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Legal Update

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United States: PACE Act and Federal Payments Access

Opening a federal path to the fed's payment rails – and more

The PACE Act would enable qualified payment firms to operate nationwide and seek direct access to Federal Reserve payment rails.

In brief

A newly introduced bipartisan House bill would take a meaningful step toward reshaping how certain nonbank payment companies operate and access core US payments infrastructure. The Payments Access and Consumer Efficiency Act of 2026 ("**PACE Act**"), introduced on April 21, 2026 by Representatives Young Kim (R-CA) and Sam Liccardo (D-CA), would create a new category of federally-supervised financial institution – the "registered covered provider" – designed to potentially unlock two commercially significant benefits for qualifying companies: first, the apparent ability to provide payment services nationwide; and second, eligibility to apply for direct access to the Federal Reserve's core payment rails.

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The bill would establish a new federal registration framework, administered by the Office of the Comptroller of the Currency (OCC), through which qualifying payment companies could seek registered covered provider status. Upon obtaining that status, a provider could then apply to the Board of Governors of the Federal Reserve System ("**Fed Board**") for a payments reserve account providing access to Fedwire, FedNow, and the Federal Reserve Automated Clearing House (FedACH). The bill would pair this pathway with a supervisory and customer protection framework tailored to a payments business model.

The bill arrives amid broader federal efforts to modernize the legal and regulatory framework for digital payments, stablecoins, and market infrastructure, and against the backdrop of continued industry efforts to reduce reliance on sponsor-bank models, improve settlement speed, and lower the cost and complexity associated with indirect access to payment systems. The proposal also follows the Federal Reserve's recent exploration of limited-purpose "payment accounts" or "skinny" master accounts for certain payment-focused institutions, though the PACE Act would go further by placing the access question on a more explicit statutory footing and routing account approval through the Fed Board-level process described in the bill. Industry support was immediate, with endorsements at introduction from the Financial Technology Association, the Blockchain Association, The Digital Chamber, and the Crypto Council for Innovation.

In more detail

Who qualifies – and how?

Under the bill, a person would qualify as a "covered provider" – and thus be eligible to seek authorization as a registered covered provider – if it provides payment services and meets one of three criteria:

- Holds at least 40 active state money transmitter licenses;
- Holds a state depository institution charter; or
- Holds a state credit union charter.

A covered provider could then apply to the OCC to become a "registered covered provider." The OCC would evaluate applications based on the statutory factors, which include whether the applicant:

- Is limited to payment-related activities;
- Can satisfy the bill's reserve and risk-management requirements;
- Has sufficient financial, managerial, and technical resources;
- Can comply with the Bank Secrecy Act;

- Demonstrates a public benefit in terms of innovation, competition, and access to payment services; and
- Is not a designated financial market utility.

The bill also imposes decision timelines on the OCC and includes an approval mechanism if the OCC does not act within the prescribed timeframe.

Key features of the proposed framework

Benefit one: nationwide operations

For many payment companies, the 40-license threshold is likely to be the practical entry point. It appears calibrated to capture firms that have already built substantial state licensing footprints, even if they have not yet entered every jurisdiction or have ringfenced certain states with particularly burdensome, expensive, or time-consuming licensing processes. For companies qualifying through this route, the bill's most immediately impactful feature may be its provision on nationwide operations. Specifically, the bill provides that a covered provider holding at least 40 active state money transmitter licenses that becomes a registered covered provider "may provide payment services in any State."

If that provision does the work its proponents likely intend, it would allow a company that has obtained at least 40 state money transmitter licenses and secured OCC registration under the PACE Act to provide its payment services across all US states and territories, **including those in which it does not currently hold a license**. For companies that have spent years and substantial resources building multistate licensing footprints, this could represent one of the bill's most commercially meaningful features, materially reducing residual state-by-state licensing burden that weighs on large payment firms and other fintechs operating at scale.

Of course, this nationwide ability would not come without conditions. A registered covered provider would remain subject to the full range of federal requirements imposed by the bill, including reserve standards, customer protection obligations, Bank Secrecy Act compliance, and ongoing OCC supervision and examination. The bill pairs the promise of potential nationwide reach with a robust federal regulatory overlay – effectively trading the burden of piecemeal state licensing for a centralized federal supervisory framework.

That said, the provision raises important questions – discussed further below – about whether it is intended to preempt state money transmission licensing requirements or instead to operate as a more limited statement of federal permissibility, and whether registered covered providers would need to maintain their underlying state licenses going forward.

Benefit two: eligibility for a Federal Reserve payments reserve account

The second major benefit of registered covered provider status is the eligibility to apply for a payments reserve account from the Fed Board. The bill defines that account as one held at a Federal Reserve Bank that includes access to Fedwire Funds Service, FedNow Service, and FedACH Services, together with any necessary contingent services determined by the Fed Board.

This is the provision that speaks most directly to the longstanding structural question at the heart of US payments policy – that is, whether certain nonbank payment companies should have a clearer path to direct access to the Federal Reserve's core payment rails. Today, most nonbank payment companies reach the Federal Reserve's payment rails indirectly through bank intermediaries, which adds cost, settlement latency, and counterparty dependency to transactions. The PACE Act would create a statutory pathway for registered covered providers to seek that access directly, in the same manner and to the same extent as an insured depository institution. The bill would require the Fed Board to approve or deny a registered covered provider's request for a payments reserve account within 120 days, subject to a possible 60-day extension.

Importantly, the bill would not confer bank charters on registered covered providers. It would not authorize deposit-taking, lending, discount-window access, or interest on reserve balances. The construct in the PACE Act is narrower and more targeted – designed to regulate firms as payment companies, not to transform them into banks.

The regulatory trade-off

The bill's benefits would not come without conditions. The framework is structured to pair both the nationwide operations ability and infrastructure access with a federal supervisory and customer protection regime – imposing a set of ongoing compliance obligations on registered covered providers while also establishing structural protections for their customers and the broader payment system.

- **Reserve requirements**. A registered covered provider would be required to maintain identifiable reserves backing outstanding payment obligations on at least a 1:1 basis. Eligible reserve assets would include cash, Federal Reserve balances, demand deposits or insured shares, certain in-transit funds related to payment networks, short-dated Treasuries, specified repo and reverse repo arrangements, government money market funds invested solely in permitted assets, and certain other highly liquid government-issued assets approved by the OCC. The bill also expressly contemplates the use of certain otherwise eligible reserve assets in tokenized form. Many of these requirements will look

familiar to firms already operating under multiple state money transmission regimes, and may therefore be understood less as a wholly new prudential model than as a more formal federal overlay on obligations that sophisticated payment companies already manage in practice.

- **Customer protection and supervision**. The proposal would require segregation of customer funds in certain cases, prohibit rehypothecation of reserves (subject to limited exceptions), impose recordkeeping requirements, and subject registered covered providers to examination and enforcement by the OCC. The OCC's enforcement authority would track the framework under Section 8 of the Federal Deposit Insurance Act, as if the registered covered provider were an insured depository institution.
- **Fair access and anti-discrimination**. Registered covered providers would be subject to the Equal Credit Opportunity Act (ECOA) in the same manner as a creditor – a formulation that appears intended to import fair-lending style anti-discrimination obligations into the payment-services context – and to a fair access standard that prohibits denial of payment services based on constitutionally or statutorily protected beliefs, affiliations, or political views.
- **Insolvency framework**. The bill includes an insolvency framework for nonbank registered covered providers that gives priority to customer payment obligations ahead of general creditor claims, subject to administrative expenses.

Key issues to watch

Several features of the bill stand out immediately, both for what they would do and for the questions they leave open. As the bill remains at an early stage and could change materially through committee review and any subsequent House and Senate action, these are likely to be central points of debate and revision.

Scope and effect of nationwide operations

While the bill's provision allowing registered covered providers with 40 or more state money transmitter licenses to "provide payment services in any State" is one of the most commercially significant features, it also raises one of the most important unresolved questions. In particular, the current draft of the bill does not appear to contain an express preemption clause, and therefore does not clearly say whether the provision is meant to displace state money transmission licensing requirements or instead to operate as a more limited statement of federal permissibility.

The preemption question also gives rise to a closely related issue: whether a company that obtains registered covered provider status would need to maintain its underlying state money transmitter licenses going forward. The bill requires 40 or more state money transmitter licenses as a threshold for eligibility, but is silent on whether those licenses must be maintained after OCC registration. And the "may provide payment services in any State" language, while broad, does not expressly state that it displaces or supersedes the underlying state licensing requirements. If the nationwide operations provision is intended to fully substitute for state licensing, one would expect that state licenses could be surrendered upon OCC registration. But without express clarity, states may take the position that their licensing requirements continue to apply, potentially leaving registered covered providers facing a new layer of federal supervision in addition to their existing state obligations. This is likely to be a significant point of debate as the bill progresses.

Tokenized reserve assets

The bill expressly permits certain eligible reserve assets to be held in tokenized form. That suggests the drafters are not only building a framework for payment providers handling fiat currency, but are also leaving room for more digitally native treasury and reserve-management models. At the same time, the bill says little about the custody, operational, or technology standards that would govern tokenized reserves in practice, which means that an important portion of the real implementation work would likely be left to rulemaking or supervisory interpretation.

Consumer protection and insolvency architecture

Although the bill will naturally draw attention for its permissibility for nationwide operations and Fed-access provisions, it also contains a more developed customer-protection and insolvency framework than a headline summary might suggest. Registered covered providers would be subject to OCC examination and enforcement, and customer payment obligations would receive priority treatment in an insolvency proceeding. For nonbank providers, the bill would create a specialized insolvency regime outside ordinary Chapter 7 or Chapter 11 treatment, with customer claims placed ahead of general unsecured claims.

Fair access and ECOA application

The bill's fair access provisions may also attract meaningful attention. Registered covered providers would be subject to ECOA in the same manner as creditors and would be prohibited from denying payment services based on constitutionally or statutorily protected beliefs, affiliations, or political views. This language stands out because it appears to import anti-discrimination concepts into the payment-services context while also speaking more directly to recent policy and industry debates around "debanking" and "Operation Chokepoint 2.0." At the same time, the application of ECOA to entities that are not extending credit raises interpretive

questions about what compliance would look like in practice for a payments-only business model. Whether that provision ultimately remains in its current form is likely to be one of the issues to watch.

Crypto scope and fit with existing federal frameworks

The bill's early support from major digital asset trade groups indicates that crypto-related payment firms are among the constituencies watching it closely. At the same time, the proposal does not appear to displace the Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act's separate framework for permitted payment stablecoin issuers, and it leaves open questions as to how far the bill's definition of "payment services," which is tied to the transmission or payment of "monetary value," would extend in the case of non-fiat or non-stablecoin digital asset activity. As a result, one of the more important interpretive questions for market participants will be whether the bill ultimately develops into a broader digital payments framework or remains more squarely focused on firms facilitating fiat-denominated payment activity.

Conclusion

The PACE Act is a consequential proposal that would introduce a new federally supervised category for qualifying payment companies and, with it, two commercially significant benefits: the ability to operate nationwide upon OCC registration (for firms with 40 or more state money transmitter licenses), and eligibility to apply for direct access to the Federal Reserve's core payment rails through a payments reserve account. The bill's central architecture – OCC registration, nationwide operations, a statutory pathway to seek direct access to Fedwire, FedNow, and FedACH, and a payments-specific reserve, compliance, and supervisory framework – is coherent and, at least at a high level, responsive to many of the practical frictions that industry participants have identified for years.

At the same time, the bill's practical significance will likely turn less on its headline than on how several key issues are resolved as the legislative process moves forward. Most notably, the scope and effect of the bill's apparent nationwide operations provision will matter enormously, including whether it is intended to preempt state licensing requirements and whether registered covered providers would need to maintain their underlying state licenses. Similarly, important questions remain around implementation, including how regulators would approach tokenized reserve assets, the extent to which the framework would apply to crypto-related payment activity, and how the bill would sit alongside other federal frameworks, including the GENIUS Act.

For now, the PACE Act is best understood as an important sign of where the policy discussion is heading. The debate is no longer simply whether certain nonbank payment firms should have a clearer path to more direct access to payment infrastructure – it is increasingly about what that path should look like, what safeguards should accompany it, and how it should interact with the existing state and federal regulatory landscape. The Senate companion process, committee consideration, and reactions from stakeholders such as the banking industry and state regulators will therefore be worth watching closely, both for what they reveal about the bill's prospects and for what they may say about the future direction of US payments regulation more broadly.

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