

# Novel applications may fizzle after Fed master account wins

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Davis Polk partner and Financial Institutions practice chair Randy Guynn, counsel Daniel Newman and associate Justin Levine authored “Novel applications may fizzle after Fed master account wins” in *Law360*. In the article, they discuss the recent rulings by two federal district courts which upheld decisions by the Federal Reserve Banks of Kansas City and San Francisco to deny master account applications from Custodia and PayServices. The two decisions mark the second and third times a federal district court has held that a Federal Reserve bank has the discretion to deny master accounts to legally eligible depository institutions. The authors analyze the rulings and their broader implications for the dual banking system.

Notably, the decisions are significant for depository institutions with so-called novel charters that wish to have direct access to the payment systems of the Federal Reserve System and settle transactions in central bank money. A depository institution cannot obtain this type of direct access unless it has a master account at a Federal Reserve bank.

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