



FEDERAL RESERVE BANK *of* KANSAS CITY

February 7, 2022

*The following is a statement from the Federal Reserve Bank of Kansas City:*

In response to inquiries related to the Kansas City Fed's decision to grant an account to The Reserve Trust Company (RTC), including a Feb. 1 letter from Senate Banking Committee Ranking Member Sen. Pat Toomey, the Kansas City Fed is providing the following context for the process that guides such decisions. The Kansas City Fed did not deviate from its review process in evaluating this request.

The Reserve Trust Company (RTC), a state-chartered trust company, requested a master account from the Kansas City Fed in September 2016. Because RTC did not meet the definition of a depository institution, the Kansas City Fed determined RTC was not eligible for a Fed master account. As a result, the request was denied in mid-2017.

After this denial, RTC changed its business model and the Colorado Division of Banking reinterpreted the state's law in a manner that meant RTC met the definition of a depository institution. Because of these changes, and following a review of other risk-based factors relevant to the decision, the Kansas City Fed approved the RTC request for a master account in mid-2018. This information was shared via telephone to Sen. Toomey's Banking Committee staff and Sen. Cynthia Lummis' staff, as has been referenced in the hearing and in a Feb. 7 press release from Sen. Toomey.

All requests for access to a Federal Reserve master account are reviewed to determine legal eligibility, as well as to assess risks posed by an entity's business model to the payment and banking systems. Reserve Banks have discretion in granting such accounts, and when analyzing eligibility and risks posed, work closely with the requestor to explain their evaluation and analysis.

It is routine for the Federal Reserve Bank of Kansas City to communicate on an ongoing basis with a requesting organization, its management (including directors), public officials and any relevant federal or state regulatory counterparts. This communication is for the purpose of evaluating eligibility for access to Federal Reserve services, including an analysis of the risk posed to the payment and banking system. Entities that receive a master account are subject to ongoing monitoring and review to ensure they remain qualified to hold an account.