Protecting the Payments System

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Issue Update

The Federal Reserve Banks operate payment services that serve as a backbone of payment system stability, instill confidence in economic transactions, and facilitate the nation's commerce. Banks are subject to robust federal supervision, prudential standards, anti-money laundering and sanctions requirements, and ongoing oversight because of the risks they manage as payment intermediaries. As payments innovation accelerates, nontraditional financial firms and firms with novel charters are seeking direct access to Federal Reserve accounts and payment services. That access must be governed by clear, consistent, and enforceable safeguards so innovation does not come at the expense of consumers, financial institutions, or the safety and integrity of the U.S. payments system.

Several states have developed special purpose depository charters, and the OCC has received and granted applications from nontraditional entities for national trust bank charters. In many cases, the entities pursuing these charters are interested in obtaining master accounts and direct access to the Federal Reserve Banks' payment systems. n 2022, the Board of Governors adopted a uniform policy for Federal Reserve Banks to evaluate account access requests, with heightened scrutiny for institutions that are not federally insured and are not subject to consolidated federal supervision.

Since then, the Federal Reserve has moved from concept to formal policy development. In December 2025, the Board issued a request for information on a limited-purpose payment account—often called a "skinny" master account—that would allow legally eligible institutions to clear and settle payments while prohibiting interest on balances, daylight overdrafts, discount window access, and services that create unmanageable credit risk. In March 2026, the Federal Reserve Bank of Kansas City approved a limited-purpose account for Kraken Financial, a Wyoming special-purpose depository institution, before the broader framework was finalized. In May 2026, the Board issued a formal proposal to establish payment accounts and encouraged Reserve Banks to pause certain Tier 3 account access decisions while the proposal remains pending. ABA responded in July 2026, supporting a measured framework only if it includes stronger safeguards, direct federal oversight, transparent standards, and phased implementation.

Why It Matters

A safe and efficient payment system permits consumers, businesses, and banks to make payments with the confidence that those transactions are conducted with financially responsible intermediaries that comply with applicable legal requirements, including anti-money laundering, countering-the-financing-of-terrorism, sanctions, cybersecurity, operational resilience, and consumer protection obligations.

Legal eligibility alone should not guarantee direct access to Federal Reserve accounts or payment services. Entities chartered through special-purpose state charters or as national trust banks may not be subject to consolidated federal supervision, FDIC oversight, or the full

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prudential framework that applies to insured depository institutions. Without strong guardrails, a limited payment account could become a de facto payments charter that allows firms to access critical public infrastructure without equivalent supervision, risk management, or accountability.

The Fed's proposal is a constructive step because it recognizes that full-service master accounts are not appropriate for every legally eligible applicant. However, the framework must be strengthened to ensure that payment accounts remain truly limited purpose, do not create deposit-flight or stablecoin-reserve incentives, and cannot be used by third parties to circumvent account limitations through nesting or pass-through arrangements.

Recommended Action Items

Congress and regulators should avoid creating new payment charter pathways that expand access to Federal Reserve services without equivalent federal oversight and safeguards.

The Board and Federal Reserve Banks should protect consumers, financial institutions, and the payment system itself by:

- Maintaining the proposal's core limitations, including no interest on balances, no daylight credit or overdrafts, no discount window access, no FedACH access, and no services that cannot be supported by automated overdraft controls;
- Conditioning access on demonstrated capabilities in governance, independent risk management, BSA/AML/CFT compliance, sanctions compliance, cybersecurity, operational resilience, and consumer protection;
- Mandating direct federal banking agency supervision for any payment account holder, with enforceable ongoing compliance obligations;
- Preserving the distinction between limited payment accounts and full master accounts, with full master account access remaining limited to federally supervised institutions with federally insured deposits.