026-0015-01-C24

Subject

Submitter Information

Organization Name: America's Credit Unions

Organization Type: Organization

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America's Credit Unions

July 27, 2026

Benjamin W. McDonough
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 Guidelines for Account and Services Requests (Docket No. OP-1878); Regulation A: Extensions of Credit by Federal Reserve Banks (Docket No. R-1892; RIN 7100-AH24); Regulation D: Reserve Requirements of Depository Institutions (Docket No. R-1893; RIN 7100-AH25)

Dear Mr. McDonough,

On behalf of America's Credit Unions, I am writing in response to three related proposals issued by the Board of Governors of the Federal Reserve System (Board): the proposed revisions to the Federal Reserve Policy on Payment System Risk (PSR Policy) and the Guidelines for Account and Services Requests (Account Access Guidelines) to accommodate a special-purpose Payment Account; the proposed amendments to Regulation A; and the proposed amendments to Regulation D.[1] Because the three proposals implement a single, integrated policy framework, we offer our comments in a consolidated letter. America's Credit Unions is the voice of consumers' best option for financial services: credit unions. As not-for-profit, member-owned financial cooperatives, credit unions play a vital role in the financial well-being of individuals, families, and small businesses across the country. We advocate for policies that allow credit unions to effectively meet the needs of their over 146 million members nationwide.

General Comments

As depository institutions, credit unions are subject to rigorous supervisory requirements designed to ensure that they meet robust safety and soundness expectations. It is from that perspective that we previously commented on the Board's request for information (RFI) on the Payment Account prototype, where we asked the Board to articulate a more robust set of controls addressing operational risks—not just credit risks—posed by applicants that are not subject to insurance-based oversight by a functional banking regulator. We appreciate that the current proposals provide substantially more detail than the RFI, and we support several of their core

[1] Board of Governors of the Federal Reserve System, Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests, 91 Fed. Reg. 30627 (May 26, 2026) (Docket No. OP-1878) ("Payment Account Notice"); Regulation A: Extensions of Credit by Federal Reserve Banks, 91 Fed. Reg. 30498 (May 26, 2026) (Docket No. R-1892; RIN 7100-AH24); Regulation D: Reserve Requirements of Depository Institutions, 91 Fed. Reg. 30503 (May 26, 2026) (Docket No. R-1893; RIN 7100-AH25).

elements. As explained in Section II, however, our overarching recommendation is that the Board revise the proposal to specify concrete Bank Secrecy Act/anti-money laundering (BSA/AML) safeguards—including the examination and inspection framework that would apply to Payment Account holders—and reissue the proposal for public comment before adopting any final rule or policy. The Board suggests that the limited feature set of the Payments Account offsets higher risks associated with uninsured depositories; however, most of the restrictions associated with the proposed account are designed to mitigate only credit risk.

The Proposal Appropriately Preserves the Statutory Eligibility Criteria for Account Access

We support the Board's careful attention to preserving established statutory limits applicable to master account access. Legal eligibility for access to Reserve Bank accounts and services remains governed by the definition of "depository institution" in section 19(b)(1)(A) of the Federal Reserve Act. The Payment Account would not expand the types of institutions eligible to request an account; it would instead offer already eligible institutions an optional, limited-purpose alternative to a master account. Although we are concerned that the proposal has not devoted sufficient attention to specific supervisory procedures for potential Payment Account holders, we support the Board's commitment to the framework Congress established and its confirmation that the creation of a Payment Account does not alter the eligibility criteria for a master account. The current enumeration of eligible institutions was crafted with safety and soundness concerns in mind, and the tiered review framework of the Account Access Guidelines appropriately recognizes that non-federally-insured institutions with unique business models[2] may present greater and more heterogeneous risks than federally insured institutions.

The Board Should Articulate Specific BSA/AML Safeguards and Reissue the Proposal for Public Comment Before Finalization

We acknowledge, and share, the concerns expressed in Governor Barr's statement of dissent on the proposal.[3] The proposal does not provide "sufficiently specific and robust safeguards" to mitigate illicit finance risks posed by entities that may hold Payment Accounts and are not directly supervised by the Federal Reserve or another federal functional regulator. The proposal contains no provisions for the Federal Reserve to engage in examination and inspection of BSA/AML compliance procedures.

The Board should revise the proposal to incorporate exam procedures for institutions that have two primary characteristics: (1) are uninsured and (2) hold most of their customers' funds in the form of non-deposit products. After developing a more comprehensive supervisory framework,

[2] While some Tier 2 or Tier 3 institutions will generally be classified on the basis of insured status, certain non-federally insured institutions with traditional deposit-based business models which are subject to state law may more appropriately fall within the Tier 1 category.
[3] *See* Statement on Payment Account Proposal by Governor Michael S. Barr (May 20, 2026), available at https://www.federalreserve.gov/newsevents/pressreleases/barr-statement-20260520.htm.

the Board should reissue the Account Access Guidelines proposal for public comment before proceeding to a final policy. The proposal, as published, sets out only a non-exhaustive list of discretionary, information-based terms—attestations, third-party assessments, audit reports, and notification requirements—that a Reserve Bank may impose on a Payment Account holder. Informational requests are not a substitute for a defined framework of examination and inspection, particularly for Tier 3 applicants that lack a federal prudential supervisor and whose primary regulators may have limited experience assessing BSA/AML compliance at institutions engaged in novel, crypto-adjacent business lines.

The design of that framework and the particular details (e.g., who examines, on what cycle, against what standards, and with what consequences for deficiencies) is a significant aspect of the Payment Account's architecture. If the Board develops that framework only after the comment period closes, the public will never have had a meaningful opportunity to evaluate and comment on how Payment Account holders' compliance might actually be verified. Re-proposal is the appropriate course, and it is consistent with Governor Barr's own expressed interest in reviewing public feedback on how such safeguards could be designed and implemented.[4]

The magnitude of the illicit finance risks at issue warrants this additional process. Cryptocurrency has become a leading vector for consumer scams, and the harms fall disproportionately on older Americans—the very members that credit unions work every day to protect. The Federal Trade Commission reports that consumer losses to scams involving Bitcoin ATMs increased nearly tenfold between 2020 and 2023, exceeding $110 million in 2023 and topping $65 million in just the first six months of 2024, with consumers over the age of 60 more than three times as likely as younger adults to report losing money to these schemes and a median reported loss of $10,000.[5] More recently, the FBI's Internet Crime Complaint Center warned that perpetrators of cryptocurrency investment fraud are dispatching couriers to collect cash directly from victims—often older Americans—precisely because supervised financial institutions are investing in the compliance resources to detect and deny the suspicious funds transfers these schemes depend on.[6] The friction that interrupts scams today is substantially dependent on the monitoring, reporting, and intervention practices of examined depository institutions, including credit unions. If entities that clear and settle crypto-adjacent payment flows obtain direct access to Federal Reserve settlement infrastructure without a comparably verified BSA/AML compliance framework, the proceeds of scams targeting the elderly could move faster, through less supervised channels. Before the Federal Reserve lends its

[4] *See id.*
[5] *See* Press Release, Federal Trade Commission, New FTC Data Shows Massive Increase in Losses to Bitcoin ATM Scams (Sept. 3, 2024), available at https://www.ftc.gov/news-events/news/press-releases/2024/09/new-ftc-data-shows-massive-increase-losses-bitcoin-atm-scams; see also Federal Trade Commission, Data Spotlight, Bitcoin ATMs: A Payment Portal for Scammers (Aug. 2024).
[6] *See* Federal Bureau of Investigation, Internet Crime Complaint Center, Scammers Use Couriers to Collect Cash in Cryptocurrency Investment Scams, Alert No. I-061526-PSA (June 15, 2026), available at https://www.ic3.gov/PSA/2026/PSA260615.

infrastructure in a way that might magnify that risk, the public should be able to comment on the specific safeguards that would best prevent it.

The Payment Account's Credit Risk Mitigants Are Sensible, but Operational Risks Warrant Continued Attention and Specialized Supervision

Notwithstanding our recommendation to supplement and reissue the Account Access Guidelines, we do support the core risk-mitigating terms of the proposed Payment Account. Prohibiting interest on balances, tailoring access to automatically reject transactions that would create an overdraft, denying access to intraday credit, and foreclosing borrowing through the discount window are sensible safeguards that meaningfully reduce the credit risk a Payment Account holder could pose to a Reserve Bank and, by extension, to the broader financial sector. Limiting access to services for which the Reserve Banks can automatically reject overdraft-creating transactions, and prohibiting Payment Account holders from acting as OC 1 Correspondents or Respondents, are similarly prudent design choices.

As we noted in response to the RFI, however, most of these restrictions are calibrated to mitigate credit risk. Other categories of risk—operational, cyber, and compliance-related—do not diminish simply because an account's feature set is limited. The Board itself anticipates that most Payment Account requesters would be Tier 2 or Tier 3 institutions, and it acknowledges that such requesters "are more likely to be subject to weaker or more divergent supervisory regimes and are more likely to engage in new or emerging business lines." Some technically eligible, noninsured entities—particularly special-purpose charters organized around digital asset custody and settlement—may not be subject to federal interagency examination standards, such as the Federal Financial Institutions Examination Council's information technology guidance, which is applicable to credit unions and banks as a component of core safety and soundness regulation.[7] Rather, our concern is with entities whose business models differ substantially from those of traditional depository institutions and that lack comparable prudential oversight altogether. For such applicants, the Board should ensure that specialized supervisory attention—including with respect to cybersecurity, operational resilience, third-party risk, and liquidity management under stress—can adequately compensate for the assurance that an insurance-based supervisory regime would otherwise provide.

Relatedly, while we appreciate the transparency benefits of a defined 90-day review expectation, the Board should make clear that the timeline is subordinate to the quality of the review. Where a Reserve Bank confronts an applicant with a novel business model, limited operating history, or a supervisory regime that is substantially different from that applicable to traditional depository institutions, the Reserve Bank should take the time necessary to complete a thorough

[7] Our concern is not directed at non-federally-insured status in the abstract: a state-chartered credit union whose shares are insured by a qualified private insurer remains subject to a comprehensive, insurance-based state supervisory framework oriented around the same safety and soundness expectations that apply to federally insured institutions. Moreover, its business model remains closely aligned with that of a traditional depository institution.

evaluation, and the Board's consultation mechanism for extensions should be applied without hesitation in such cases. We also encourage the Board to publish periodic aggregate information regarding Payment Account requests, approvals, denials, and review timelines so that the public can assess whether the framework is operating consistently across Reserve Banks.

Proposed Amendments to Regulation A

We support the Board's proposal to amend Regulation A to specify that a Payment Account holder would not be eligible for discount window credit. The discount window exists to support the liquidity of supervised depository institutions that are subject to a full complement of prudential standards, capital and liquidity oversight, and established resolution regimes. Extending central bank credit to institutions that may be subject to new or rarely invoked insolvency frameworks, that may lack robust prudential supervision, and for which comparable supervisory data may be unavailable would expose the Reserve Banks to credit risk that is difficult to monitor. Withholding discount window access minimizes the risks borne by Reserve Banks and avoids creating expectations of official-sector liquidity support that could encourage excessive risk-taking by entities with novel business models.

We also agree with the Board's rationale that not permitting discount window access for Payment Account holders "would mitigate risk to the financial sector and the economy in a consistent and transparent manner across different types of Payment Account holders that present varying levels of risk."[8] A uniform prohibition is preferable to case-by-case determinations because it is administrable, avoids competitive distortions among Payment Account holders, and eliminates ambiguity about the availability of central bank credit. An eligible institution that requires access to Reserve Bank credit should request a master account and submit to the fuller review that accompanies it.

Proposed Amendments to Regulation D

We likewise support the Board's proposal to amend Regulation D to exclude Payment Accounts from the provisions directing Reserve Banks to pay interest on balances maintained at a Reserve Bank, and to prohibit Payment Account holders from participating in excess balance accounts. The Payment Account is designed as a special-purpose account for clearing and settling payments; it should not function as a store of value or an investment vehicle. We agree with the Board's rationale that paying zero interest, together with the imposition of Closing Balance Limits, would (i) encourage Payment Account holders not to use Payment Accounts for investment purposes and (ii) allow the Federal Reserve to control the size of Payment Accounts on the Federal Reserve's balance sheet during both stress and non-stress periods.

[8] 91 Fed. Reg. at 30501.

The two restrictions serve the same purpose under different economic scenarios. Under normal conditions, a zero interest rate gives account holders an economic incentive to hold no more than the balances necessary to fund their payment activity. In periods of market stress—when interest rate incentives alone may not restrain precautionary hoarding of central bank money—the Closing Balance Limit provides a hard constraint that prevents rapid flows into Payment Accounts from draining reserves from insured depository institutions and amplifying money market volatility. This combination also protects the access to deposit funding that supports credit unions lending to households and businesses. Absent these limits, interest-bearing, unconstrained accounts held by narrowly focused payment entities could draw deposits away from community financial institutions, raise their funding costs, and increase the cost of credit to the real economy. The proposed prohibition on excess balance accumulation appropriately closes an avenue by which these limits could otherwise be circumvented.

Board's Response to Executive Order 14405 - Integrating Financial Technology Innovation Into Regulatory Frameworks

Separate from these proposals, the Board may be considering avenues for expanding financial technology firms' access to Federal Reserve infrastructure pursuant to the May 19, 2026 Executive Order titled "Integrating Financial Technology Innovation Into Regulatory Frameworks" (EO 14405). EO 14405 directs the Federal Reserve to identify legislative or regulatory options that would enable such access while mitigating risks to the payment system, financial stability, and the United States economy.[9]

We recommend that the Board make public any recommendations it provides in response to the Executive Order, and that those recommendations incorporate a thorough analysis of the potential operational risks associated with non-depository access to Federal Reserve settlement infrastructure or borrowing facilities. Recent history illustrates why such analysis matters. When Silicon Valley Bank failed in March 2023, the disclosure that a major stablecoin issuer held a portion of its reserves at the bank caused USDC to briefly lose its dollar peg, triggering redemption pressures and disruptions that propagated across the crypto ecosystem and into adjacent markets. That episode demonstrated how tightly interconnected nontraditional payment arrangements have become with the banking system, and how quickly operational and liquidity disruptions at a single node can transmit stress in unexpected directions. Direct access to Federal Reserve settlement infrastructure by entities engaged in similar activities would not eliminate these interconnections; it could instead relocate them onto the Federal Reserve's own infrastructure and balance sheet.

For similar reasons, the Board should be cautious about recommending to Congress any plan to expand the definition of depository institution used to delimit access to master accounts. The current enumeration of eligible institutions was crafted to address safety and soundness concerns, and it reflects a considered legislative judgment that direct access to the central bank's

[9] Exec. Order 14405, Integrating Financial Technology Innovation Into Regulatory Frameworks (May 19, 2026).

balance sheet and settlement systems should be reserved for institutions subject to correspondingly rigorous prudential oversight. If policymakers nonetheless choose to consider broader access, any framework should be developed transparently, through notice and comment, with uniform standards that apply consistently across Reserve Banks, and with supervisory expectations commensurate with the risks presented.

Conclusion

America's Credit Unions appreciates the opportunity to comment on the proposed Payment Account and its related proposals. Should you have any questions, please contact me at amorris@americascreditunions.org.

Sincerely,

Andrew Morris
Director, Innovation and Technology