Banking and Finance Law Daily Wrap Up, FINANCIAL TECHNOLOGY—Fed's Waller welcomes new technologies, proposes streamlined 'payment accounts' , (Oct. 21, 2025)

Banking and Finance Law Daily Wrap Up

By Carrie DeLeon

Waller said the Fed is welcoming the decentralized finance (defi) industry to the conversation on the future of payments in the United States—"something that would have been unimaginable a few years ago.

In an effort to embrace a technology-driven revolution in payments, the Federal Reserve is considering the concept of a "payment account" that would provide basic Federal Reserve payment services to legally eligible institutions that conduct payment services primarily through a third-party banks, Federal Reserve Governor Christopher Waller said at a conference today.

"As you all know, we are well into a technology-driven revolution in payments, and I am here to say that the Federal Reserve intends to be an active part of that revolution," Waller said during the Fed's first Payments Innovation Conference held in Washington, D.C.

Waller said that he has directed Federal Reserve staff to explore the idea of what he referred to as a "payment account." The new account system would provide access to Fed payment services for firms that currently rely on third parties like banks for that access, he said.

"There are many eligible firms engaged in substantial payments activities that may not want or need all the bells and whistles of a master account, or access to the full suite of Federal Reserve financial services, to successfully innovate and provide services to their customers. The idea is to tailor the services of these new accounts to the needs of these firms and the risks they present to the Federal Reserve Banks and the payment system," Waller said.

Waller said that the idea is that lower-risk payment accounts would have a streamlined timeline for review.

"Payments innovation moves fast, and the Federal Reserve needs to keep up," he said.

Waller explained that the "skinny" master account would "provide access to the Federal Reserve payment rails while controlling for various risks to the Federal Reserve and the payment system." To control the size of the accounts and associated impacts on the Fed's balance sheet, the Reserve Banks would not pay interest on balances in a payment account, and balance caps may be imposed, he said.

Waller suggested that the accounts would not have overdraft privileges and would not be eligible for discount window borrowing or have access to all Fed payment services for which the Reserve Banks cannot control the risk of daylight overdrafts.

Waller pointed out that "this is just a prototype idea to provide some clarity on how things could change."

"The upshot is that, in my view, the payments landscape, as well as the types of providers, has evolved dramatically in recent years, and, accordingly, a new payments account could better reflect this new reality," he said.

He also noted plans to engage with all interested stakeholders to hear perspectives on the benefits and drawbacks to this approach as Fed staff begins to examine this idea.

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"You will be hearing more about this shortly," he added.

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