

Federal Reserve Board Proposes “Payment Account” Prototype to Facilitate Payments Innovation While Limiting Reserve Bank Risk

January 15, 2026



By Mercedes Kelley Tunstall
Partner | Financial Regulation



By Daniel Meade
Partner | Financial Regulation

Overview

On December 19, 2025, the Federal Reserve Board issued a [Request for Information](#) (“RFI”) on a proposed “Payment Account prototype.” The proposal responds to growing pressure from payments-focused institutions — particularly uninsured and novel charter entities — seeking faster, more predictable access to Federal Reserve payment rails that currently are only available with a Federal Reserve Bank master account. Comments are due by February 6, 2026, and the FRB has indicated that any decision to proceed would be accompanied by conforming changes to existing guidance and regulations.

Following the [2022 Account Access Guidelines](#) (which we discussed [here](#)), which established a three-tier framework for the review process for different types of institutions, giving highest scrutiny to uninsured financial institutions that are not subject to prudential supervision by a federal banking agency, novel fintech and crypto-focused firms struggled to receive approval for a Federal Reserve Bank master account. Courts have generally [held](#) that while many novel financial institutions are *eligible* for a Fed master account, the 12 Federal Reserve Banks, acting under the Guidelines established by the FRB, have *discretion* on whether to approve or deny access to a Fed master account.

The [staff memo to the FRB](#) notes the proposed Payment Account prototype aims to strike a balance between supporting payments innovation and preserving the Federal Reserve’s longstanding risk controls, monetary policy transmission mechanisms, and financial stability objectives. Some master account applicants have raised concerns about lengthy review timelines, uncertainty of outcomes, and the mismatch between their limited business models and the broad privileges—and risks—associated with a master account.

Against this backdrop, the RFI, at its core, asks whether a more tailored account structure could address Reserve Bank concerns without expanding statutory eligibility or undermining supervisory safeguards. The resulting Payment Account prototype is framed explicitly as a risk-mitigating alternative, not as a relaxation of access standards or a new category of eligible institutions.

The Payment Account would be a special-purpose Reserve Bank account used solely for clearing and settling the account holder’s own payment activity. Unlike a master account, it would be subject to a series of structural limitations designed to constrain balance-sheet risk, credit exposure, and operational complexity.

Most notably, Payment Accounts would carry a strict overnight balance cap, proposed as the lesser of \$500 million or 10% of the institution’s total assets. Balances could exceed this cap intraday to facilitate settlement flows, but excess funds would need to be reduced before the close of the Federal Reserve business day. Importantly, balances held in Payment Accounts would not earn interest, reinforcing the expectation that the account serves transactional, not investment or liquidity-storage, purposes.

To further reduce risk to the Reserve Banks, Payment Account holders would be denied access to both intraday credit (daylight overdrafts) and the Federal Reserve’s discount window lending programs. All payments would need to be fully prefunded, and any transaction that would result in an overdraft would be automatically rejected.

Access to Federal Reserve services through a Payment Account would be deliberately narrow. Eligible services would include:

- i. The Fedwire® Funds Service;
- ii. The National Settlement Service;
- iii. The FedNow® Service; and
- iv. The Fedwire® Securities Service for Free Transfers only

Services not available under the Payment Account prototype include:

- i. FedACH® Services;
- ii. Check Services;
- iii. FedCash®; and
- iv. The Fedwire® Securities Service for Transfer Against Payment

The FRB noted in the RFI that these exclusions reduce credit risk to the Reserve Banks and reflect the absence of automated safeguards against overdrafts in those services, not a judgment about their broader utility.

If the Payment Account concept is undertaken by the Federal Reserve System, whether an institution has a master account or a payment account is mutually exclusive. That is to say that an institution would be permitted to maintain *only one* Federal Reserve account relationship, reflecting the Reserve Banks' preference to limit debtor-creditor relationships with a single counterparty. Payment Accounts would also be barred from correspondent banking activity and could not be used to settle transactions on behalf of third parties.

By limiting the risk to the Reserve Banks and the payment system as a whole, Payment Account applications would generally be subject to a streamlined review process. Reserve Banks would still apply the 2022 Account Access Guidelines, but staff anticipates that most Payment Account requests could be resolved within approximately 90 days after submission of complete documentation. Reserve Banks would retain discretion to deny applications or impose additional conditions, and enhanced due diligence could be required in higher-risk cases.

The Payment Account proposal represents a notable middle ground and evolution in the Federal Reserve's approach to account access, reflecting increased sensitivity to the diversity of modern payments business models. If implemented, the framework could lower entry barriers for payments-focused institutions while preserving the Federal Reserve's risk posture and policy objectives. At the same time, the proposal raises important questions about competitive neutrality, balance-sheet impacts, and the long-term role of Reserve Banks in an increasingly real-time, technology-driven payments ecosystem.

The FRB is seeking public comment on all aspects of the prototype, but explicitly asked for views on seven specific questions. FRB Governor Michael Barr dissented on the vote to approve the publication of the RFI, saying in a [statement](#) that he could not support the current RFI "because it is not sufficiently specific about safeguards to protect against the accounts being used for money laundering and terrorist financing by institutions we do not supervise [however,]... I remain open to supporting a revised framework."