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## **DIGITAL ASSETS**

# **Kraken's Fed Access: Bridging Crypto and Central Banks**

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Ridipt Singh

*Kraken’s Fed Access: Bridging Crypto and Central Banks*

25 March 2026

**Executive Summary**

- ✦ Kraken secured a limited (“skinny”) Federal Reserve master account, allowing direct access to core payment systems (e.g., Fedwire), reducing reliance on intermediary banks and improving fiat settlement efficiency.
- ✦ These accounts come with strict limits (caps on balances, no interest, no access to credit facilities) and reflect a cautious approach to integrating non-bank crypto institutions into central bank infrastructure.
- ✦ The development supports the emergence of “synthetic CBDCs,” where private stablecoins backed by central bank reserves replicate CBDC-like functionality without direct government issuance.
- ✦ The US framework (GENIUS, CLARITY Acts) emphasizes full-reserve stablecoins and flexible design, while the UK imposes stricter reserve ratios and structured central bank access for systemic stablecoins.
- ✦ This shift could reshape the payments ecosystem by boosting competition among stablecoin issuers, accelerating bank–fintech integration, and positioning private actors as key players in future digital currency infrastructure.

**Key Picture: The Synthetic CBDC Framework**



- (1) Backed by deposits at the central bank
- (2) Person to person, bank to bank, merchant to merchant, person to merchant etc.
- (3) B-money is typically fractionally backed by central bank reserves, whereas centralized e-money may or may not be. For example, Kenya’s M-Pesa is not, but China’s AliPay and WeChat Pay are fully central bank-backed.

Source: [Kol](#)

## Kraken's Limited Purpose Fed Master Account

On 4<sup>th</sup> March 2026, one of the largest cryptocurrency exchanges, Kraken Financial, secured a Federal Reserve master account for an initial one year term alongside limits and restrictions designed to align with Kraken's business model and risk profile.<sup>1</sup> Being described as a 'limited purpose' or 'skinny' master account, it allows Kraken access to the Federal Reserve's core payment systems such as Fedwire reducing reliance on intermediary commercial banks.<sup>2</sup>

As a result, Kraken can directly integrate with the primary US payment networks used by traditional banks, improving the speed and efficiency of fiat transfers for institutional clients.<sup>3</sup> This marks a pivotal moment for digital assets firms integrating with traditional finance systems.

## Skinny Master Account Explained

A Federal Reserve master account records financial rights and obligations between an Administrative Reserve Bank and an account holder enabling a direct settlement via systems like Fedwire.<sup>4</sup> Under proposals from the central bank, these accounts are subject to limitations like no interest on balances and would be subject to caps – limited to either \$500 million or 10% of an institution's assets. They would also be excluded from the Fed's discount window and intraday credit facilities. This concept, promoted by Governor Christopher Waller is intended to encourage innovation in the payments ecosystem, especially among firms working with decentralised finance (DeFi) and artificial intelligence (AI).<sup>5</sup>

The approval was made by the Federal Reserve Bank of Kansas City where Kraken filed application back in 2020 after it acquired its Special Purpose Depository Institution (SPDI) charter in Wyoming.<sup>6</sup> Since Kraken operates under Wyoming's SPDI framework, which mandates a full-reserve model ensuring liquid assets meet or exceed client fiat deposits. The Federal Reserve has classified Kraken Financial as a Tier 3 applicant in its master account tiered review system i.e. a category for non-federally insured applicants thereby subject to increased scrutiny. This makes Kraken Financial only the third institution to ever receive this designation.<sup>7</sup>

As regulators and lawmakers continue refining the post-GENIUS Act for stablecoins and tokenised deposits, this development represents a significant step in bridging crypto infrastructure with traditional payment systems. This could potentially influence how banks, fintechs, and digital asset firms approach future M&A payments, and custody strategies.<sup>8</sup>

## Synthetic CBDC Dynamics

Private stablecoin issuers holding central bank reserves can mimic a '[synthetic CBDC](#)',<sup>9</sup> where the stablecoin replicates CBDC functionality through full backing by risk-free assets like central bank deposits. Unlike a direct government issued CBDC, which centralises control and raises policy and surveillance questions, synthetic versions combine private issuance with redeemability into central bank money, offering stability without direct changes to monetary policy. This contrasts with traditional unbacked or partially backed stablecoins by ensuring 1:1 liquidity and direct settlement in central bank money.

The master account approval for Kraken Financial highlights how regulated entities with access to central bank infrastructure – even under limitations – could serve as foundational plumbing for near-CBDC use cases if paired with fully reserved stablecoins backed by risk-free reserves.

## US vs UK Framework Comparison

The GENIUS Act mandates that payment stablecoins maintain 100% reserves, allowing backing in assets such as US currency, short-term Treasury bills (under 93 days), or Fed deposits, under federal and state oversight for permitted issuers, including certain bank subsidiaries,<sup>10</sup> while the CLARITY Act debates yield restrictions, prohibiting interest solely for holding stablecoins but potentially allowing activity-based rewards as part of broader efforts to clarify digital assets rules.<sup>11</sup> Meanwhile, the Anti-CBDC Surveillance State Act would prevent

the Federal Reserve from issuing retail CBDCs, either directly or via intermediaries, addressing surveillance concerns.<sup>12</sup>

In this context, Kraken's limited purpose master account illustrates how regulated entities can hold compliant reserves in central bank infrastructure, enabling the possibility of GENIUS-compliant stablecoins while navigating CLARITY's yield restrictions, provided the stablecoins are designed to meet reserve, reward and liquidity requirements in accordance with regulatory standards.

The UK designates 'systemic stablecoins' for Bank of England (BoE) access, requiring 40% unremunerated BoE deposits and up to 60% short-term gilts with standing liquidity facilities to support stability.<sup>13</sup> Similar to Kraken's limited purpose master account, this approach provides private digital assets with payment system integration while limiting returns on central bank reserves.

Key differences include the UK's explicit backing ratios versus the US's more flexible full-reserve framework, and the absence of a fixed one-year pilot term in the UK. While both frameworks illustrate a trend towards private stablecoins interfacing with central banks, the US emphasises SPDI charters for regulated issuers, reflecting the domestic policy context, that currently does not favour direct retail CBDC issuance.

### Market Impact and Future Outlook

Kraken's milestone could encourage other stablecoins issuers like Tether or Circle to explore similar regulatory pathways, potentially intensifying competition in the digital dollar ecosystem and prompting banks to adapt their roles in fiat-crypto settlement infrastructure.

By allowing private entities to interface more directly with central bank payment systems, the model offers a market-driven alternative to retail CBDC while expanding regulated avenues for digital dollar issuance under evolving frameworks such as the GENIUS Act and CLARITY Act.

Greater regulatory clarity may strengthen confidence in compliant stablecoins and support broader crypto market legitimacy, with faster settlement potentially improving liquidity across digital asset markets.

Over time, these developments may reshape competition between fintech firms and banks in payments and settlement, as financial institutions increasingly integrate stablecoins or develop competing digital financial services to remain central to the digital dollar infrastructure.

## NOTES

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