

Banking and Finance Law Daily Wrap Up, FEDERAL RESERVE SYSTEM—10th Cir.: Court affirms denial of Federal Reserve master account for Custodia Bank, (Nov. 3, 2025)

Banking and Finance Law Daily Wrap Up

By Joe Cox, J.D.

The appellate ruling affirmed a trial court's finding that the Federal Reserve has broad discretion to deny master account status.

The Tenth Circuit Court of Appeals affirmed a Wyoming District Court's granting of summary judgment for the Federal Reserve Board of Governors and the Federal Reserve Bank of Kansas City in a suit filed to compel the Fed to grant Custodian Bank a Federal Reserve master account. In affirming the trial court, the appellate court ruled "the plain language of the relevant statutes grants Federal Reserve Banks discretion to reject master account access requests from eligible entities" ([Custodia Bank, Inc. v. Federal Reserve Board of Governors, et al.](#), No. 24-8404 (10th Cir. Oct. 31, 2025)).

Background. Custodia Bank was chartered in Wyoming in 2020 and is not a member of the Federal Reserve. Custodia was established to provide banking services for digital asset companies and to serve as a bridge between digital assets and the U.S. dollar payment system for institutional customers. Later that year, Custodia Bank applied for a master account with the Federal Reserve Bank of Kansas City (FRBKC). In early 2021, Custodia was advised that there were "no showstoppers" with its application. Custodia accordingly applied to become a member of the Federal Reserve system in August 2021. In the interim, new guidance applied strict scrutiny to reviews of applications from entities which were not federally insured and not subject to supervision by a federal banking agency.

Relying on that new guidance, the FRBKC denied Custodia Bank's application in January 2023. FRBKC explained the decision based on Custodia's business being mainly focused on crypto-asset activities and presenting heightened risks.

Meanwhile, Custodia Bank had already filed its suit in June 2022, alleging that it was entitled to a decision on its application and that the defendants were required by statute to grant the application, as the Fed lacked authority or discretion to deny applications from entities which were statutorily eligible for accounts.

Ultimately, a summary judgment was granted to the defendants in March 2024, finding that in fact, the Fed had discretion and authority to deny applications (see [Banking and Finance Law Daily](#), April 1, 2024). In addition, the trial court ultimately granted court costs to the defendants (see [Banking and Finance Law Daily](#), May 31, 2024).

Tenth Circuit ruling. The court reviewed the trial court's decision and noted that for Custodia Bank to prevail, each claim required a finding that Custodia Bank was statutorily entitled to a master account and FRBKC had no discretion to deny a compliant request for a master account. In fact, the court found that the relevant statutes, particularly one which requires the Fed to publish a database of entries applying for master accounts and indicating which are rejected, essentially implied that applications could be rejected. The Supreme Court had also previously found that the authority of a bank to receive deposits (or act in other prescribed manners, including opening a master account) was discretionary.

Finally, the court found that Custodia's contention that Congress had fundamentally altered the rights of an applicant by a technical detail would be akin to hiding an elephant in a mousehole. The Court ultimately noted, "The plain

language of the three statutory provisions grants Reserve Banks the discretion to reject master account applications from eligible entities.”

Dissenting opinion. Judge Timothy Tymkovich authored a dissenting opinion arguing that “by claiming unreviewable discretion over access to the nation’s financial system, the Fed has gone too far.” Judge Tymkovich found that Congress “mandated access for all nonmember depository institutions.” This decision was rooted in statutory text which indicated that “all Federal reserve bank services covered by the fee schedule shall be available to nonmember depository institutions.”

Reaction. The Bank Policy Institute published a supportive [press release](#) following the decision. BPI president and CEO Greg Baer noted, “No institution is entitled to a Federal Reserve master account, and the Federal Reserve rightfully has the authority and discretion to ensure all applicants meet stringent standards to keep the financial system safe.”

The Independent Community Bankers Association also released a positive [press release](#). “Today’s ruling ensures our nation’s payment systems remains safe, sound and resilient,” stated ICBA President and CEO Romero Rainey.

Custodia Bank rendered its own [statement](#) praising the dissenting opinion and noting that it may petition for a rehearing by the Tenth Circuit.

The case is [No. 24-8024](#).

Judge: Ebel, C.J.

Attorneys: Ian Heath Gershengorn (Jenner & Block LLP) for Custodia Bank, Inc. Joshua Paul Chadwick for Federal Reserve Board of Governors.

Companies: Custodia Bank, Inc.

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