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FRB issues proposals to establish "skinny" master accounts

As the payment ecosystem continues to evolve rapidly, the Federal Reserve is looking to update its Reserve Bank accounts

The Federal Reserve Board of Governors (FRB) issued a series of rule proposals that would establish a new, special-purpose "payment account" (also referred to as a "skinny" master account) at Reserve Banks to facilitate certain payment activities.[1] Reserve Banks currently offer full-service master accounts under a tiered policy access framework which has resulted in limited availability for nontraditional financial institutions.[2] As proposed, the payment account may provide an alternative pathway for institutions eligible for Reserve Bank accounts under the Federal Reserve Act that may otherwise face greater scrutiny in seeking a full-service master account. The proposals come after the FRB issued a request for information (RFI) in December 2025, from which the FRB received 72 comment letters.[3]

5 insights you should know		5 considerations to evaluate
Payment Accounts would be **limited to certain clearance and settlement of payment transactions** through Fedwire Funds Service, the FedNow Service, National Settlement Service (NSS), and certain, limited capabilities for Fedwire Securities Service. Federal Reserve Banks would automatically reject transactions that would result in overdrafts, and payment accounts would not have access to FedACH services.	1	Firms should **evaluate whether the exclusion of some Federal Reserve services, such as FedACH, would materially hamper their business models**, particularly for payroll, bill pay, and recurring consumer payments. Firms relying heavily on Automated Clearing House (ACH) processing may still need correspondent banks or infrastructure to support core transactions.
Unlike traditional master accounts, payment account holders would be **ineligible for Reserve Bank credit, either via the discount window or intraday credit**, minimizing operational complexity and reducing credit risk to the Reserve Bank.	2	**Payment account holders would need robust liquidity management frameworks and operational resilience capabilities** to support payment activity, especially during periods of stress, as they would not have access to intraday or overnight credit. Applicants should be prepared to demonstrate strong contingency planning, backup systems, and resilient correspondent banking and settlement relationships to provide for continuity of operations and liquidity access under stressed conditions.
Payment accounts would have no intraday balance limit but would **have individualized overnight balance limits of up to $1 billion** based on the account holder's expected payment flows. Under the RFI, the FRB had considered limiting overnight balances to 10% of the account holder's total assets, or $500 million, whichever is lower, however this asset-based component was removed from the proposal.	3	Overnight balance limits may create challenges for firms with rapidly scaling payment volumes or highly concentrated settlement activity, particularly where account holders are subject to differing limit thresholds. Firms should **analyze how different overnight limit determinations may affect treasury management, customer onboarding capacity, and business continuity** during weekends, holidays, or periods of elevated transaction activity.
The FRB has developed a **non-exhaustive list of terms that Reserve Bank may require of payment account holders to reduce the risk of illicit finance**, including providing independent attestation and copies of audit reports of the account holder's Bank Secrecy Act (BSA)/anti-money laundering (AML) and Office of Foreign Assets Control (OFAC) compliance programs.	4	Firms interested in a payment account should **invest in robust and tailored BSA/AML and OFAC compliance controls**, including know your customer, transaction monitoring, sanctions screening, independent testing, and governance oversight processes. Reserve Banks may require evidence of risk mitigation measures, including policies and procedures, attestations, third-party control assessments and periodic validation of effective illicit finance risk management. In addition, account holders should be prepared to demonstrate that it is not acting as a respondent or correspondent institution throughout the lifecycle of the account relationship.
The FRB has **encouraged Reserve Banks to pause account applications for certain firms** until the FRB completes its policy development process for payment accounts. Reserve Banks were asked to pause applications from financial institutions that are not insured by federal regulators or prudentially supervised by one of the federal banking agencies, which are subject to the strictest level of account review.	5	The FRB's request for Reserve Banks to pause certain account application reviews may delay strategic initiatives for non-federally insured institutions seeking direct access to payment rails. **Firms subject to heightened review should evaluate the impact of potential application delays** on product and service offerings, investor expectations, partnership arrangements, and broader go-to-market timelines.

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Summary of proposed “skinny” master accounts

Key terms and features of the FRB’s proposed payment account

Topic	Detail
Eligibility	Institutions that are legally eligible under the Federal Reserve Act or other federal statute to maintain an account at a Reserve Bank and receive services.
Closing balances	Closing balance limits would be set by the Reserve Bank for an individual payment account based on expected payment activity in the account, not to exceed $1 billion. There would be no limit on intraday balances.
Intraday credit	Not be permitted to access intraday credit. Transactions that would cause an overdraft would be automatically rejected.
Available services	Only those services for which the Reserve Banks can automatically reject transactions that would cause an overdraft would be permitted. This would include the Fedwire Funds Service, the FedNow Service, NSS, and the Fedwire Securities Service for securities transfers free of payment.
Correspondent and respondent prohibition	May not act as a (i) correspondent by permitting other legally eligible institutions to settle their services activity directly in the payment account; nor (ii) respondent by settling its services activity directly in another institution’s master account.
Illicit finance risk	May be required to provide information to demonstrate its compliance with BSA/AML and OFAC requirements.
Discount window	Not permitted to access credit from the discount window.
Interest on balances	Would not receive interest.
Excess Balance Account (EBA) participation	Not permitted to participate in an EBA.
Review timeline	Generally, to be completed within 90 calendar days of receiving all requested documents.

Endnotes

Federal Reserve Board of Governors (FRB), "Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests," May 20, 2026. The first proposal would establish a special-purpose payment account and include proposed changes to the **Payment System Risk (the PSR Policy)** and the **Guidelines for Evaluating Account and Services Requests (the Account Access Guidelines or the Guidelines)** to accommodate the establishment by Federal Reserve Banks (Reserve Banks) of a special-purpose payment account that would clear and settle payment activity (Payment Account. The second proposal would update **Regulation A** to specify that payment account holders would not be eligible to access discount window credit. The third proposal would **update Regulation D** to exclude Payment Account balances from receiving interest.

1. FRB, "Guidelines for Evaluating Account and Services Requests," *Federal Register*, August 19, 2022.
2. FRB, "Request for Information and Comment on Reserve Bank Payment Account Prototype," *Federal Register*, December 23, 2025. *See* FRB, Speech by Governor Christopher J. Waller, "Embracing New Technologies and Players in Payments," October 21, 2025.

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