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Trade Associations Raise “Significant Concerns” on Re-Proposed Guidelines for Access to Federal Reserve Bank Accounts and Services



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Last week, six bank trade associations, including the Bank Policy Institute and the American Bankers Association, submitted a joint [comment letter](#) on the Federal Reserve’s re-proposed Guidelines for access to Fed accounts and services that we previously [wrote](#) about in March.

The re-proposal would establish a three-tier framework for the review process for different types of institutions. Tier 1, the most streamlined, would only be available to insured depository institutions. Tier 2 review would generally be an intermediate level of review that would apply to eligible institutions that are not federally insured but are subject to prudential supervision (by statute or by commitments) by a federal banking agency and/or the Federal Reserve at the holding company level of the organization. Tier 3 review would generally be the strictest level of review applicable to institutions that are not federally insured and not subject to prudential supervision.

The trade associations said that they have “significant concerns” on the re-proposal, noting that the re-proposal does not resolve fundamental issues on possible risks posed by novel charters (e.g., FinTechs and other uninsured bank-like financial services providers). The letter reiterates a recommendation made by some of the trade associations in previous proposals that the Fed expressly assess which novel charters are eligible, as a threshold matter, for Fed accounts and services.

The letter recommends two principles that the trade associations believe the Fed should be guided by in approving applications for Fed accounts and services:

- 1) The Federal Reserve Board of Governors must be involved in (or at least have the opportunity to object to) Tier 2 and Tier 3 applications, as possibly

twelve different standards of review by the twelve Federal Reserve Banks could lead to inconsistent results; and

2) Approved Tier 2 and 3 institutions “should be held to the same supervision and oversight expectations, regardless of the charter type or business model, to preserve the safety and soundness of the financial system and compliance with existing laws and regulations.”

Inherent in the joint trade comment letter seems to be a fairness argument. Most (if not all) of the members of the six trade associations are Tier 1 institutions subject to supervision and regulation by the federal banking agencies. The trade associations are arguing that any institution with similar access to a Fed account ought to have similar supervision.
