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: Response to Request for Information and Comment on Federal Reserve Bank Payment Account Prototype—Docket No. OP–1877

Dear Deputy Secretary McDonough,

On behalf of the American Fintech Council (AFC),[1] I am submitting this comment letter in response to the Board of Governors of the Federal Reserve System's (FRB or the Federal Reserve) Request for Information (RFI) on the proposed Reserve Bank Payment Account prototype. AFC embraces the Federal Reserve's decision to engage the public on this important initiative and welcomes the opportunity to provide input on modernizing payment system access while preserving longstanding prudential and systemic safeguards.

A standards-based organization, the American Fintech Council is the largest and most diverse trade association representing financial technology companies and innovative banks. On behalf of more than 150 member companies and partners, AFC promotes a transparent, inclusive, and customer-centric financial system by supporting responsible innovation in financial services and encouraging sound public policy.

AFC's members include banks and fintech companies directly engaged in payments innovation and therefore have first-hand insight into the structural frictions that continue to shape Reserve Bank account access, as well as the operational and risk considerations raised by emerging payments-focused models. The proposed Payment Account prototype represents a pragmatic and appropriately bounded opportunity to improve direct access to core clearing and settlement infrastructure without changing legal eligibility.

The discussion that follows outlines AFC's support for targeted policy action to reduce access barriers, the importance of maintaining strict payments-only functionality and risk containment, and the need to preserve optionality between Payment Accounts and master accounts in order to promote long-term competition, innovation, and resilience in the U.S. payment system.

I. AFC Supports Using the Payment Account Prototype to Address Account Access Frictions While Advancing the Federal Reserve's Stated Policy Objectives

[1] American Fintech Council's (AFC) membership spans banks, non-bank lenders, payments providers, EWA providers, loan servicers, credit bureaus, and personal financial management companies.

The Federal Reserve's proposed Payment Account prototype reflects a timely effort to modernize payment system access in a manner that advances innovation while preserving the Federal Reserve's core prudential and systemic safeguards. Against that backdrop, this section will underscore two important subject areas for policy consideration: a) the structural frictions that continue to constrain payments-focused institutions under the current account access framework; b) the value of exploring a limited-purpose Payment Account as a calibrated response to those frictions.

a. <u>AFC Supports Targeted Policy Action to Reduce Structural Barriers to Payment System Access</u>

Longstanding account access frictions have emerged under the Federal Reserve's current master account framework. The payments landscape is evolving rapidly, with new technologies and business models driving demand for faster, lower-cost, and more efficient clearing and settlement mechanisms. Yet many institutions that are legally eligible for Federal Reserve accounts seek access only to a narrow subset of services necessary to clear and settle payment activity, rather than to engage in deposit-taking, lending, or broader banking functions.

Recent developments illustrate how the existing access framework can generate pronounced uncertainty and delay for payments-focused innovators. In particular, courts have reaffirmed that Reserve Banks retain broad discretion to evaluate and deny access requests, even where applicants seek only direct entry to FRB's core wholesale payment and settlement systems, including Fedwire and FedNow.[2] In practice, that discretion, combined with rapidly evolving institutional models and uneven supervisory treatment, has contributed to persistent structural barriers that constrain competition and slow responsible payments innovation.

Analysis from the Congressional Research Service similarly recognizes that fintech and other non-traditional payment firms increasingly seek Federal Reserve accounts to reduce reliance on correspondent intermediaries, but that these requests raise unresolved policy questions regarding transparency, eligibility, and safeguards.[3] AFC believes that these access frictions warrant targeted policy solutions that preserve the integrity of the payment system while enabling responsible innovation.

b. <u>AFC Supports Aligning the Payment Account's Design with Payments-Only Operational Needs and Explicit Risk Containment</u>

Payment Accounts should remain limited to the clearing and settlement of the accountholder's proprietary payment activity, and its design should be structured to ensure that expanded access does not introduce new systemic or prudential risks into the financial services ecosystem. These accounts should appropriately entail access to a defined set of core services with automated controls, including the Fedwire Funds Service, the National Settlement Service, and the FedNow Service. These accounts should operate within a narrowly defined payments-only framework that prevents accountholders from introducing risk into the broader financial services ecosystem, including through strict limits on overdrafts enforced by automated transaction rejection controls.

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[2] PYMNTS, "Court Backs Fed's Power to Block FinTech Access to Payment Rails," PYMNTS.com, October 31, 2025, accessed January 27, 2026, https://www.pymnts.com/news/banking/2025/court-backs-feds-power-to-block-fintech-access-to-payment-rails/.

[3] Marc Labonte, Federal Reserve: Master Accounts and the Payment System, CRS Insight (Congressional Research Service, December 8, 2022), accessed January 27, 2026, https://www.congress.gov/crs-product/IN12031.

By ensuring that entities covered under the Payment Account prototype have access to the aforementioned Federal Reserve payments services, FRB can dramatically encourage innovation in the payments space.

The Payment Account prototype, as framed by the Federal Reserve in its RFI, represents a pragmatic and appropriately bounded pathway for improving direct access to core settlement infrastructure for payments-focused institutions. Structural delays and uncertainty under the existing master account framework continue to impede competition and modernization in the payments ecosystem. A tailored account model as described in this RFI would help alleviate these frictions without expanding legal eligibility. At the same time, the prototype's value depends on maintaining strict payments-only functionality and robust risk containment, including balance limits, prohibitions on overdrafts and credit access, and clear restrictions against broader banking or correspondent activity. Properly implemented, the Payment Account should advance payments innovation while preserving the safety, efficiency, and integrity of FRB's payment system.

II. AFC Advocates Against Mutual Exclusivity and Recommends Optionality Between Payment Accounts and Master Accounts

The Payment Account prototype should be structured as an additional access pathway rather than a substitute for, or limitation on, full-service master account access. This section will articulate a) Why the Payment Account should not operate as a ceiling on legally eligible institutions' ability to obtain a master account; b) why FRB should affirmatively preserve optionality to promote competition, innovation, and long-term payment system resilience.

a. Payment Accounts Should Not Function as a Substitute for Master Accounts

FRB has made clear that the Payment Account prototype would not alter legal eligibility for access to Reserve Bank accounts and services. That principle should remain explicit in any final framework. A limited-purpose Payment Account may provide meaningful operational benefits for payments-focused institutions, but it should not be treated as an endpoint that conditions, delays, or forecloses access to a master account where an institution is otherwise eligible.

Under current law and the 2022 Account Access Guidelines, legally eligible institutions do not possess an entitlement to a master account and remain subject to discretionary and often burdensome review.[4] As a result, many innovative institutions continue to face prolonged timelines and uncertainty, frequently requiring reliance on intermediary correspondent banks to access core payment infrastructure.[5] In that environment, the creation of a tailored Payment Account could inadvertently become a *de facto* alternative rather than a complementary option unless FRB clearly delineates that it is not intended to replace broader access determinations. In order to ensure that the financial services ecosystem remains safe and sound, the Payment Account should be framed as a targeted tool for payments settlement, not as a mechanism that narrows or redefines the scope of master account access for eligible institutions.

[4] Federal Reserve Act, 12 U.S.C. § 248a(c)(2).
[5] Labonte, Federal Reserve: Master Accounts and the Payment System.

b. FRB Should Preserve Optionality to Support Competition and Ever-Increasing Payments Innovation

Though the Payment Account discussed in the RFI should be limited in its parameters, holding it should not limit eligible institutions from holding or gaining a Master Account. Preserving optionality between Payment Accounts and master accounts would advance competition among payment providers and support innovation in the delivery of payment services. Many institutions may initially require only a narrow subset of settlement services, but their operational needs may evolve over time as business models mature, supervisory structures stabilize, or additional services become necessary. Accordingly, FRB should avoid any approach that imposes mutual exclusivity as a default condition of access. Where appropriate, eligible institutions should be able to maintain a Payment Account alongside a master account, or transition between account types without facing inconsistent interpretations across Reserve Banks. In addition, within the ever-changing payments landscape, eligible institutions may need to have a business model that necessitates both a Payment Account and a Master Account. For example, some innovative banks and fintech companies that constitute AFC's membership seek to engage in payments activities that use stablecoins in addition to their traditional payments activities. While an aspect of the eligible institution's operations, engagement in payments activities related to stablecoins may be limited or subservient to the institution's traditional payments activities. In an effort to engage effectively in the payments system with this innovation while not seeking to upend their traditional payments activities, these institutions may find it necessary to maintain a separate Payment Account for their stablecoin activities while also holding a Master Account associated with their traditional payments activities. Express regulatory clarity would also reduce the risk that Payment Accounts become an unintended bottleneck, ensuring that tailored access serves as an additive mechanism to improve efficiency while preserving the broader policy objective of a safe, competitive, and resilient payment system. For these reasons, the Payment Account prototype should be implemented as a complementary and optional access pathway, not as a substitute for or limitation to eligible institutions' activities related to Master Accounts or a ceiling on future eligibility. Clear delineation between Payment Accounts and master accounts would be essential to prevent unintended exclusivity, preserve competitive neutrality, and ensure that payments-focused institutions can innovate responsibly while FRB maintains consistent risk-based oversight.

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The Federal Reserve's exploration of a limited-purpose Payment Account represents a pragmatic response to persistent structural frictions in Reserve Bank account access for payments-focused institutions, particularly those seeking direct access to core clearing and settlement infrastructure without engaging in broader banking activity. The effectiveness of this prototype will depend on maintaining strict payments-only functionality, clear operational boundaries, and robust safeguards against credit, operational, and illicit finance risk.

The Payment Account should be implemented as a complementary and optional access tool, not as a substitute for or ceiling on master account access, in order to avoid unintended exclusivity and preserve competitive neutrality across eligible institutions. With appropriate design and regulatory clarity, the Payment Account framework can reduce reliance on intermediaries, support responsible payments innovation, and reinforce the safety, integrity, and resilience of the

U.S. payment system. AFC appreciates the opportunity to provide these comments and looks forward to continued engagement as the Federal Reserve evaluates this important proposal.

Sincerely,

Ian P. Moloney
Chief Policy Officer
American Fintech Council