

To:

Benjamin W. McDonough
Deputy Secretary
The Board of Governors
of the Federal Reserve System
20th St. and Constitution Ave. NW
Washington, DC 20551

Date:

February 6, 2026

Re: Docket No. OP-1877

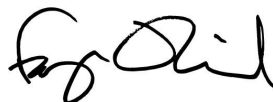
**Request for Information and Comment on
Reserve Bank Payment Account Prototype**

Coinbase Global, Inc. (**Coinbase**) welcomes the opportunity to respond to the request for information and comment (**RFI**) issued by the Board of Governors of the Federal Reserve System (**Board**) on a special purpose Reserve Bank account prototype (**Payment Account**).¹

We applaud the Board for proposing an account that could enhance innovation in financial services and permit broader connectivity between Federal Reserve payment services and providers of emerging payments. We would encourage the Board through the RFI and any subsequent administrative processes to ensure the Payment Account provides meaningful utility to those financial institutions that would seek to hold the account.

We are pleased to provide our comments to the Board and look forward to engaging throughout the administrative process.

Sincerely,



Faryar Shirzad
Chief Policy Officer
Coinbase

¹ Board of Governors of the Federal Reserve System, Docket No. OP-1877, Request for Information and Comment on Reserve Bank Payment Account Prototype, 90 Fed. Reg. 60096 (December 23, 2025).

Introduction

Coinbase strongly supports the initiative to create a payments-specific Federal Reserve account. We share the Board's objective of supporting a safe and efficient payment system that promotes competitiveness and innovation among payment service providers. Our responses to the RFI are offered in that spirit.

The Payment Account represents an important step toward modernizing the U.S. payment system and ensuring that the United States remains globally competitive in financial services innovation.² Many jurisdictions — such as the United Kingdom, European Union, Brazil, and India — already permit certain non-bank financial institutions to access central bank payment infrastructure, which has accelerated competition, reduced settlement risk, improved payment speed and reliability, and fostered innovation in payments. The Payment Account has the potential to deliver similar benefits in the United States by enabling certain providers of emerging payment technologies to connect directly and transparently to critical payment rails, including FedWire, FedNow, and the National Settlement Service.

By reducing reliance upon FDIC-insured partner banks as intermediaries for core payment functions, the Payment Account would allow account-holding institutions to offer safe and efficient services to U.S. consumers and businesses and, at the same time, reduce costs and ensure the ability of emerging payment providers to scale with growing demand. This will also serve to bring a greater percentage of U.S. and foreign payments through the Federal Reserve's infrastructure and enable it to derive enhanced insights about payment activity given the availability of richer data from the Payment Accounts.

Do Not Overly Restrict Accounts

While we support expanding access to Federal Reserve services, the limitations envisioned in the RFI — including limits on permitted services, low balance limits, and the absence of interest on end-of-day balances — would be overly restrictive and unduly impair the Payment Account's usability. Such a narrow prescription of the permitted uses of the accounts would not foster the payments innovation intended by the Board in providing the Payment Accounts.

Combining all of the proposed restrictions risks unnecessarily constraining the account in a way that could limit its adoption by eligible institutions for the use intended — to provide payment services.³ The Payment Account's structure should support payments activities that are operationally functional at scale, and allow account holders to manage intraday liquidity effectively. In the following section, we comment specifically on an approach to account restrictions that would better achieve this goal.

² See RFI Q#1 ("Would the design of the Payment Account prototype support payment activities of eligible institutions?").

³ See Id.; RFI Q#2 ("What payment activities or use cases would a Payment Account best facilitate (or be unable to facilitate)?").

Ensure Commercial Viability

The Board should adopt a simpler and more targeted framework for the Payment Account that preserves core risk mitigants while encouraging innovation for providers of emerging payment technologies.⁴ Coinbase supports risk controls appropriate to the Payment Account. However, these controls should be calibrated to ensure that the Payment Account is practically usable and achieves the utility contemplated by the Board.

- ***Permissible use of the account.***

The Payment Account, as described in the RFI, is intended to facilitate the clearing and settlement of an account-holding institution's payment activity. We agree with the rationale for the permissible use of the account to facilitate payments clearing and settlement, and we believe the purpose statement is appropriate. However, as we describe below, we are concerned that the envisioned implementation of this purpose through overly strict limits and restrictions will, in fact, hamper its intended use for payments.

- ***Payment Accounts should explicitly allow account holders to hold customer funds in the account.***

The Board should make clear that the Payment Account may be used by an account-holding institution to hold omnibus customer balances. Requiring account holders to fund all payment clearing and settlement activity using their own proprietary funds would significantly impair Payment Accounts' commercial viability. Eligible institutions in the custody and payments space are often holding assets, including fiat, in custody for the benefit of their customers. In contrast to an insured depository institution, for which deposits create a liability owed to its customers, the customer funds held by non-IDI eligible institutions remain the property of the customer, and are not held on the eligible institution's balance sheet as a source of funding for it. Given this fundamental difference between traditional fractional reserve banking and a custodial business model, it would be appropriate for the Board to recognize that customer funds of this nature may be used to facilitate payment clearing and settlement in a Payment Account, and that doing so is consistent with existing principles of commercial law respecting the customers' property interest in funds held for their benefit. This use of the account is core to the provision of payment services, and the proposal does not clearly make this use available to account holders.

- ***The proposed limits on overnight balances are too low.***

The Board should offer the Payment Account without an overnight limit or, alternatively, recalibrate the overnight balance limit to payment-flow needs, not an account-holding

⁴ See RFI Q#1 ("Would the design of the Payment Account prototype support payment activities of eligible institutions?").

institution's total assets.⁵ The RFI contemplates an overnight limit of equal to the lesser of \$500 million or 10% of the Payment Account holder's total assets. This is flawed for two related reasons. First, because the risks associated with payments processing are operational and not credit, market, or liquidity risks of the sort that generally require a capital cushion anchored to the size of a balance sheet. As such, a balance sheet metric is not fit for purpose. Second, because the providers of custody and payments services are likely to be among the eligible institutions most interested in Payment Accounts. These transactions-oriented businesses do not typically hold large asset volumes on their balance sheets, so using their total assets would materially underestimate the likely volume of payments they may be in a position to otherwise appropriately facilitate.

- ***The Fed should pay interest on Payment Account balances.***

There is no principled argument for refusing to pay a market rate of interest on any quantity of dollars held in a Payment Account while otherwise paying it for the overnight holdings of non-Payment Accounts.⁶ In our view, offering the payment of interest would be consistent with existing practices and strengthen alignment with the account's purpose of supporting payments innovation.

More generally, providing parity would remove any misincentives or perception that Payment Account holders are penalized for holding balances at the Federal Reserve while institutions with access to full master accounts are incentivized to hold balances at the Federal Reserve, rewarding excess capital being held that could otherwise be lent out to the economy.

In lieu of imposing hard caps on overnight balances, the Board should instead consider using more refined tools to influence account holders' behavior — for example, a flexible threshold on Payment Account balances, below which interest may be paid, and above which it will not. Along with the prohibition on daylight overdrafts, this would effectively limit the overall risk to the Federal Reserve, while still providing sufficient commercial incentive for Payment Account use.

Conclusion

Taken together, these refinements would better achieve the objectives set forth in the Board's proposal. It would do so while maintaining the Federal Reserve's risk posture and also encouraging broader adoption of the Payment Account by emerging payment

⁵ See RFI Q#5 ("What are the benefits and challenges of imposing an overnight balance limit on a Payment Account? Are there adjustments to the proposed formula for setting the balance limit that the Board should consider if it decides to establish a Payment Account?").

⁶ See RFI Q#6 ("What are the benefits and drawbacks of paying no interest on overnight balances in a Payment Account?").

providers.⁷ It undermines the stated purpose of Payment Accounts to impose additional restrictions or limitations on an account-holding institution's use that do not enhance the resilience and strength of the United States' payment system. An account-holding institution, to be legally eligible to hold a Payment Account, will already be subject to a strong framework of risk management and compliance requirements, including anti-money laundering, sanctions, and privacy and cybersecurity requirements, and will be examined for compliance with these requirements.

We applaud the Board for releasing the RFI, which we believe can lead to better payment services for all Americans, and look forward to further engagement.

⁷ See RFI Q#7 ("How might the Federal Reserve condition access to a Payment Account on the applicant having an acceptable AML, Bank Secrecy Act (BSA) and Countering the Financing of Terrorism (CFT) compliance programs and, more generally, how can the Federal Reserve best constrain AML/BSA/CFT risks associated with a Payment Account?").