THE DAILY PULSE

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PAYMENTS • BANKING • LENDING

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THIS WEEK IN BRIEF

Payments giants pressed deeper into banking as PayPal's charter bid was defended by its management team and the FTC moved to push more fraud liability onto tech platforms; regulators advanced capital, deposit and charter decisions, and the Supreme Court shut the door on Custodia's bid for a Fed master account.

PAYMENTS & STABLECOINS

Why PayPal wants to have a bank

Payments Dive · Nov 13

PayPal still sees advantages in winning a bank charter, CFO and COO Jamie Miller told the KBW Fintech Ecosystem Conference, saying a bank subsidiary would support lending to its merchants and diversify funding. Payments Dive reports PayPal applied in December 2025 to the FDIC and Utah regulators for a Utah-chartered industrial loan company, and that deposits could be a cost-efficient capital source for a company serving about 400 million consumers and 20 million merchants. Miller said PayPal still expects to stay "generally balance-sheet light" and gave no update on regulators' response.

WHY IT MATTERS

A charter would let PayPal fund merchant lending with cheaper deposits and lean less on wholesale funding, the same playbook now drawing fintechs like Affirm, Stripe and Fiserv toward bank charters. It is another sign the line between payments companies and banks keeps blurring, with funding economics the prize.

PAYMENTS & STABLECOINS

Klarna launches AI 'concierge'

Payments Dive · Nov 18

Klarna introduced a personal AI assistant this week to complement its consumer-lending business, rolling it out by waitlist invitation. Payments Dive reports the tool can "book reservations, draft email replies, help with shopping, and send birthday reminders," but cannot complete purchases on its own — a human must approve each payment, which runs through a Klarna payment method or the user's debit card. Users interact with it by text, including via WhatsApp and iMessage; Klarna did not disclose how many people have been invited.

WHY IT MATTERS

Klarna is positioning agentic AI as a funnel into its payment and BNPL rails rather than a standalone product, keeping a human in the loop at checkout. Whether consumers route real spending through an assistant and whether that lifts Klarna's payment volume remains to be seen. All purpose agents are likely to have more success, but it is early days in companies deploying agents to see how consumers react to the different offerings.

PAYMENTS & STABLECOINS

FTC aims to better fight scams

Payments Dive · Nov 12

The FTC is taking public comments this month on updating its rule that bars impersonating government and business officials to defraud consumers, a change that would shift some fraud responsibility onto large technology platforms that host and optimize third-party ads. Payments Dive reports the agency says consumers lost about $16 billion to fraud last year, roughly 25% more than in 2024, with about $3.5 billion from impersonation schemes, and it cited Google, Facebook and Apple as platforms where scam ads appear. The comment deadline is the end of November, with nearly 200 comments filed so far.

> **WHY IT MATTERS**
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> Banks have absorbed much of the cost of scam losses, so a rule nudging liability toward platforms could rebalance who pays for fraud across the payments chain. For banks and fintechs, it is an early signal that the fraud-liability debate could shift from card networks and institutions toward the tech platforms where scams originate.

BANKING & REGULATION

Supreme Court denies Custodia's appeal, ending legal battle

American Banker · Nov 16

Custodia Bank's yearslong effort to obtain a Federal Reserve master account ended Monday, Nov. 16, when the U.S. Supreme Court declined to take up its case. American Banker reports the move leaves standing a circuit-court ruling that master-account access is “a privilege, not a right,” preserving the Fed's broad discretion over which institutions connect directly to its payment system. Banking groups welcomed the outcome, while some legal scholars questioned the precedent.

> **WHY IT MATTERS**
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> The decision cements the Fed's gatekeeping power over master accounts, a direct setback for crypto-focused and novel-charter banks hoping to bypass correspondent banks. It narrows a key path to the payment system for digital-asset institutions and reinforces that a state charter alone does not guarantee Fed access.

BANKING & REGULATION

FDIC proposes custodial deposit flexibility for small banks

American Banker · Nov 18

The FDIC board voted Tuesday to issue a proposal letting smaller institutions exclude certain custodial deposits from their brokered-deposit totals. American Banker reports the exclusion would cover custodial deposits up to 20% of an institution's total liabilities and implements a provision of a recent bipartisan housing bill that community banks backed. Brokered deposits face regulatory limits, including restrictions when a bank is less than well capitalized.

> **WHY IT MATTERS**
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> Brokered-deposit classification has long constrained how community banks fund themselves, so carving out custodial balances gives smaller lenders more stable funding room. It is another sign the current FDIC is easing post-2023 deposit constraints, though the relief is capped and still only a proposal.

BANKING & REGULATION

Bank capital rules inch closer to finalization

American Banker · Nov 17

U.S. banking regulators submitted revised capital rules to the White House for review, a key step toward finalizing the long-delayed Basel III endgame framework. American Banker reports the FDIC sent the rules to the Office of Information and Regulatory Affairs on Nov. 13 for prepublication review, with publication in the Federal Register the final step. The agency, led by Chair Travis Hill, described the effort as a joint interagency rulemaking.

> **WHY IT MATTERS**
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> The Basel III endgame has hung over big-bank capital planning for years, and OIRA review signals a re-proposed framework is nearing the finish line. Clarity on capital requirements would let large banks firm up buyback and lending plans, though the actual calibration, not yet public is what will matter.

LENDING & CREDIT

Fitch downgrades 4 IMBs over high debt levels

American Banker · Nov 18

Fitch Ratings downgraded four independent mortgage banks, citing high debt levels and a tough lending environment that it says gives the firms “little chance of reducing debt load through retained earnings during 2027.” American Banker reports Fitch expects a smaller 2027 mortgage market to cap earnings upside, leaving mortgage companies with only modest profitability, and warns that rated lenders risk further downgrades if non-funding debt keeps rising. The article did not name the four firms.

> **WHY IT MATTERS**
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> Downgrades raise funding costs for nonbank mortgage lenders already operating on thin margins, squeezing a sector that originates much of the country's home loans. If a weak 2027 market persists, more IMBs could face rating pressure, with knock-on effects for mortgage availability and pricing.

LENDING & CREDIT

FDIC approves embattled OneMain to establish an ILC bank

American Banker · Nov 17

The FDIC approved OneMain Finance's application to establish an industrial loan company (ILC) bank, which will originate loans through OneMain's existing customer network. American Banker reports the approval comes even as the subprime installment lender faces a Consumer Financial Protection Bureau action and a lawsuit from 13 state attorneys general over its add-on products.

> **WHY IT MATTERS**
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> An ILC charter lets OneMain fund lending with insured deposits rather than costlier wholesale funding, a meaningful edge for a subprime installment lender. The green light, despite pending CFPB and state actions, signals the FDIC's continued openness to ILC charters, a long-contested door for fintech and specialty lenders.

WHAT TO WATCH

Fed Gov. Cook won't participate in White House removal hearing
American Banker · Nov 18

Stay ahead of what's moving markets, regulation, and the business of banking.