

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date: December 5, 2025

To: Board of Governors

From: Staff¹

Subject: Request for Information and Comment on Payment Account Prototype

ACTION REQUESTED

Staff requests approval to publish in the *Federal Register* the attached *Request for Information* (RFI), which seeks public input on a prototype for a special purpose Federal Reserve Bank account (a Payment Account). Staff also requests the authority to make technical, non-substantive changes to the RFI prior to publication in the *Federal Register*.

DISCUSSION

The Federal Reserve continually strives to support a safe and efficient payment system while taking into consideration the evolution of payment technology, statutory developments, and other factors driving innovative approaches to banking functions. On August 15, 2022, after a public comment process, the Board adopted guidelines (Account Access Guidelines or Guidelines) for Federal Reserve Banks (Reserve Banks) to utilize in evaluating requests for access to Federal Reserve accounts and services (access requests).² The Guidelines establish a transparent, risk-based, and consistent set of factors for Reserve Banks to use in reviewing access

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² 87 FR 51099 (Aug. 19, 2022).

requests from legally-eligible institutions.³ The Guidelines incorporate a tiering framework under which access requests from certain types of entities (e.g., non-federally insured institutions) are subject to greater due diligence and scrutiny than access requests from other types of entities (e.g., federally-insured institutions).

Over the last three years, the business models of institutions submitting access requests to Reserve Banks have continued to evolve. For example, several eligible institutions have explained that they are interested in access to accounts and services in order to reduce costs to their customers while increasing payment processing speed, often through new technologies. Over the same period, many of these eligible uninsured institutions have requested or expressed interest in requesting a master account and have expressed concern about the length of time that Reserve Banks take to review their access requests and the likelihood of denial. Staff also understands that some institutions focused primarily on payment activities only desire access to a subset of Federal Reserve services.

While decisions on access requests are made at the discretion of the individual Reserve Banks, Board staff has been exploring whether a tailored, special purpose Payment Account could meet institutions' needs while mitigating material risks identified in the Guidelines. The draft RFI would seek public input on a Payment Account prototype tailored to the risks and needs of eligible institutions focused on payments innovation. The Payment Account prototype has some similarities to a limited purpose, tailored account previously approved by the Board, the Foreign Bank International Cash Services (FBICS) program which was designed to support

³ The Guidelines do not apply to accounts provided under fiscal agency authority or to accounts authorized pursuant to the Board's Regulation N (12 CFR part 214), joint account requests, or account requests from designated financial market utilities, since existing rules or policies already set out the considerations involved in granting these types of accounts.

international banknote operations.

As summarized below, staff anticipates that a Payment Account holder would use its account for the express purpose of clearing and settling the institution's payment activity. Any institution that is legally eligible for Federal Reserve accounts and services (accounts and services) under the Federal Reserve Act would be eligible to request a Payment Account from a Reserve Bank. Staff would like to emphasize that the Payment Account prototype does not seek to expand or otherwise change legal eligibility for access to accounts and services. A Payment Account would be designed to pose limited risk to the Reserve Banks and the overall payment system. As a result, the draft RFI proposes that Reserve Banks would generally conduct a streamlined review of a request for a Payment Account.

PAYMENT ACCOUNT PROTOTYPE

Payment Account Features

A Payment Account would be a special purpose account with a Reserve Bank designed for the express and limited purpose of clearing and settling the institution's payments. In designing the Payment Account prototype, Board staff has considered the risks identified in the Guidelines (i.e., risks to the Reserve Banks, to the overall payment system, to financial stability, to the overall economy as a result of illicit activities, and to the implementation of monetary policy). Specific features of the Payment Account would include the following:

- Limiting use of a Payment Account to clearing and settlement of an institution's payment activity is intended to reduce the range of risks a Payment Account could pose to the Reserve Bank and the overall payments system.
- A Payment Account holder would not be permitted to access credit from the discount

window.

- A Payment Account would not be eligible for intraday credit, also known as a daylight overdraft, and would only have access to Federal Reserve payment services that have automated controls to prevent a Payment Account holder from incurring an overdraft.⁴
- A Payment Account would be subject to a low overnight balance limit. The draft RFI proposes setting the overnight balance limit at the lesser of \$500 million or 10% of a Payment Account holder's total assets, as determined by the holder's most recent reports to its primary banking regulator or equivalent.
- A Payment Account holder would not receive interest on balances held at a Reserve Bank.
- The Reserve Banks would retain their discretion to impose additional restrictions and risk controls on a Payment Account on a case-by-case basis.
- The draft RFI also notes that the Board is exploring additional risk controls and conditions for Payment Accounts. These controls could take the form of, among other things, account agreement conditions, attestation requirements, or periodic reporting requirements. These controls could cover areas of risks to the Reserve Banks and payment system (such as operational or cyber risks) or risks associated with illicit financing.

A Payment Account would be a separate and distinct type of account from a Reserve Bank master account (a Master Account). Master Accounts generally do not have a limit

⁴ Currently, the permitted services are The Fedwire[®] Funds Service; the National Settlement Service; the FedNow Service; and The Fedwire Securities Service for Free Transfers only. Services not available for a Payment Account are FedACH; Check; Currency; and The Fedwire Securities Services for Transfer Against Payment. *See* www.frb services.org.

imposed on overnight balances, may be eligible for intraday credit, can be used to access a wider range of services, and earn interest on reserve balances.⁵ In line with current practice, whereby the Reserve Banks generally maintain no more than one debtor-creditor relationship with an institution, the draft RFI proposes that an institution would generally be limited to maintaining either a Payment Account or a Master Account with a Reserve Bank.⁶

Payment Account Review Process

Any institution that satisfies the legal eligibility requirements for an account under the Federal Reserve Act would be eligible to request a Payment Account and the relevant Reserve Bank would evaluate the request under the Guidelines. Consistent with a Payment Account's lower risk profile, staff believes that a request for a Payment Account could generally receive a more streamlined review than a request for a Master Account from a comparable institution.⁷ As a result, a Reserve Bank could generally be expected to complete its review of an institution's request for a Payment Account within 90 calendar days of receiving all documentation requested by the Reserve Bank. As with Master Accounts, Reserve Banks would be expected to review a request for a Payment Account under the Guidelines and would have the discretion to approve or deny a request.

RECOMMENDATIONS

Based on the foregoing, staff recommends that the Board approve the attached RFI for publication in the *Federal Register*. The draft RFI seeks respondents' views on all aspects of the Payment Account prototype, including: (1) benefits of the Payment Account design and the payment activities and use cases that would be supported by a Payment Account; (2) the barriers

⁵ As with existing Master Accounts, overnight overdrafts would not be permitted in Payment Accounts. A Payment Account would also be separate and distinct type of account from a Reserve Bank Joint Account.

⁶ A Payment Account holder would not be eligible to be a participant in an Excess Balance Account.

⁷ Additional due diligence may be required in some circumstances.

to innovation in payments that a Payment Account would eliminate or alleviate; (3) the ways, if any, that a Payment Account would potentially increase risks to the payment system; and (4) the benefits and challenges of imposing restrictions such as an overnight balance limit.

Staff also recommends that the Board delegate to staff the authority to make technical, non-substantive changes to the attached RFI for publication in the *Federal Register*.

Attachment