

Banking and Finance Law Daily Wrap Up, BANKING OPERATIONS—Bank seeks Supreme Court review of Fed's denial of master-account application, (Jul. 16, 2026)

Banking and Finance Law Daily Wrap Up

By Nadine E. Roddy, J.D.

Custodia Bank argues that the Tenth Circuit's affirmance of the denial was contrary to statute.

The Federal Reserve Bank of Kansas City was required by the plain text of the federal Monetary Control Act (MCA) to grant the bank's application for a master account, the applicant bank argued in its recently filed petition for certiorari in the Supreme Court. The Tenth Circuit panel's interpretation of the mandatory statutory language as conferring discretion upon the regional banks to approve or deny such applications was erroneous (*Custodia Bank, Inc. v. Fed. Reserve Bd. of Govs.*, Docket No. (S. Ct.—pet for cert. filed July 11, 2026)).

Master account denied. Custodia Bank, a Wyoming-chartered bank that primarily serves cryptocurrency companies, has filed a [petition for certiorari](#) in the Supreme Court after an adverse ruling from the Tenth Circuit Court of Appeals involving the bank's application for a master account with the Kansas City Fed. In 2020, the year of its chartering, the bank applied for a master account and was initially informed that it "was legally eligible" for an account and that "there were 'no showstoppers' with its application." In internal memoranda, the KC Fed's staff deemed the bank's capital "adequate" and its liquidity risk "low," while noting its "strong" risk management and "impressive" executive team.

In 2023, however, the KC Fed denied Custodia's application, based on "concerns with business models that are concentrated in crypto-asset-related activities or have concentrated exposures to the crypto-asset sector." The KC Fed had relied on new administrative guidance applying strict scrutiny to reviews of applications from entities that were not federally insured and not subject to supervision by a federal banking agency. The bank had already filed suit in June 2022, alleging that it was entitled to a timely decision on its application, and that the defendants, the Federal Reserve Board and the KC Fed, were required by the MCA to grant the applications of statutorily eligible entities such as the Bank.

No luck in court. The federal district court sitting in Wyoming granted summary judgment for the defendants, interpreting the MCA to mean that Reserve Banks "may" open [master] accounts, not that they shall." A divided Tenth Circuit panel affirmed, believing that under the Federal Reserve Act (FRA), the regional reserve banks possess discretionary authority over an eligible depository institution's application (see [Banking and Finance Law Daily](#), Nov. 3, 2025). After the Bank's petition for rehearing en banc was denied, the Bank filed for review in the Supreme Court on July 11, 2026.

The lower courts got it wrong. According to the bank's petition, the question for decision was "[w]hether the Monetary Control Act, which states that the Federal Reserve 'shall' provide its services to legally eligible nonmember depository institutions, 12 U.S.C. 248a(c)(2), gives presidents of regional Federal Reserve Banks discretionary authority to deny master accounts to such institutions." The bank argued that, not only does the plain text of the MCA require regional banks to grant master-account access to all eligible nonmember banks, decades of Fed practice support the mandatory interpretation of the statutory provision. The bank also pointed out that the 1980 MCA had amended the 1913 FRA to remove the Fed's discretionary authority over "payment services." Therefore, as it stands today, the FRA cannot establish that the Fed possesses discretion to deny a master account application.

Principles of constitutional avoidance also supported the bank's reading of the MCA. Granting regional bank presidents unfettered discretion to override the policy decisions of state legislators would raise profound concerns under both Article II and the federal structure of the Constitution. The simple solution to these problems is to interpret the MCA to limit the regional Fed Bank presidents' authority so that they do not become "officers" in the constitutional sense.

Attorneys: Kannon K. Shanmugam (Davis Polk & Wardwell LLP) for Custodia Bank, Inc.

Companies: Custodia Bank, Inc.

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