

Innovative Charters and Skinny Master Accounts

Innovative Charters

- As the Federal Reserve noted in its [Guidelines for Evaluating Account and Services Requests](#) (the **Guidelines**), “there has been a recent uptick in novel charter types being authorized or considered by federal and state banking authorities across the country.”¹
- This has occurred at the federal level through the OCC’s expanding use of the limited purpose national trust bank (**NTB**) charter and at the state level with various new charter types creating bespoke regulatory regimes for fintech and crypto companies.

Federal Charters (OCC NTBs)

- Since the National Bank Act was amended in 1978, the OCC has taken the view that it can charter NTBs.²
- The OCC has seen a wave of NTB charter applications from non-traditional financial institutions, especially since the passage of the GENIUS Act, which permits uninsured national banks to register with the OCC to issue payment stablecoins.
 - For example, in December 2025, the OCC [announced](#) conditional approval of NTB applications from Circle, Ripple, BitGo, Fidelity and Paxos.³ And in February 2026 the OCC announced conditional approval of NTB applications from Bridge, Crypto.com and Protego.
- The OCC finalized a rule in March 2026 (see our [client update](#)) that clarifies its interpretation that NTBs may engage in non-fiduciary activities. The final rule does not address whether an NTB must engage in a minimum amount of fiduciary activities.

State Charters

States have also been experimenting with novel charter types.

- **Wyoming.** In 2019, Wyoming [created](#) a special purpose depository institution (**SPDI**) charter. SPDIs are fully-reserved depository institutions that may receive deposits and conduct other activity incidental to the business of banking, including custody, asset servicing, fiduciary asset management and related activities. SPDIs have generally focused on digital asset activities.
 - SPDIs are narrow banks and prohibited from using customer deposits to make loans. They are eligible for FDIC insurance but not required to obtain it.
 - SPDIs are regulated and supervised by the Wyoming Division of Banking.
 - Custodia, Kraken and n3xt [hold](#) SPDI charters.

¹ Guidelines for Evaluating Account and Services Requests, 87 Fed. Reg. 51099 (Aug. 19, 2022).

² 12 U.S.C. § 27(a) (“A National Bank Association, to which the Comptroller of the Currency has heretofore issued or hereafter issues such certificate, is not illegally constituted solely because its operations are or have been required by the Comptroller of the Currency to be limited to those of a trust company and activities related thereto.”).

³ Press Release, OCC Announces Conditional Approvals for Five National Trust Bank Charter Applications (Dec. 12, 2025).

- **Georgia.** Originally created in 2012, the Georgia Merchant Acquirer Limited Purpose Bank (**MALPB**) charter remained largely [unused](#) until last year. It was originally created as a home for non-bank payment processors that wanted direct access to Visa and Mastercard without the cost or complexity of a full bank license.
 - Under Georgia's Rule 80-12-4, MALPBs may underwrite merchants, provide the means to authorize transactions, facilitate clearing and settlement, sponsor affiliates into card networks and offer support services from statement generation to encryption and dispute processing.
 - Fiserv, a global payment provider and fintech company, [processed](#) the first payment transactions under the MALPB charter in April 2025.
 - Stripe [obtained](#) a Georgia MALPB charter in July 2025.
 - Checkout.com [applied](#) for a MALPB in October 2025.
- **Nebraska.** In 2021, Nebraska passed the [Nebraska Financial Innovation Act](#), which created a state regulatory framework for digital assets. It also created the Nebraska Digital Asset Depository Institution (**DADI**) charter. DADIs can provide digital asset and cryptocurrency custody services, issue stablecoins, hold deposits at FDIC-insured financial institutions and use independent node verification networks and stablecoins for payment activities.
 - Telcoin [obtained](#) a Nebraska digital asset depository institution charter in November 2025.
- **Connecticut.** Connecticut [introduced](#) the Innovation Bank charter in 2022 (Ct. Gen. Stat. § 36a-70(t)). The state tailored the framework to meet the needs of non-deposit fintech institutions. It allows for the organization of an innovation bank that does not accept retail deposits and for which FDIC insurance is not required. Organizers may consider an Innovation Bank Charter to engage in wholesale and merchant banking, payments and settlement.
 - An innovation bank cannot accept retail deposits and does not need to comply with community reinvestment laws.
 - Fidelity [obtained](#) a Connecticut Innovation Bank charter in April 2025.

Opposition to NTB Expansion

- The Independent Community Bankers of America has [opposed](#) the use of the NTB charter to facilitate novel business models related to stablecoins and cross-border payments. It has raised concerns that:
 - NTBs are not required to meet the same kinds of regulatory and capital standards that apply to federally insured full-service banks.
 - Fintech and crypto companies may use the charter to offer deposit-like services without adequate regulatory oversight, posing risks to consumers and the financial system.
- The Conference of State Bank Supervisors has also [opposed](#) the expansion, arguing that the OCC is not legally authorized to create "a new class of national bank that is neither predominantly engaged in the fiduciary operations of a trust company nor in receiving deposits as an insured national bank."

- It further argued that “Congress has not provided the OCC with unlimited discretion to charter institutions that assemble their own customized mix of banking, trust, or incidental activities” and that “the OCC must conform its chartering regulations with the federal statutory scheme outlined in the NBA and other federal banking laws.”
- Better Markets submitted a [comment letter](#) to the OCC that raised concerns that the expansion of NTBs will allow “crypto banks to engage in non-fiduciary activities,” which will increase “risk in the banking system (and the Federal Reserve System) and by drawing deposits out of the banking system into crypto banks.”
 - It opposed the OCC’s NTB rulemaking, arguing that the OCC “seeks to expand its authority to charter [NTBs] that do not engage in any fiduciary activities simply by scrubbing the word ‘fiduciary’ from its own regulation implementing that authority.”

Skinny Master Accounts

Background on Master Accounts

- Under the Federal Reserve Act, the Federal Reserve Banks may provide financial services to eligible depository institutions.⁴ Since 1998, these services have been provided through “Master Accounts” with the regional Federal Reserve Banks.
- The [Federal Reserve’s Operating Circular No. 1](#) provides the terms under which eligible depository institutions may request to open, maintain and terminate a Master Account.⁵
- The Federal Reserve Banks evaluate requests for Master Accounts to access financial services using the [Guidelines](#).⁶
 - The Guidelines incorporate a tiered framework under which access requests from certain types of entities (e.g., non-federally insured institutions) are subject to greater due diligence and scrutiny than access requests from other types of entities (e.g., federally insured institutions).
 - Decisions on individual requests for access to accounts and services are made by the Federal Reserve Bank in whose District the requestor is located, not the Board, though the Board may become involved in reviewing applications.
- The Federal Reserve asserts that it has broad discretion to grant or deny Master Account access to legally eligible institutions.⁷ This assertion has been challenged in court.
 - The Tenth Circuit recently agreed, holding that the Federal Reserve Banks have broad discretion to determine Master Account access.⁸

⁴ Federal Reserve Act § 13(1) (codified at 12 U.S.C. § 342).

⁵ Fed. Rsrv. Fin. Servs., *Operating Circular 1: Account Relationships* § 2.1 (Sept. 1, 2023).

⁶ Guidelines for Evaluating Account and Services Requests, 87 Fed. Reg. 51099 (Aug. 19, 2022).

⁷ *Operating Circular 1*, § 2.6 (“A Reserve Bank has discretion in deciding whether to provide a Financial Institution with access to a Master Account.”); Guidelines, 87 Fed. Reg., at 51106 (“Reserve Banks also retain the discretion to deny a request for access to accounts and services where, in the Reserve Bank’s assessment, granting access to the institution would pose risks that cannot be sufficiently mitigated.”).

⁸ See *Custodia Bank v. Federal Reserve Board of Governors*, No. 24-8024 (10th Cir. Oct. 31, 2025) (en banc petition pending).

- Appeals over Master Account access are pending in the Second and Ninth Circuits, who have yet to weigh in on that interpretation of the key provisions of the Federal Reserve Act.⁹

The “Skinny” Master Account Proposal

- In October 2025, Federal Reserve Gov. **Waller** [announced](#) that he had asked the Federal Reserve staff to explore a new “payment account” concept, which he referred to as a “skinny” Master Account.¹⁰
 - Gov. Waller noted how “new technologies that have come from the defi and crypto worlds and how they are entering the mainstream payments ecosystem” and highlighted the Federal Reserve’s role in supporting “private-sector-driven innovation.”
 - Gov. Waller stated that the purpose of the Skinny Master Account would be to provide basic Federal Reserve payment services to eligible institutions that currently conduct payment services primarily through a third-party bank with a Master Account.

The Board’s Payment Account Prototype

- In December 2025, the Board issued a [Request for Information on its Payment Account prototype proposal](#).¹¹
- A Payment Account would be a special purpose account with a Reserve Bank that holds limited overnight balances of a legally eligible institution for the express purpose of clearing and settling the institution’s payments.
 - **Eligibility.** Any institution that satisfies the legal eligibility requirements for a Master Account under the Federal Reserve Act would be eligible to request a Payment Account.
 - **Overnight Balance Limit.** A Payment Account would be subject to an overnight balance limit, which the Board is considering setting at the lesser of \$500 million or 10% of the Payment Account holder's total assets. The proposal contemplates giving the Reserve Bank discretion to temporarily or permanently adjust the overnight balance limit on a case-by-case basis.
 - **No Interest on Overnight Balances.** A Payment Account holder would not receive interest on balances held at a Reserve Bank.
 - **No Discount Window Access.** A Payment Account holder would not be permitted to access credit from the discount window.
 - **No Intraday Credit.** A Payment Account holder would not be permitted to incur daylight overdrafts (i.e., intraday credit) from the Reserve Bank.

⁹ See *Banco San Juan Internacional, Inc. v. Federal Reserve Bank of New York*, No. 25-1144 (2d Cir. 2025) (oral argument held Jan. 29, 2026); *PayServices Bank v. Federal Reserve Bank of San Francisco*, No. 24-2355 (9th Cir. 2025) (stayed pending state-level administrative appeal).

¹⁰ Christopher J. Waller, Gov., Bd. of Gov. of the Fed. Rsrv. Sys., *Embracing New Technologies and Players in Payments*, Payments Innovation Conference (Oct. 21, 2025).

¹¹ Request for Information and Comment on Reserve Bank Payment Account Prototype, 90 Fed. Reg. 60096 (Dec. 23, 2025).

- **Available Services.** The Payment Account would have access to (1) the Fedwire Funds Service; (2) the National Settlement Service; (3) the FedNow Service and (4) the Fedwire Securities Service for Free Transfers only.
 - **Unavailable Services.** The Payment Account would not have access to (1) FedACH Services; (2) Check Services; (3) FedCash and (4) Fedwire Securities Service for Transfer Against Payment.
- **No Correspondent Banking.** A Payment Account holder would not be permitted to act as a correspondent bank, and a Payment Account could not be used to settle transactions for respondent institutions.
- **Gov. Barr Statement.** Federal Reserve Gov. Michael Barr [released a statement](#) on the Payment Account RFI stating that, while he supports the concept of a Payment Account prototype, he was concerned that the accounts may raise AML/CTF issues for institutions outside the Board's supervision.¹²

Industry Comments on the Board's Proposal

- **Fintechs and crypto firms** were generally supportive of the prospect of direct access to the Federal Reserve's real-time payment rails, while expressing concerns about some of the limits placed on the Payment Account prototype (specifically the restrictions on available services and the balance cap).
 - The Financial Technology Association (**FTA**) [noted](#) that the limits on available services, especially access to the FedACH network, would mean that "payment firms would continue to rely on bank intermediaries for a substantial portion of payment activity, undermining the efficiencies, cost-reduction, and risk-reduction benefits that direct access is intended to achieve." The FTA also noted that a "static cap based on asset size creates significant operational friction" and should instead "calibrate balance limits to transaction throughput or payment volume."¹³
 - The Blockchain Payment Consortium (**BPC**) [noted](#) that the "proposed services available to a Payment Account are limited and only support a narrow set of services" and that the Payment Account "should [instead] give payment disruptors a level playing field against incumbents." BPC also noted that the balance limit "severely underestimates the scale of the \$4 trillion digital asset market" and "would require the majority of stablecoin reserves to still be held within the banking system."¹⁴
- **Banks** were generally more skeptical of the proposal, encouraging the Federal Reserve to take a cautious approach to opening the payment rails to less regulated payment firms.
 - The Bank Policy Institute (**BPI**), the Clearing House Association, and the Financial Services Forum submitted a [joint comment letter](#) that warned that Payment Account proposal would increase the number of uninsured institutions engaging in activity that

¹² Michael S. Barr, Gov., Bd. of Gov. of the Fed. Rsrv. Sys., Statement on Payment Account Request for Information (Dec. 19, 2025).

¹³ FTA, Comment Letter on Request for Information and Comment on Reserve Bank Payment Account Prototype (Feb. 6, 2026).

¹⁴ BPC, Comment Letter on Request for Information and Comment on Reserve Bank Payment Account Prototype (Feb. 4, 2026).

resembles deposit-taking, fails to include potential run-risk safeguards. The comment was supportive of the limitations placed on Payment Accounts.¹⁵

- The Independent Community Bankers Association (**ICBA**) [expressed](#) “significant concerns about expanding direct Federal Reserve account access to institutions that operate outside the traditional banking regulatory framework.” ICBA noted that “access to Federal Reserve accounts should remain tied to strong prudential oversight and that lightly regulated entities should not receive the same comprehensive access as insured depository institutions” and that the Federal Reserve “must prevent new entrants from developing activities that could resemble full-service banking without the corresponding prudential oversight.”¹⁶

Kraken Limited Master Account

- On March 4, **Kraken** [became](#) the first digital asset platform to gain access to a limited Master Account.
 - The **Kansas City Federal Reserve Bank** granted access to the central bank’s payment network for one year, but it is still unclear from public records precisely what conditions apply to Kraken.
 - Federal Reserve Gov. Michelle **Bowman** [described](#) the approval of Kraken’s limited master account as a “pilot” to test how certain kinds of nonbanks can access the payments system.
- Banking groups have cautioned that allowing nontraditional firms access to the Fed’s payment rails could create oversight challenges. For example, **BPI** [issued](#) a press release after the announcement expressing concerns. BPI pointed out that the approval:
 - Front-runs the Board’s public comment process and violates the Board’s own policy on seeking public comment when it intends to make significant changes to the payments system;
 - Calls into question whether the Board is appropriately supervising the Reserve Banks for compliance with account approval standards.
 - Lacks transparency about the controls and risk mitigants that have been imposed to protect against risks.

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¹⁵ BPI et al., Comment Letter on Request for Information and Comment on Reserve Bank Payment Account Prototype (Feb. 6, 2026).

¹⁶ ICBA, Comment Letter on Request for Information and Comment on Reserve Bank Payment Account Prototype (Feb. 6, 2026).