Banking and Finance Law Daily Wrap Up, CHECKS AND ELECTRONIC TRANSFERS—Fed requests public comment on 'payment account' proposal for clearing, settling payments, (May 21, 2026)

Banking and Finance Law Daily Wrap Up

By Joe Cox, J.D.

The proposed payment account framework is substantially similar to one the Fed previously outlined in a request for information that was issued in December 2025.

The Federal Reserve Board has issued a notice and request for comment on the establishment of a "payment account," which financial institutions could utilize for clearing and settling payments. The "payment account" movement has been driven by financial institutions seeking direct access to the Fed's payment services to reduce costs and increase payment speed. With many of the requests coming from institutions which are not federally insured, a groundswell of support has arisen for a payment account that would serve clearing and settlement needs while also mitigating material risks to the Reserve Banks and payment system.

Historical backdrop to the request. In 2022, non-bank financial institutions were given new guidance and ultimately cleared to access accounts and payment services at Federal Reserve Banks (see *Banking and Finance Law Daily* , Aug. 16, 2022). But with the evolution of new and different business models since 2022, the Fed, in December 2025, issued a Request for Information in regard to establishing "payment accounts" distinct from the master accounts which financial institutions use to access payments from the Fed. Both then and now, some hailed this new movement as a pro-business expansion and others were skeptical regarding a lack of oversight controls over potential money laundering or terrorist activity (see *Banking and Finance Law Daily* , Dec. 19, 2025).

Since the 2025 request, some changes have been implemented in regard to the payment accounts. A press release from the Fed notes that closing balance limits would be based on an institution's expected payment activity and the maximum closing balance was increased. Additionally, banks were encouraged to pause decisions on access request from institutions that fall within Tier 3 of the Board's Account Access Guidelines until the Board has completed its policy development process on the payment account proposal.

Terms. A one-page sheet of the proposed payment account standard terms tracks many of the major points of the proposal, such as limiting available services to those for which Reserve Banks can automatically reject transactions that would cause an overdraft. Payment account holders would not be permitted to access credit from the discount window and would not receive interest. Payment account holders might be required to demonstrate compliance with BSA/AML and OFAC control requirements.

The pending request, as documented in a Fed memo, also would amend Regulation A to specify, as noted above, that Payment Account holders would not be eligible to access discount window credit, and amend Regulation D to exclude payment account balances from provisions directing Reserve Banks to pay interest.

Statements from Fed Governors. Fed Governor Michael Barr indicated in a press release that he "cannot support this set of proposals because it does not provide sufficiently specific and robust safeguards to protect against the accounts being used for money laundering and terrorist financing by institutions we do not supervise." While noting that some changes had attempted to address the issue, Barr stated "there are no provisions for the Federal Reserve to engage in examination and inspection of anti-money laundering/Bank Secrecy Act (AML/BSA) compliance procedures." Barr indicated that he will be interested in reviewing public feedback and comments on how to mitigate

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other risks of the payment accounts.

Fed Governor Lisa Cook signaled her support for the proposal in a separate statement. Cook noted, “I support our effort to develop transparent, tailored standards for special-purpose payment accounts to support financial innovation in a responsible, risk-focused manner.” Cook did share some concerns on the risk side of the proposal, stating that she welcomes comments “about the systemic impact of granting clearing and settling capabilities to legally eligible firms without deposit insurance and not subject to comprehensive federal oversight.”

Comment deadlines. Comments on the Fed’s payment account proposal, and on the proposed amendments to Regulation A and Regulation D, are due 60 days after publication in the *Federal Register*.

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