



Federal Deposit Insurance Corporation

550 17th Street, NW, Washington, DC 20429-9990

Legal Division

November 18, 2024

Josh Shear, Senior Historian
History Associates Incorporated
7361 Calhoun Place, Suite 310
Rockville, MD 20855

RE: FDIC FOIA Log Number 2024-FDIC-FOIA-00084

Dear Mr. Shear:

This letter is the final response to your November 9, 2023, Freedom of Information Act (FOIA) request seeking:

- Copy of the Crypto Asset Risks Interdivisional Working Group (Crypto Asset Working Group) May 2022 charter as described in the October 2023 FDIC Office of Inspector General report titled "FDIC Strategies Related to Crypto-Asset Risks" at pages 8-9 and 16; and
- Copy of the Crypto Asset Working Group minutes from March 2022 through the date this request is processed.

We have considered your request in light of the requirements of the FOIA and the FDIC's FOIA regulations.¹

Our records search is complete. For the first part of your request, records consisting of 3 pages were found to be responsive. These records are being released to you in part. The remaining portion of your request is withheld in full. Withheld information is exempt from disclosure under FOIA Exemptions 5 and 8, 5 U.S.C. § 552(b)(5) and (8). Exemption 5 protects inter-agency or intra-agency communications which would not be available by law to a party other than an agency in litigation with the agency, to include the deliberative process privilege. Exemption 8 protects matters that are contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions.

We have determined that the information should be withheld because it is reasonably foreseeable that disclosure would harm an interest protected by an exemption described in subsection (b) of the FOIA, 5 U.S.C. § 552(b).

¹ The FDIC's FOIA regulations and FOIA Fee Schedule are available on our website at the Freedom of Information Act (FOIA) Service Center, <https://www.fdic.gov/about/freedom/index.html>.

This completes the processing of your Request. You may contact me at charlessmitha@fdic.gov or our FOIA Public Liaison at FOIAPublicLiaison@fdic.gov or by telephone at 703-562-6040 for any further assistance and to discuss any aspect of your request.

You also may contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA mediation services they offer. The contact information for OGIS is as follows: Office of Government Information Services, National Archives and Records Administration, 8601 Adelphi Road-OGIS, College Park, Maryland 20740-6001; email at ogis@nara.gov; telephone at 202-741-5770; toll free at 1-877-684-6448; or facsimile at 202-741-5769.

If you are not satisfied with the response to this request, you may administratively appeal this response by writing to the FDIC's General Counsel. Your appeal must be postmarked or electronically transmitted within 90 days of the date of the response to your request. Your appeal should be addressed to the FOIA/PA Group, Legal Division, FDIC, 550 17th Street, NW, Washington, DC 20429. Please refer to the log number and include any additional information that you would like the General Counsel to consider.

Sincerely,

Charles Smith
Government Information Specialist
Legal Division



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Crypto Asset Risks Interdivisional Working Group

Charter

Article I – Background

With advances in technology, growth in the use of crypto or digital assets, and increase in demand by consumers for various services, products, and solutions, financial institutions are engaging in a variety of crypto asset-related activities or are planning to engage in these types of activities, including FDIC-supervised and –insured depository institutions (IDIs). These crypto-related activities may pose significant safety and soundness risks, as well as financial stability and consumer protection concerns.

Crypto asset-related activities present ownership issues, including whether it is possible for ownership to be clearly validated and confirmed; credit risk exposure, including whether it is possible to measure the degree of asset quality, credit risk, and counterparty risk exposure; liquidity risk exposure for IDIs, particularly when crypto assets with very volatile values are involved; significant market risk, as it is uncertain whether adequate methods for pricing and valuation exist; and consumer protection, confusion, and privacy concerns. When crypto asset-related activities involve IDIs, there may be the added risk of consumer confusion regarding crypto assets offered by, through, or in connection with IDIs, as consumers may not understand the role of the bank or the speculative nature of certain crypto assets as compared to traditional banking products, such as deposit accounts.

There are also significant Bank Secrecy Act and countering the financing of terrorism implications and concerns related to crypto assets and reported instances of these assets being used for illicit activities. Relatedly, there are implications to information technology (IT) and information security, including IT risk exposure and whether sufficient frameworks are available, in relation to the level of risk, to maintain the confidentiality, integrity, and availability of information systems. Moreover, crypto-related activities present systemic risks to the financial system. Potential disruptions or operational failures related to crypto assets or crypto-related activities could result in a “run” on financial assets backing a crypto asset or crypto-related activity disrupting critical funding markets or a destabilizing effect on the insured depository institutions engaging in such activities. There are also overarching concerns of how crypto asset-related activities affect resolution of failed financial institutions.

While the mission of the Emerging Technology Steering Committee encompasses emerging technologies overall, including crypto assets, the FDIC is forming a working group specifically focused on the aforementioned risks given the rapidly expanding and evolving nature of crypto asset-related activities emerging in the banking sector.

Article II – Mission

The FDIC’s Crypto Asset Risks Interdivisional Working Group (“Crypto Asset Working Group”) is responsible for assessing the safety and soundness, consumer protection, deposit insurance, resolution planning, and financial stability risks associated with crypto-asset related activities that are, or may be, engaged in by financial institutions. The group shall report out its assessment of these risks, including whether such risks can be sufficiently mitigated, and, as appropriate, provide recommendations for addressing those risks to the relevant officers of the agency.

Article III – Objectives

- Review the specific crypto-asset related use cases financial institutions intend to engage in, or are currently engaged in. This includes, but is not limited to, those uses cases identified by activities reported by FDIC-supervised institutions pursuant to FIL-16-2022 (together, “emergent crypto-related activities”).
- Assess the safety and soundness, consumer protection, deposit insurance, resolution planning, and financial stability risks associated with emergent crypto-asset related activities.
- Assess the permissibility of emergent crypto-related activities and the extent to which these activities can be engaged in without giving rise to material safety and soundness, consumer protection, and financial stability risks. To the extent such activities can be engaged in without giving rise to material safety and soundness, consumer protection, and financial stability risks, provide recommendations, as appropriate, on the measurement, management, and mitigation of such risks.
- For all other crypto-related activities, facilitate a corporate-wide understanding of crypto asset risks in all their forms. Gain an understanding of existing and proposed crypto asset activity (use cases) by FDIC-supervised and FDIC-insured institutions.
- Analyze and assess the existing and potential crypto asset use cases and how they could pose risks to financial institutions, IDIs, consumers, the deposit insurance fund, and the U.S. financial system.

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Article IV – Members

Membership in the Crypto Asset Working Group shall be composed primarily of executive representatives from the Division of Risk Management Supervision (RMS), the Division of Depositor and Consumer Protection (DCP), the Division of Insurance and Research (DIR), the Division of Complex Institution Supervision and Resolution (CISR), the Division of Resolutions and Receiverships (DRR), and the Legal Division (Legal). The Director of each division and office shall be responsible for ensuring that appropriate staffing and resources are allocated to the Crypto Asset Working Group to allow for the prompt and effective execution of its objectives. The Crypto Asset Working Group may also form subgroups in meeting its objectives.

The Crypto Asset Working Group shall report to the Acting Chairman of the FDIC and will be chaired by the Senior Deputy Director, Supervision and Policy, Division of Risk Management Supervision.

The following individuals in the positions below shall be primary members of the Crypto Asset Working Group:

- Senior Deputy Director, Supervision and Policy, RMS (chair);
- Deputy Director, Policy and Research, DCP;
- Deputy Director, DIR;
- Associate Director, Horizontal Risk, CISR;
- Deputy Director, Asset Marketing and Management, DRR; and
- Deputy General Counsel, Legal

In addition to the primary members, the Crypto Asset Working Group will invite other FDIC officials to participate when it is appropriate to further the Group's mission.

Article V – Meetings

1. Bi-weekly or at the call of the chair; minutes will be maintained.
2. A quorum requires that a majority of the primary members (or his/her delegated proxy) be present, in-person or virtually.
3. Decision-making will be by consensus.