

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DATE: May 7, 2026
To: Board of Governors
FROM: Staff¹
SUBJECT: Request for Comment on Proposed Establishment of a Payment Account

I. ACTION REQUESTED

Staff requests approval to publish the three attached draft *Federal Register* notices, which would:

(1) request public comment on proposed revisions to the Federal Reserve Policy on Payment System Risk (the PSR Policy) and the Guidelines for Evaluating Account and Services Requests (the Account Access Guidelines or the Guidelines) to accommodate the establishment by Federal Reserve Banks (Reserve Banks) of a special-purpose payment account that would clear and settle payment activity (Payment Account);²

(2) request public comment on proposed revisions to Regulation A (Extensions of Credit by Federal Reserve Banks) to specify that Payment Account holders would not be eligible to access discount window credit; and

(3) request public comment on proposed revisions to Regulation D (Reserve Requirements) to exclude Payment Account balances from provisions directing Reserve Banks to pay interest; and

The notices also would encourage Reserve Banks to pause decisions on access requests from Tier 3 institutions until the Board has completed its policy development process on the Payment Account proposal.³

Staff also requests the authority to make technical, non-substantive changes to the *Federal Register* notices prior to publication.

¹ Jason Hinkle, Kris Natoli (Division of Reserve Bank Operations and Payment Systems); Matt Malloy (Division of Monetary Affairs); and Corinne Milliken Van Ness, Benjamin Snodgrass (Legal Division).

² The proposed amendments to the PSR Policy would include creating a new Part IV (Policy on Reserve Bank Accounts and Services).

³ Staff recommends the pause be expected to end on or before December 31, 2026. The list of pending account access requests from Tier 3 institutions as of February 28, 2026 can be found at www.federalreserve.gov/paymentsystems/master-account-and-services-database-existing-access.htm.

II. INTRODUCTION

The payments ecosystem continues to evolve rapidly. Technological progress, statutory developments, consumer and business preferences, and other factors are driving both the introduction of innovative financial products and services and new approaches to the traditional banking functions of payments, deposit-taking, and lending. Since the Board issued the Account Access Guidelines in 2022, which guide Reserve Bank assessments of requests for accounts and services, the types of institutions seeking Reserve Bank accounts and services have continued to evolve. Several institutions focused on payments innovation have explained that they are interested in direct access to Reserve Bank accounts and services to reduce costs to their customers while increasing payment processing speeds. Some of these institutions have requested either a state or federal banking charter, and a few have initiated requests for accounts and services. Many of these institutions are not federally insured (Tier 2 or Tier 3 institutions under the Account Access Guidelines' tiered review framework), and therefore their requests for accounts and services are typically subject to greater due diligence and scrutiny under the Account Access Guidelines than access requests from federally insured (Tier 1) institutions.⁴ Some of these Tier 2 and Tier 3 institutions that have requested access or expressed interest in requesting access have voiced concerns about the length of time that Reserve Banks take to review access requests and the likelihood of denial.

In December 2025, the Board published a Request for Information (RFI) on a prototype Payment Account. The Board explained in the RFI that it was exploring whether a tailored, special-purpose Payment Account could meet these institutions' needs while mitigating material risks identified in the Account Access Guidelines. The RFI explained that the Board anticipated a request for a Payment Account would, for the same institution, generally receive a more streamlined review than a request for a Master Account. This is consistent with a Payment Account having a lower residual risk profile, because of its standard terms, relative to a Master Account, which does not have any standard usage restrictions and may be used to settle transactions for any service that the relevant Reserve Bank approves the account holder to access. As with Master Accounts, decisions on Payment Account access requests would be

⁴ Non-federally insured institutions are Tier 2 under the Guidelines' tiering framework if they are subject to federal prudential banking supervision and (1) if they are state chartered and have a holding company that is subject to Federal Reserve oversight (by statute or commitment) or (2) if they are federally chartered, they have a holding company that is subject to Federal Reserve oversight (by statute or commitment). All other non-federally insured institutions are Tier 3 under the Guidelines.

made at the discretion of individual Reserve Banks, and Reserve Banks would retain discretion to impose additional restrictions on the use of a Payment Account or, if necessary, to terminate the account.

The RFI listed specific features of the prototype Payment Account.

- A Payment Account would be limited to clearing and settling of the account holder's payment activity.
- A Payment Account holder would not have access to Reserve Bank credit, either through the discount window or through intraday credit, also known as a daylight overdraft. Given the lack of access to intraday credit, Payment Account holders would only have access to services that have automated controls to prevent an overdraft.⁵
- A Payment Account would be subject to a closing balance limit equal to the lesser of \$500 million or 10% of a Payment Account holder's total assets.
- Finally, a Payment Account holder would not receive interest on balances held at a Reserve Bank.

Staff has reviewed the comments received on the RFI and recommends that the Board approve publication of the three attached *Federal Register* notices that collectively would seek public comment on a concrete Payment Account proposal. As discussed below, the proposed Payment Account would largely retain the terms of the prototype Payment Account outlined in the RFI, with certain changes based on comments received and further consideration by staff.

III. COMMENTS ON THE RFI

The Board received 72 comment letters on the RFI. Commenters represented several types of institutions and organizations. Non-traditional institutions, including those focused on payments or crypto, generally supported the proposal, with many seeking access to a wider range of services or fewer controls. Traditional banks and related industry groups raised concerns about the proposal, with many favoring additional restrictions or controls. RFI comments covered a wide variety of topics. Brief summaries of key areas of comment are included below.

⁵ The permitted services would be 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 would be FedACH; Check, Currency, and the Fedwire Securities Services for Transfer Against Payment. See www.frbservices.org.

- **Exclusion of FedACH Services (FedACH):**

- The RFI proposed that Payment Accounts would only be able to access services for which the Reserve Banks can automatically reject transactions that cause an overdraft; Payment Accounts therefore would not have access to FedACH.

- Many non-traditional institutions requested FedACH be included in the suite of Payment Account services. They explained that ACH is widely used for payroll, bill payments, and business-to-business payments, and that not allowing access to FedACH would limit the practical utility of a Payment Account. Alternatively, a few commenters, mostly traditional banks and related industry groups, argued that excluding FedACH was appropriate.

- **Closing Balance Limit:**

- The RFI proposed limiting a Payment Account's end of business day balance to the lesser of \$500 million and 10 percent of the account holder's total assets.⁶ The proposal did not include an intraday balance limit.

- Over half the comment letters discussed the balance limit. Some commenters noted the importance of a balance limit to minimize the effect of Payment Accounts on the Federal Reserve's balance sheet, to discourage the use of Payment Accounts as a store of value, and to create an account that complements, rather than disrupts, the banking system. Some non-traditional banking and payments institutions indicated that any balance limit should be calibrated to an institution's payment activity, noting that, for a payment-oriented institution, an asset-based limit may not reflect actual payment needs and could inhibit growth. These commenters also noted that an asset-based limit could cause inefficiencies and that an activity-based limit could promote smooth functioning of the payment system and reduce operational risk.

- **Zero Interest on Payment Account Balances:**

- The RFI proposed that balances maintained in a Payment Account not receive interest.

⁶ A Payment Account holder would be required to meet the limit by the Federal Reserve's close of business (generally 7:00 pm ET) and maintain that balance until the open of the Federal Reserve's next business day (generally 7:01 pm ET on the same calendar day).

- Of the commenters that addressed the payment of interest, some noted that paying zero interest on Payment Account balances would be consistent with the limited purpose of Payment Accounts and discourage use of Payment Accounts as a store of value or investment. A number of commenters stated that zero interest would limit risks to monetary policy implementation and financial stability, and others suggested that paying zero interest could reduce inflows to and outflows from Payment Accounts during periods of stress and could reduce the effect of Payment Accounts on the Federal Reserve's balance sheet. Other commenters expressed concerns about the zero-interest proposal. Some suggested that zero interest could incentivize end-of-day balance minimization and cause Payment Account holders to maintain insufficient balances in their accounts. Other commenters argued in favor of paying interest on Payment Account balances to promote the broader adoption of Payment Accounts and to address certain competitive concerns.

- **No Discount Window Access:**

- Under the RFI, Payment Account holders would be ineligible to access discount window credit.

- The majority of commenters that addressed the discount window supported the Board's proposal not to permit Payment Account holders to access discount window credit. Some of these commenters addressed the discount window as a tool of monetary policy and systemic liquidity support. They asserted that the discount window should be available only to full-service depository institutions subject to the full complement of bank prudential standards, capital and liquidity oversight, and supervisory expectations. Some commenters noted that not permitting discount window access would mitigate risk to the Reserve Banks and broader moral hazard risk to the banking system. A minority of commenters that discussed the discount window supported discount window access for Payment Account holders, including to facilitate access to liquidity during periods of stress.

- **Illicit Finance Risk**

- The RFI noted that the Board was exploring additional risk controls to cover areas such as illicit finance risks.

o Just over half of commenters raised Bank Secrecy Act (BSA)/Anti-Money Laundering (AML)/countering the financing of terrorism (CFT) risks and related illicit finance risks, but there was divergence among the commenters as to how Reserve Banks should evaluate these risks in assessing access requests. Some argued for a stronger Reserve Bank role, including for imposition of additional BSA/AML/CFT controls, while others encouraged Reserve Banks to rely on assessments by the institution’s primary supervisor when evaluating illicit finance risks.

IV. PROPOSED PAYMENT ACCOUNT

The Payment Account would facilitate access by eligible institutions, including uninsured depository institutions, to certain Federal Reserve services, subject to a standardized set of terms that reduces the operational complexity and residual risk profile of the Payment Account relative to a Master Account. The terms of the Payment Account are not intended to mitigate every risk identified in the Account Access Guidelines, and Reserve Banks would be expected to continue to assess all account requests, including Payment Account requests, against the Account Access Guidelines. However, staff believes that the Payment Account’s lower residual risk profile would support a more expedited review relative to a request for a Master Account from the same institution.

Table 1 below provides a list of the standard terms that would apply to a Payment Account.

Table 1: Proposed Payment Account Standard Terms

Topic	Term	Implementing Document
Eligibility	Institutions that are legally eligible under the Federal Reserve Act or other federal statute to maintain an account at a Reserve Bank and receive services.	Federal law
Closing Balances	Closing balance limits would be set by the Reserve Bank for an individual Payment Account based on expected payment activity in the account, not to exceed \$1 billion. There would be no limit on intraday balances in a Payment Account.	PSR Policy
Intraday Credit	Payment Accounts would not be permitted to access intraday credit. Transactions that would cause an overdraft would be automatically rejected.	PSR Policy

Topic	Term	Implementing Document
Available Services	Only those services for which the Reserve Banks can automatically reject transactions that would cause an overdraft would be permitted to settle in a Payment Account (<i>i.e.</i> , currently, the Fedwire® Funds Service, the FedNow® Service, National Settlement Service, and the Fedwire Securities Service for securities transfers free of payment). ⁷	PSR Policy
Correspondent Prohibition	A Payment Account holder may not act as a “Correspondent” as defined in the Reserve Bank Operating Circular No. 1 (OC 1) by permitting other legally eligible institutions to settle their services activity directly in the Payment Account. ⁸	PSR Policy
Respondent Prohibition	A Payment Account holder may not act as a “Respondent” as defined by OC 1 by settling its services activity directly in another institution’s Master Account.	PSR Policy
Illicit Finance Risk	A Payment Account holder may be required to provide information to demonstrate its compliance with BSA/AML and Office of Foreign Assets Control (OFAC) requirements.	PSR Policy
Discount Window	Payment Account holders would not be permitted to access credit from the discount window.	Regulation A
Interest on Balances	Balances in a Payment Account would not receive interest.	Regulation D
Excess Balance Account (EBA) Participation ⁹	A Payment Account holder would not be permitted to participate in an EBA.	Regulation D
Review Timeline	Review of Payment Account requests would generally be completed within 90 calendar days of receiving all requested documents.	Account Access Guidelines

⁷ “Fedwire” and “FedNow” are service marks of the Federal Reserve Banks. A list of marks related to financial services products that are offered to financial institutions by the Federal Reserve Banks is available at FRBservices.org®.

⁸ See Reserve Banks’ Operating Circular 1 (Accounts), § 2.3, available at FRBservices.org.

⁹ An EBA is a limited-purpose account at a Reserve Bank established for one or more institutions (participants) that are eligible to earn interest on balances held at the Reserve Banks. EBAs are managed by agents that hold Master Accounts. Balances maintained in EBAs may not be used for general payments or other activities, but participants may ask their agents to transfer EBA balances to another account (such as that of a correspondent) for purposes of making payments. There is no limit on balances that can be maintained in an EBA.

Staff recommends that the Board encourage Reserve Banks to pause decisions on access requests from Tier 3 institutions until the Board completes its policy development process on the Payment Account proposal.¹⁰ A temporary pause will allow time for the public to provide input on the proposal, and it will give the Federal Reserve the opportunity to consider this input. A pause also will ensure greater transparency, consistency, and certainty for institutions that are seeking access during this period.

A. Terms to Mitigate Risk to the Reserve Banks (Discount Window and Intraday Credit)

Staff recommends that the Board propose to revise Regulation A and the PSR Policy to prohibit Payment Account holders from (1) accessing discount window credit; and (2) incurring daylight overdrafts. To efficiently and effectively enforce the prohibition on intraday credit, staff recommends that Payment Account holders only be permitted to access, at most, services for which the Reserve Banks can automatically reject transactions that would cause an overdraft. Currently, the Reserve Banks implement credit-limit monitoring controls to prevent overdrafts at a service-line level for the Fedwire Funds Service, the FedNow Service, the National Settlement Service, and for transfers free of payment over the Fedwire Securities Service. FedACH would not be among the services available to settle in a Payment Account.

Prohibiting the extension of Reserve Bank credit to Payment Account holders would mitigate risk to the Reserve Banks in a consistent and transparent manner across different types of institutions that may have novel and diverse business models and risk profiles. Staff anticipates that most Payment Account holders would not be federally insured and may present greater risk than federally insured institutions. Different Payment Account holders would likely be subject to varying supervisory and regulatory regimes and varying insolvency regimes that involve the application of rarely invoked state and federal laws. In addition, supervisory data available to Reserve Banks may vary across Payment Account holders. Current credit risk monitoring at Reserve Banks relies mostly on supervisory information and such information on the full range of potential Payment Account holders may not be readily available.

Prohibiting access to liquidity through the discount window would also mitigate risks posed by Payment Accounts to the financial sector and economy. Payment Account holders

¹⁰ Staff understands that there may be cases where extraordinary or unusual circumstances exist that support a Reserve Bank making a decision before the Board has completed its policy development process on the Payment Account. Staff recommends that the Reserve Bank consult with the Board in such cases.

may engage in novel and diverse business models that involve greater and less-predictable risk-taking than business models of insured depository institutions and will be subject to different supervisory frameworks in a rapidly evolving regulatory environment, and access to liquidity like the discount window by such firms could incentivize risk-taking. On the other hand, permitting discount window access for Payment Account holders that otherwise meet the eligibility criteria for the discount window could help limit market disruptions in periods of general market stress. Staff believes that, on balance, it would be appropriate for the Board to not permit discount window access for Payment Account holders as a consistent and transparent risk mitigant across different types of Payment Account holders that present varying levels of risk.

With respect to intraday credit, staff acknowledges the role, as raised by commenters, that FedACH plays in certain payments, including payroll and bill pay. Nevertheless, staff recommends that Payment Accounts be precluded from accessing FedACH because there is no reasonable way to allow access to FedACH while effectively mitigating credit risk to the Reserve Banks without undermining the FedACH network's efficiency and effectiveness. Providing access only to services where payments resulting in the provision of intraday credit can be automatically rejected is a key tool in mitigating risk to the Reserve Banks and creating the Payment Account's lower risk profile.¹¹ Staff notes that Payment Account holders can continue to access ACH through traditional correspondent relationships.

B. Terms to Mitigate Risk to the Payment System (Correspondent-Respondent Relationships)

Payment Account holders are anticipated, like Master Account holders, to use their accounts to clear and settle customers' payment activity, which, depending on the payments being settled, is sometimes generally and informally referred to as providing "correspondent services." Staff recommends, however, that Payment Accounts not be permitted for a unique type of correspondent relationship. The Reserve Banks' OC 1 permits a contractually defined

¹¹ FedACH is unique because it allows banks to originate both credit-push and debit-pull payments that are commingled into batches containing many payments that are processed together. Additionally, a bank that originated either type of FedACH payment is able to reverse the payment if there is an error; in some cases, up to several months after the original transaction. As a result of FedACH's unique functionality and rules, the only way for Reserve Banks to eliminate credit risk from all FedACH transactions would be to restrict Payment Account holders from receiving any debit transactions—either as an original transaction or as the reversal of a previously received credit. Introducing a broad class of FedACH participants that is generally not allowed to receive debit transactions but is allowed to engage in other types of transaction would be unprecedented within the FedACH network and highly disruptive to the efficient operation of the network and its other participants.

Correspondent-Respondent relationship in which an institution may agree to act as a Correspondent (OC 1 Correspondent) and allow its Master Account to be used to settle certain transactions for a Respondent (OC 1 Respondent). These arrangements create complex operational and risk profiles that should be subject to a fuller review under the Account Access Guidelines, not the streamlined review proposed for Payment Account requests.

Accordingly, staff recommends that the Board propose updates to the PSR Policy to clarify that Payment Account holders would not be permitted to act as either OC1 Correspondents or OC 1 Respondents as those terms are defined in OC1.

C. Terms to Mitigate Illicit Finance Risk

Under the Account Access Guidelines, provision of a Payment Account should not create undue risk to the overall economy by facilitating activities such as money laundering, terrorism financing, fraud, cybercrimes, economic or trade sanctions violations, or other illicit activity (collectively, illicit finance). Staff is recommending that the Board propose revisions to the PSR Policy to outline a non-exhaustive set of terms available to Reserve Banks, at their discretion, to mitigate illicit finance risk in connection with the provision of a Payment Account. The Reserve Bank could, at its discretion, require the Payment Account holder to provide, on an ad hoc or periodic basis, information related to BSA/AML and OFAC compliance. For example, Reserve Banks could require independent, third-party assessments of the Payment Account holder's BSA/AML and OFAC compliance programs, attestation of the institution's compliance with BSA/AML and OFAC laws and regulations, copies of the institution's BSA/AML and OFAC compliance program audits, and notification of events that may impact the institution's illicit finance risk profile.

Staff notes that Reserve Banks currently have discretion to impose these sorts of requirements on Master Account holders, and Reserve Banks would have discretion to impose illicit finance terms and mitigating controls on Payment Account holders even if the Board does not specify such controls in the PSR policy. However, Payment Account requesters are more likely to be subject to weaker and more divergent supervisory regimes and are more likely to engage in new or emerging business lines. Accordingly, Payment Account requesters could pose greater and more heterogenous risk than federally insured institutions and would benefit from an illustrative set of illicit finance terms and mitigating controls.

When reviewing requests for Payment Accounts, Reserve Banks would assess whether provision of a Payment Account would pose undue risk to the overall economy by facilitating

illicit finance (Principle 5 of the Account Access Guidelines), just as they do for Master Account requests. While the proposal would not require Reserve Banks to impose any specific illicit finance requirements in connection with a Payment Account request, staff recommends that the Board request comment on whether Reserve Banks should apply specific illicit finance requirements to institutions that are not federally insured.

D. Terms to Mitigate Risk to Financial Stability and Monetary Policy Implementation (Zero Interest and Closing Balance Limit)

Staff recommends that the Board propose revisions to Regulation D to specify that Payment Account balances would not earn interest. Staff also recommends that the Board propose revisions to the PSR Policy to establish a balance limit on Payment Account closing balances. The Reserve Bank would set the proposed Closing Balance Limit, not to exceed \$1 billion, based on an analysis of the Payment Account holder's payment flows (if available), in particular at the beginning of the Federal Reserve's business day, and take into consideration periods of time when external sources of liquidity may be limited, such as during weekends and holidays. To ensure that Payment Account holders do not circumvent the zero interest rate and Closing Balance limit, staff also recommends that the Board propose revisions to Regulation D to provide that Payment Account Holders would not be able to participate in EBAs.¹²

Paying zero interest and establishing a Closing Balance Limit would help to control the size of Payment Account balances. The establishment of Payment Accounts may affect the overall size and composition of the Federal Reserve's consolidated balance sheet and thereby may affect the implementation of monetary policy. During non-stress periods, it is likely that a zero interest rate would incentivize Payment Account holders to minimize Payment Account balances to the lowest level practical to manage their payment flows. During periods of stress, however, Payment Account holders might prefer to hold higher Payment Account balances than during non-stress periods. In these periods, the Closing Balance Limit would further support minimizing balances in these accounts.

1. Zero Interest

With respect to interest, staff evaluated whether the Federal Reserve should permit the payment of interest on Payment Account balances up to the Closing Balance Limit, at the

¹² An EBA participant could instruct its agent to sweep large balances from the Payment Account holder's EBA to the Payment Account at the beginning of the day and sweep balances back to the EBA at the end of the day. If this were to occur at scale, it could expand the Federal Reserve's balance sheet beyond what is needed to efficiently and effectively implement monetary policy.

interest on overnight balances (IORB) rate or the overnight reverse repurchase operations (ON RRP) rate. The main rationale for paying interest on Payment Account balances would be to support control of the federal funds rate within the target range. Staff believes, however, that the risk of paying zero interest on Payment Account balances for rate control would be minimal. Additionally, to be consistent with the underlying purpose of the Payment Account—to clear and settle payment activity, not to serve as a store of value—staff believes it would be appropriate not to pay interest on Payment Account balances.

2. Closing Balance Limit

With respect to the Closing Balance Limit, staff conducted a distributional analysis of depository institutions' closing Master Account balances over the last five years and found that approximately 97% of Master Account closing balances were equal to or less than \$1 billion. Therefore, staff believes that limiting all closing balances to \$1 billion or less would appropriately support Payment Account holders' payment activity while limiting Payment Account balances.

Staff's recommendation for an activity-based limit for each Payment Account (not to exceed \$1 billion) reflects a change from the RFI based on input from commenters and further staff consideration. Given the purpose of a Payment Account—to clear and settle payment activity—staff believes it is appropriate for the Closing Balance Limit to reflect an institution's payment activity. Staff is also mindful that some institutions may not have large balance sheets but nevertheless may process a significant volume of payments; an asset-based Closing Balance Limit could reduce the utility of Payment Accounts for such institutions. For these reasons, staff recommends that the Closing Balance Limit methodology remove the asset-based component set forth in the RFI and, instead, include a payments-based factor. Finally, staff recommends that Reserve Banks have flexibility to temporarily increase a Payment Account holder's Closing Balance Limit in unusual circumstances with expectations about appropriate consultation with the Board.

E. Review Timeline¹³

Staff recommends proposed revisions to the Account Access Guidelines to reflect that, in general, Reserve Banks would be expected to complete their reviews of Payment Account

¹³ While staff recommend that Payment Account requests receive a more streamlined review than a Master Account request from the same institution due to the Payment Account's lower residual risk profile, staff recommend that the Guidelines' tiered framework apply to Payment Account requests.

requests within 90 calendar days of receiving all requested documents. This expectation is supported by the Payment Account's relatively less complex operational and lower residual risk profiles. Further, staff recommends that Reserve Banks would be expected to complete their reviews of any requests for accounts and services from Tier 1 institutions, including Master Account or Payment Account requests, within 45 calendar days after receiving all requested documentation. This time period reflects the less intensive and more streamlined review for Tier 1 institutions under the Guidelines' tiering framework.

V. Conclusion

Based on the foregoing, staff recommends that the Board approve the attached notices for publication in the *Federal Register*. The notices would seek comment on proposed revisions to the PSR Policy, the Account Access Guidelines, Regulation A, and Regulation D to establish the Payment Account. Staff also recommends that the Board delegate to staff the authority to make technical, non-substantive changes to the attached materials to prepare them for publication in the *Federal Register*.

Attachments (3)