

United States Senate

WASHINGTON, DC 20510

May 20, 2026

The Honorable Christopher Waller
Governor and Chair
Committee on Payments, Clearing, and
Settlement
Federal Reserve Board
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Michael Barr
Governor and Member
Committee on Payments, Clearing, and
Settlement
Federal Reserve Board
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Michelle Bowman
Vice Chair for Supervision
Federal Reserve Board
20th Street and Constitution Avenue NW
Washington, DC 20551

Jeffrey Schmid
President and CEO
Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, MO 64198

Dear Members of the Committee on Payments, Clearing, and Settlement and President Schmid:

I write to request information regarding the recent decision by the Federal Reserve Bank of Kansas City to grant a limited-purpose Federal Reserve master account to Kraken Financial, a Wyoming-chartered Special Purpose Depository Institution (SPDI).

Access to the Federal Reserve’s core payment infrastructure—including Fedwire, Fed ACH, and FedNow—is a significant privilege with important implications for the safety, resilience, and integrity of the U.S. financial system. These systems process trillions of dollars in transactions each day and underpin payroll, commerce, and financial market activity across the country. Traditionally, access to the Federal Reserve’s core payment infrastructure, through provision of a master account, has been reserved for insured depository institutions and a very narrow set of additional firms.

In recent months, the Federal Reserve Board has discussed the possibility of establishing limited-purpose or so-called “skinny” master accounts that would allow certain uninsured financial institutions, including firms affiliated with digital asset markets, to access Federal Reserve payment services without the full set of features associated with traditional master accounts. The Board has sought public input on this concept and indicated that it intends to develop a policy framework governing such accounts. Such a framework would represent a departure from the Federal Reserve’s historical approach to master account access. Uninsured financial institutions may not be subject to the same supervisory and regulatory framework as insured depository institutions. The initial public comment period closed on February 6, 2026.

However, the approval of a limited-purpose account for Kraken Financial on March 4, 2026, appears to have occurred before the Federal Reserve Board has finalized a policy framework governing these accounts. This raises questions about the process by which the decision was made, the role of the Board of Governors in overseeing Reserve Bank account approvals, and the standards and risk assessments applied in evaluating this application. The decision also raises questions about how the Board ensures consistent policy implementation across the Federal

Reserve Banks when the governing policy framework remains under development. This approval may represent the first operational instance of a limited-purpose account under consideration by the Board.

Federal Reserve Vice Chair for Supervision Michelle Bowman has described the Kraken account as a limited-duration pilot or “experiment.” If so, it is important for Congress and the public to understand the parameters of that pilot, the risk controls in place, and how the Federal Reserve intends to evaluate its outcomes before expanding access to uninsured financial institutions more broadly.

While the Federal Reserve Bank of Kansas City has since released supplemental information regarding this approval, significant questions remain regarding the governance, oversight, evaluation criteria, and future application of limited-purpose account access.

To better understand the Federal Reserve’s decision-making and risk management in this area, please respond to the following questions:

1. Decision Authority and Process

- a. Did the Board of Governors review, approve, or otherwise participate in the Federal Reserve Bank of Kansas City’s decision to grant a master account to Kraken Financial?
 - i. If not, what role—if any—did the Board play in evaluating the application?
- b. Please identify any relevant guidance, manuals, or supervisory materials that govern Board oversight of Reserve Bank master account application decisions.

2. Relationship to the “Skinny Account” Framework

- a. Has the Federal Reserve Board finalized a policy framework governing limited-purpose or “skinny” master accounts?
 - i. If so, when does the Federal Reserve intend to make that framework publicly available?
 - ii. If not, why was a limited-purpose master account approved before that framework was finalized?
- b. How does the Board ensure consistent standards for “skinny” master account approvals across the twelve Federal Reserve Banks while the governing framework remains under development?
- c. Does the Kraken account represent the first operational example of the limited-purpose account model discussed by the Board?

3. Pilot or Experimental Status

- a. Vice Chair Bowman indicated that the Kraken account is limited in duration and intended as a pilot. What are the specific terms and conditions governing this arrangement?
- b. In evaluating the pilot, what would the Federal Reserve consider a success, and what would it consider a failure?
- c. What metrics or supervisory criteria will the Federal Reserve use to evaluate the benefits and risks of this pilot?
- d. Under what circumstances would the Federal Reserve terminate or suspend the account during the pilot period?

4. Risk Management and Safeguards

- a. What supervisory standards, operational requirements, and compliance obligations were imposed on Kraken Financial as conditions of receiving a master account?
- b. How do those requirements compare to those imposed on insured depository institutions with master accounts?
- c. What safeguards are in place to address risks related to fraud, operational disruption, sanctions compliance, and anti-money laundering obligations?
- d. Were any institution-specific conditions, limitations, or restrictions imposed on Kraken Financial as part of this approval? If so, please describe them.

5. Authority to Restrict or Revoke Access

- a. What legal and operational authority does the Federal Reserve have to suspend, restrict, or terminate a master account once it has been granted, and under what circumstances would such actions be taken?
- b. Are there predefined triggers that would require suspension of payment system access, or is that determination discretionary?
- c. On what date does Kraken Financial's time-limited master account expire?
- d. What will the status of Kraken Financial's account access be at such expiration date?

6. Future Access to Federal Reserve Payment Systems

- a. Does the Federal Reserve anticipate granting similar limited-purpose master accounts to additional institutions in the near term?
- b. If so, will the Federal Reserve grant additional limited-purpose master accounts prior to finalizing a policy framework? If the Federal Reserve does not finalize such a framework, on what basis will future account approvals be evaluated?

Innovation in the payments system can deliver important benefits for consumers and businesses. At the same time, broadening the set of financial institutions granted direct access to the Federal Reserve's payment infrastructure raises important questions about operational resilience, supervisory oversight, illicit finance, and financial stability. As the Federal Reserve considers potential expansions of access to these systems, it is important that the governing framework be clear, transparent, and applied consistently.

Please provide responses to these questions no later than June 5, 2026. To facilitate review, please respond to each question individually.

Thank you for your attention to this matter. I appreciate your prompt response.

Sincerely,



Lisa Blunt Rochester
United States Senator