February 6, 2026

Benjamin W. McDonough
Deputy Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Request for Information and Comment on Reserve Bank Payment Account Prototype; Federal Reserve System Docket No. OP-1877; 90 Fed. Reg. 60096 (Dec. 23, 2025)

Dear Ladies and Gentlemen:

Better Markets[1] appreciates the opportunity to comment on the proposal from the Board of Governors of the Federal Reserve System ("Fed") to seek public input on the introduction of a special-purpose Federal Reserve Bank account prototype focused on payments facilitation ("Payment Account") and the associated application process ("Proposal").[2]

Introducing Payment Accounts is an irresponsible and reckless giveaway to the crypto industry, and the concept and Proposal should be rescinded. First, the concept of a payment account implicitly and unnecessarily expands the Fed's mandate without justification and in fact undermines the Fed's true mandate. Second, the Proposal makes it clear that the Fed knows institutions that have been and will be requesting access to Payment Accounts present huge risks to the Federal Reserve System and the financial system, which is why nearly the entire Proposal is about risk mitigation.

However, acknowledging that the provision of Payment Accounts by the Fed is very likely to be implemented despite any comments to the contrary, Better Markets believes certain modifications to the Proposal would enhance risk management. First, the framework must limit applications granted and provide strict limits to transaction volume until the full scope of risks has been fully determined. Second, any institutions provided Payment Accounts must be subject to materially similar risk management and application standards as insured depository institutions.

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1 Better Markets is a non-profit, non-partisan, and independent organization founded in the wake of the 2008 financial crisis to promote the public interest in the financial markets, support the financial reform of Wall Street, and make our financial system work for all Americans again. Better Markets works with allies—including many in finance—to promote pro-market, pro-business, and pro-growth policies that help build a stronger, safer financial system that protects and promotes Americans' jobs, savings, retirements, and more.

2 Request for Information and Comment on Reserve Bank Payment Account Prototype; Federal Reserve System Docket No. OP-1877; 90 Fed. Reg. 60096 (Dec. 23, 2025), https://www.federalregister.gov/documents/2025/12/23/2025-23712/request-for-information-and-comment-on-reserve-bank-payment-account-prototype.

COMMENTS

I. THE CONCEPT OF A PAYMENT ACCOUNT IMPLICITLY AND UNNECESSARILY EXPANDS THE FED'S MANDATE WITHOUT JUSTIFICATION AND UNDERMINES THE FED'S TRUE MANDATE

The Fed was established and exists to be a government-authorized bank that supports private banks – a "bank for banks" that was "establish[ed as] a monetary system that could respond effectively to stresses in the banking system" as stated on the Fed's own website.[3] This was all by design to support the nation's banks so that they can support our economy through economic cycles, during good times and bad. In multiple statutes, "banks" are defined as "depository institutions"[4] and are carved out in our laws to have special status because of their tremendous benefits to economic growth, the efficiency of commerce, and the financial well-being of individuals and households, among many other benefits.

Most importantly, banks take deposits and make loans with those deposits, effectively expanding the elasticity of the money supply by turning deposits into loans that then themselves become new deposits. The success of this mechanism requires that funds can be used as money by both depositors and creditors simultaneously. To facilitate that simultaneous usage of funds, the Fed provides so-called "master accounts" – banks' accounts with the Fed – and payments services that jointly ensure the smooth transmission of funds from individuals and businesses to banks as well as from one bank to another. Put simply, taking deposits, making loans, and providing payments services are jointly and inseparably the optimal way for the central bank to fulfill its mission of supporting the banking system and, by extension, the economy.

However, the current administration is transparently taking steps to do an end run around this core mission and associated structure for the benefit of the crypto industry. The steps are going as follows:

1. The Office of the Comptroller of the Currency ("OCC") provides national trust charters to crypto companies (five have been conditionally approved already)[5], and States provide special-purpose charters to crypto companies.

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[3] *See* Board of Governors of the Federal Reserve System, "The Federal Reserve Explained: How We Foster Payment System Safety and Efficiency", https://www.federalreserve.gov/aboutthefed/fedexplained/payment-systems.htm and "The Federal Reserve Explained: Who We Are", https://www.federalreserve.gov/aboutthefed/fedexplained/who-we-are.htm.

[4] *See*, for example, the Federal Reserve Act (12 U.S.C. § 226) or the Federal Deposit Insurance Act (12 U.S.C. § 1811, et seq.).

[5] *See* Office of the Comptroller of the Currency, "OCC Announces Conditional Approvals for Five National Trust Bank Charter Applications" (December 12, 2025), https://occ.gov/news-issuances/news-releases/2025/nr-occ-2025-125.html.

2. The OCC issued a proposal to "clarify" that authorities granted under national trust charters include non-fiduciary activities.[6]

3. The Fed issued this Proposal to separate its payments services from the rest of its services traditionally provided as a package to actual banks through special Payment Accounts.

4. Once both proposals are finalized, the Fed grants Payment Account access to crypto companies masquerading as trusts and "special purpose" banks (thanks to crypto industry-friendly OCC and States) so that they can save on the fees they were paying to actual banks to facilitate their payments.

This is an irresponsible and reckless use of the authorities provided to the Fed and is an unnecessary deviation from its core mission. The Fed should not be expanding the selection of services it offers just to satisfy the wishes of the crypto industry. Unlike banks which have tremendous benefit to our economy, crypto companies have no benefit or legitimate purpose and so far have only seriously harmed retail investors and facilitated a range of criminal activities.[7] Just because the OCC and several States are irresponsible enough to provide crypto companies with "novel" charters does not mean the Fed should now be going out of its way to create a carveout service for them.

Critically, the crypto industry is drawing – and will continue to draw – deposits from the banking system, undermining the Fed's core mission. By giving Payment Accounts to crypto companies, the Fed would be enhancing their business models and allowing them to more easily poach bank customers and the deposits that those customers would have brought. This unquestionably would reduce lending to the real economy and entirely prevent the expansion of the money supply. Even low estimates of the amount of deposits crypto could draw from the banking system also estimate a dramatic decrease to real economy lending. For example, research from the Federal Reserve Bank of Kansas City estimates that an increase in stablecoins to just \$900 billion would result in a reduction in bank lending of \$325 billion.[8]

The Fed must stick to its core mission and the reason for its existence instead of giving powerful lobbies in the financial system whatever they want. Introducing a new type of Fed account exclusively to facilitate payments is an implicit admission that the Fed is choosing to stray from its core mission. This is a mistake. Ultimately, the Fed has total discretion over which institutions it provides access to accounts and services, and it has sufficient grounds to reject every

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6 91 Fed. Reg. 1098.

7 *See,* for example, Benjamin Schiffrin, "Crypto Lending Poses Huge Risks for Retail Investors" (June 2025), Better Markets, https://bettermarkets.org/analysis/crypto-lending-poses-huge-risks-for-retail-investors/ and Amanda Fischer, "Boom Times for Crypto Crime" (May 2025), Better Markets, https://bettermarkets.org/wp-content/uploads/2025/05/Better_Markets_Crypto_Crimes_Fact_Sheet-5.6.25.pdf.

8 Stefan Jacewitz, "Stablecoins Could Increase Treasury Demand, but Only by Reducing Demand for Other Assets" (August 8, 2025), Federal Reserve Bank of Kansas City *Economic Bulletin*, https://www.kansascityfed.org/documents/11132/EconomicBulletin25Jacewitz0808.pdf.

application received so far from so-called novel payments companies because they are inherently risky and not aligned with the Fed's core mission (see more below).

II. THE PROPOSAL MAKES IT CLEAR THAT THE FED RECOGNIZES THE HUGE RISKS THAT WILL BE POSED BY MANY OF THE INSTITUTIONS REQUESTING FED PAYMENT ACCOUNTS

Within this Proposal, the Fed is proposing to provide institutions with Payment Accounts and simultaneously recognizing the significant risks that institutions that would be applying for and using Payment Accounts would have. This is made very clear by the Proposal itself, since – other than providing background and other necessary information – the provisions set out in the Proposal are almost entirely related to risk mitigation.

First, even the concept of a Payment Account is designed to limit risk in that it limits the services offered to only clearing and settling payments. In fact, the Proposal generally would prevent institutions that have a Payment Account from also having a Master Account and from acting as a correspondent bank. Second, the Payment Accounts would not even include all the payments services the Fed provides. Third, the Proposal would prevent institutions with Payment Accounts from obtaining any form of credit from the Fed, including access to the discount window or intraday credit. In fact, all payments would have to be prefunded. Finally, the Proposal would even limit the balance amount that could be held overnight.

Such heavy restrictions raise the question of why the Fed is proposing to introduce these special accounts and choosing to engage with institutions it knows are very risky. Making this framework even more irresponsible, the Fed states that it "anticipates that a request for a Payment Account would generally receive a more streamlined review than a request for a Master Account from a comparable institution." It should be the case that, in recognition of the risk the Fed knows Payment Account institutions would pose, the level of review and scrutiny should be at least as high as that of the Master Account application process (more on this below).

III. THE FRAMEWORK MUST LIMIT THE NUMBER OF APPLICATIONS GRANTED AND PROVIDE STRICT LIMITS TO TRANSACTION VOLUME UNTIL RISKS HAVE BEEN FULLY DETERMINED

Despite all the risk mitigants included in the Proposal, two very important risk mitigants are missing that should be in place until the full scope of direct and indirect risks associated with Payment Accounts and their users has been determined:

1. There is no limit on how many applications can be approved and

2. There is no limit on transaction volume.

As noted in the previous section, the Fed itself recognizes the significant risks associated with the potential applicants and users of Payment Accounts, and although the Fed has included numerous risk mitigants, the Fed cannot be certain that those mitigants would be sufficient to control all risks. The Fed also recognizes in the Proposal that institutions that would be using Payment Accounts are seeking to benefit their customers through the use of "new technologies," which – considering the institutions that have been requesting such accounts – is just a euphemism for crypto. Since these institutions are using “new technologies,” it is impossible to know the scope of risks those technologies present and therefore impossible to know how to properly mitigate those risks. Furthermore, it is impossible to understand how the use of new technologies might affect the interactions between financial institutions.

Therefore, if implemented, until there is a better understanding of all the risks associated with “new technologies,” the usage of Payment Accounts should be limited in two ways. First, the number of application approvals should be limited and could be done on a first-come, first-served basis. Second, the volume of payments that any individual institution can conduct should have daily limits. For volume above the daily limit, institutions can conduct payments the way they did before given access to a Payment Account. Both restrictions would truly limit the amount of risk presented to the Fed and the financial system until the Fed could develop a more robust determination of the scope of risks.

IV. ANY INSTITUTIONS PROVIDED PAYMENT ACCOUNTS MUST BE SUBJECT TO MATERIALLY SIMILAR RISK MANAGEMENT STANDARDS AND SCRUTINY AS INSURED DEPOSITORY INSTITUTIONS

Any institutions provided access to Payment Accounts must be subject to the same or materially similar risk management standards as insured depository institutions. Simply because the services offered in the proposed Payment Accounts are limited is not justification for a streamlined application process or for any reduction in expectations for risk management. For example, strict expectations must be in place related to Bank Secrecy Act/ Anti-Money Laundering requirements, and Payment Account users must be subject to regular and strict examinations.

Additionally, the level of scrutiny involved in the application process must be commensurate with the risk presented by individual institutions. The Proposal states that “a Reserve Bank would 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.” This is a nonsensical and reckless provision. All review processes for any type of Fed service must be risk-based and take as long as necessary.

CONCLUSION

We hope you find these comments helpful as you work to finalize the Proposal.

Sincerely,

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