

April 7, 2026

President Jeffrey R. Schmid
Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, MO 64198

Re: Objection to master account access for Payward Financial, d/b/a Kraken Financial

Dear President Schmid:

On behalf of the Independent Community Bankers of America (ICBA),¹ the undersigned 42 state bankers' associations, and the nation's community banks, we write to object to the Federal Reserve Bank of Kansas City's decision to grant Payward Financial, d/b/a Kraken Financial, access to a Reserve Bank account. Historically, access to Reserve Bank accounts and Federal Reserve payment services has been concentrated among federally insured depository institutions subject to robust prudential oversight. Permitting access for a crypto-affiliated firm that is not federally insured raises significant risk-management, policy, and precedent-setting concerns for the banking system and the payments ecosystem.

Kraken Financial is an uninsured Wyoming special purpose depository institution (SPDI). The application was evaluated under the Board of Governors of the Federal Reserve System (Board) Guidelines for Evaluating Account and Services Requests (Account Access Guidelines) as a Tier 3 request, a category that generally receives the highest level of scrutiny because it covers institutions that are not federally insured and are not subject to federal prudential supervision.

Even a so-called "limited purpose" or "skinny" account can introduce material operational, legal, and reputational risks into Federal Reserve System infrastructure where the applicant's business model is centered on crypto-asset activities. The risk is compounded by the absence of federal consolidated supervision—under which no single regulator has a complete view of the full enterprise—potentially leaving the Reserve Bank exposed to risks originating elsewhere in the broader corporate structure that may be difficult to monitor, contain, or remediate in advance.

Kraken's core business activities present heightened anti-money laundering, Bank Secrecy Act, and sanctions compliance risks that are unmitigated here by the federal oversight framework that applies to insured depository institutions. This risk is not abstract for Kraken: in 2022, Kraken settled with OFAC in connection with apparent Iran sanctions violations, demonstrating that compliance failures at the parent enterprise are not hypothetical. The volatility inherent in crypto-asset markets compounds this risk—sudden, large-scale liquidity demands during market dislocations can transmit stress directly into the payment infrastructure. Without consolidated federal supervision across all affiliated entities, it is difficult to detect or arrest that transmission before it reaches a Reserve Bank's balance sheet.

The procedural posture of this approval is troubling. The Board has not finalized a broader policy framework governing a potential Payment Account Prototype, including how it will incorporate the public's comments on its request for information. The Kansas City Fed's action appears to circumvent the Board's ongoing deliberations and public input. Vice Chair for Supervision Bowman has characterized the Kraken account as a short-term "pilot." Any such approval must be treated as a true pilot with rigorous transparency, mandatory evaluation points, clear guardrails, and well-defined criteria for renewal or revocation if risks materialize.

¹ The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams.

Accordingly, we urge (1) the Kansas City Fed to reconsider this approval and, at a minimum, to ensure that the terms of access include robust risk controls and enforceable off-ramps, (2) the Reserve Banks and the Board apply consistent standards across Reserve Banks, and (3) the Federal Reserve System provide meaningful public transparency about how the Account Access Guidelines are being implemented for Tier 3 applicants.

Community banks and the communities they serve depend on a safe, sound, and equitable payments system.

Sincerely,

Independent Community Bankers of America
Alabama Bankers Association
Arizona Bankers Association
Arkansas Community Bankers
California Community Banking Network
Independent Community Bankers of Colorado
Connecticut Bankers Association
Community Bankers Association of Georgia
Florida Bankers Association
Idaho Bankers Association
Community Bankers Association of Illinois
Indiana Bankers Association
Community Bankers of Iowa
Bluegrass Community Bankers Association
Community Bankers Association of Kansas
Louisiana Bankers Association
Maine Bankers Association
Maryland Bankers Association
Community Bankers of Michigan
BankIn Minnesota
Mississippi Bankers Association
Missouri Independent Bankers Association
Montana Independent Bankers

Nebraska Independent Community Bankers
New Hampshire Bankers Association
New Jersey Bankers Association
Independent Community Bankers Association of New Mexico
Independent Bankers Association of New York State
North Carolina Bankers Association
Independent Community Banks of North Dakota
Community Bankers Association of Ohio
Community Bankers Association of Oklahoma
Oregon Bankers Association
Pennsylvania Association of Community Bankers
Independent Banks of South Carolina
Independent Community Bankers of South Dakota
Tennessee Bankers Association
Independent Bankers Association of Texas
Vermont Bankers Association
Virginia Association of Community Banks
Community Bankers of Washington
Community Bankers of West Virginia
Wisconsin Bankers Association

Cc: Governor Christopher Waller, Board of Governors of the Federal Reserve System