To:
Benjamin W. McDonough
Deputy Secretary, Board of Governors of the Federal Reserve System
20th St. and Constitution Ave. NW,
Washington, DC 20551

April 27, 2026

Re: Prohibition on Use of Reputation Risk or Other Supervisory Tools To Encourage or Compel Banking Organizations To Engage in Politicized or Unlawful Discrimination

Coinbase Global, Inc. (together with its subsidiaries, "**Coinbase**") appreciates the opportunity to respond to the notice of proposed rulemaking ("**NPR**") published by the Federal Reserve Board ("**the Fed**" or "**the Board**") to codify the removal of reputation risk from its supervisory programs and to prohibit the Board from encouraging or compelling banking organizations to deny the provision of services based on customers' constitutionally protected but politically disfavored activities perceived to present reputation risk.

Reputation risk has been misused to discourage banks from providing core services to lawful businesses and is inconsistent with the Administration's goal that banking decisions be made without regard to political or religious beliefs. The Office of the Comptroller of the Currency ("**OCC**") and Federal Deposit Insurance Corporation ("**FDIC**")'s parallel final rule is an important first step in implementing that directive, and the Board's final rule should align with it to provide clear, consistent supervisory standards across the federal banking agencies. The agencies should also take coordinated action beyond these rulemakings to fully eliminate reputation risk from supervision.

We appreciate the Board's attention and efforts in eliminating the use of reputation risk, and we look forward to working with staff on this issue.

Yours sincerely,

Faryar Shirzad
Chief Policy Officer
Coinbase

Introduction

We strongly support the Board's objective to eliminate reputation risk from supervisory programs and materials. Coinbase has experienced firsthand how reputation risk has been misused to pressure banks to withdraw or withhold core services from lawful businesses — including those of our employees — based on political disfavor and vague concerns about "public perception." Ending this practice across all federal banking agencies is in line with the President's mission to guarantee fair banking for all Americans and to prevent a future Choke Point 3.0.[1]

The OCC and FDIC have already codified this principle in their joint final rule ("**OCC/FDIC rule**"), which, among other things, eliminates reputation risk from their supervisory programs and prohibits the agencies from "criticizing or taking adverse action against an institution on the basis of reputation risk."[2] The OCC/FDIC rule is a critical step in eliminating the use of reputation risk, and the Fed should align its final rule accordingly for clear and consistent supervisory standards across all the banking regulators.

Eliminating the use of reputation risk is important to advance the following objectives:

- **<u>Putting an end to "shadow regulation"</u>**:
  - Explicitly barring the use of reputation risk in examinations and supervisory materials, and prohibiting the Board from encouraging or compelling banks to deny or condition services based on lawful but politically disfavored activities, will materially reduce the scope for informal, undocumented pressure leading to wasted time and resources by both banking organizations and their potential customers that has characterized prior episodes of debanking.

- **<u>Ensuring lawful access to banking services</u>**:
  - By refocusing supervision on core financial risks, the proposal will support banks' ability to establish and maintain relationships with lawful customers, including novel and innovative industries such as crypto, without fear that supervisors will later second-guess those relationships based on perceived "reputation risk."

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[1] Exec. Order No. 14,331, Guaranteeing Fair Banking for All Americans, 90 Fed. Reg. 38,925 (Aug. 12, 2025).
[2] Prohibition on the Use of Reputation Risk by Regulators, 91 Fed. Reg. 18,279 (Apr. 10, 2026) (to be codified at 12 C.F.R. pts. 1, 4, 30, 302 & 364).

- **<u>Permanently disjoining social or industrial policy goals from supervision</u>**:
    - Eliminating reputation risk and its functional equivalents signals that the Board's supervision is not a tool for pursuing contested social or industrial policy goals, but rather for ensuring safety, soundness, and legal compliance. That clarity is essential both for the fairness of the banking system and for the legitimacy of supervision itself.

While directionally correct, the Board's proposal is not as rigorous as the rule adopted by the OCC/FDIC, and should be updated to close this potential regulatory gap. In particular, the proposal requires strengthening in two ways. First, the Board should more closely align its final rule with the OCC/FDIC rule so that banking organizations have a consistent definition of "reputation risk" and face a single, harmonized standard prohibiting supervision based on reputation risk. This will reduce opportunities for regulatory arbitrage, eliminate conflicting expectations among examiners, and simplify compliance for firms subject to oversight by multiple regulators. Second, the Fed should coordinate closely with the OCC and FDIC so that implementation, examiner training, and subsequent guidance are consistent across agencies, thereby preventing inconsistencies that could allow reputation-based concerns to re-enter supervision under different labels.

I. Areas to Align with the OCC/FDIC Rule

Question 2 – Definition of "reputation risk"

The Board proposes to define reputation risk as "the potential that negative publicity regarding a banking organization's business practices, whether true or not, will cause a decline in the banking organization's customer base, costly litigation, or revenue reductions," consistent with the Board's SR 95-51 guidance from 1995.[3] In contrast, the OCC/FDIC rule defines reputational risk as "any risk, regardless of how the risk is labeled by the institution or regulators, that an action or activity, or combination of actions or activities, or lack of actions or activities, of an institution could negatively impact public perception of the institution for reasons not clearly and directly related to the financial or operational condition of the institution."[4]

From a substantive standpoint, it is impractical and unworkable for two federal banking agencies to have different definitions of the same regulatory concept. And, for policy implementation, misalignment is itself something that creates room for unpredictability and, by extent, the risk of politicization. We therefore encourage the Board to adopt the

[3] *See* proposed 12 C.F.R. § 262.9(a)(5); Bd. of Governors of the Fed. Reserve Sys., Supervision & Regulation Letter SR 95-51 (SUP), Rating the Adequacy of Risk Management Processes and Internal Controls at State Member Banks and Bank Holding Companies (Nov. 14, 1995) (revised June 23, 2025).
[4] 12 C.F.R. §§ 4.91(g) and 302.100(g) (2026).

OCC/FDIC's more rigorous and up-to-date definition, which would provide more precise and durable protections against the use of reputation risk. In doing so, the Board would promote regulatory consistency and prevent disparate applications of the agencies' prohibitions on reputation risk.

Question 3 – Definition of "banking organization" and treatment of permitted payment stablecoin issuers ("PPSIs")

The proposed rule states that the Board shall not use reputation risk as a component of its examination programs or in materials used for the supervision of banking organizations.[5] The proposal's definition of "banking organization" encompasses bank holding companies, savings and loan holding companies, state member banks, the combined U.S. operations of foreign banking organizations, and their direct and indirect subsidiaries.[6]

Rather than attempting to enumerate every specific entity that should be in scope, the Board should align the rule's scope with the OCC/FDIC rule and provide that the prohibition applies with respect to "any entity for which the [Board] makes or will make supervisory determinations or other decisions, either solely or jointly."[7] This approach is both simpler and more capacious in ensuring that any entity under the Fed's supervisory jurisdiction is protected by the rule's prohibition on reputation risk.

This recommended scoping would include PPSIs supervised by the Board and affirm that they fall within the scope of proposed 12 C.F.R. § 262.9's protections, without requiring ad hoc amendments to the Fed's prohibition on reputation risk as PPSIs begin their operations and evolve. PPSIs will, by design, be central to the payments system and subject to appropriately tailored prudential oversight, yet they are particularly vulnerable to reputation-based debanking and supervisory pressure due to their involvement in cryptocurrency. Crypto-related activities have already been singled out under reputation risk frameworks, and crypto firms and their employees have been denied banking services based on political disfavor rather than material financial risk or compliance with applicable law. Thus, it is especially important that PPSIs and similarly situated entities for which the Board makes supervisory determinations will be covered by § 262.9 on the same terms as other banking organizations, and that the Board applies the same anti-debanking principles reflected in § 262.9(b) whenever its supervisory posture affects banking organizations' relationships with PPSIs and other crypto-related firms, in line with the Executive Order's directive to remove reputation-based debanking across agencies.

[5] Proposed 12 C.F.R. § 262.9(c).
[6] Proposed 12 C.F.R. § 262.9(a)(2).
[7] *See* 12 C.F.R. §§ 4.91(g) and 302.100(g) ("Institution" means "an entity for which the OCC makes or will make supervisory or licensing determinations either solely or jointly;" and "an entity for which the FDIC makes or will make supervisory determinations or other decisions, either solely or jointly").

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Question 4 – Clarity on the prohibition and scope of examination programs and supervisory materials

The Board asks whether the proposal's prohibition on the use of reputation risk is clear, and whether "examination programs" or "materials used for the supervision of banking organizations" be defined further.

While we support the NPR's core prohibition that the Board will not use reputation risk as a component of its examination programs or in materials used for the supervision of banking organizations, including manuals, guidance, and examiner training, the rule must go farther to make this prohibition effective in practice — not merely in form.

Accordingly, the final rule should confirm that the prohibition extends to: (i) the design and execution of risk-focused examinations and inspections (including scoping, findings, and ratings); (ii) matters requiring attention ("**MRAs**") and matters requiring immediate attention ("**MRIAs**") and any analogous supervisory recommendations; (iii) all component and composite supervisory ratings; and (iv) horizontal and targeted reviews and other thematic exercises. These are the channels through which supervisors exert effective leverage over firms. If reputation-based concepts are barred in name only but continue to influence MRAs, ratings, or horizontal reviews, the practical effect of the rule will be undermined.

To that end, we strongly encourage the Board to align this aspect of its final rule with the OCC and FDIC's treatment of "adverse action." The OCC/FDIC rule prohibits supervisors from criticizing, formally or informally, or taking adverse action against an institution on the basis of reputation risk, and it defines "adverse action" broadly to include negative feedback, ratings downgrades, heightened requirements, licensing denials or conditions, and other differential treatment.[8] While the Board's proposal has a focus on the exclusion of reputation risk from programs and materials, the Board should make explicit that no formal or informal supervisory criticism, ratings change, heightened requirement, licensing condition, or other adverse action may be based on reputation risk or its functional equivalents.

Questions 5 and 8 – Rule of construction/applicable law, and references to concepts related to reputation risk

The Board asks what, if any, provisions of applicable law should the proposal's rule of construction include or remove in its list in § 262.9, including the Bank Secrecy Act ("**BSA**").[9] The proposed rule's savings clause in § 262.9(d) preserves the Board's

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[8] 12 C.F.R. §§ 4.91(g) and 302.100(g).
[9] Proposed 12 C.F.R. § 262.9(d).

authority to enforce the BSA, but requires that it do so “consistent with” the core prohibition on reputation risk in subsections (b) and (c).

The Board should interpret this consistency requirement strictly, because BSA and anti-money laundering (“**AML**”) compliance is the channel through which reputation-based concerns have most often been repackaged as legitimate supervisory findings.

To avoid that outcome, the Board’s rule should articulate an explicit anti-pretext principle, as the OCC/FDIC rule has done.[10] In particular, the Board should state that it will not use nominal concerns about BSA/AML, sanctions, or other statutory factors as a pretext for disfavoring lawful but politically unpopular customers or industries based on perceived reputation risk.

The Board also asks what references to concepts related to reputation risk should be considered upon revising its supervisory materials or regulations. We encourage the Board to review its supervisory materials and regulations for concepts that can function as proxies for reputation risk. These include: references to “public perception,” “headline risk,” or “franchise value” that are not explicitly tied to specific, quantifiable financial impacts; language suggesting that examiners should consider political or social controversy surrounding a customer or industry as a negative factor; and broad “other risks” categories that implicitly invite examiners to factor in anticipated public or political reactions. We recommend that the Board revise or remove such references so they are clearly and exclusively tied to material financial risks and that it make explicit that supervisors may not treat politically disfavored but lawful business activities or speech as negative factors in supervising banks’ customer relationships. This is essential to end politicized debanking in day-to-day supervision, not simply in rule text.

II. Areas for Future Coordinated Action with the OCC and FDIC

While the NPR is an important step toward eliminating reputation risk from supervision, additional coordinated action is needed to guarantee the prohibition is durable in practice and applied consistently across the federal banking agencies. Working with the OCC and FDIC, the Board should strengthen its supervisory framework along two core dimensions: (i) codifying an affirmative supervisory purpose, and (ii) enhancing transparency and accountability to reduce “shadow supervision” and prevent reputation-based concepts from re-emerging under different labels.

[10] The OCC/FDIC explain that their final rule “prohibits supervisors from using BSA and anti-money laundering concerns as a pretext for reputation risk. In addition, although the agencies may continue to consider the statutory factors required with respect to certain applications, the rule prohibits supervisors from using these provisions as a pretext for reputation risk when making determinations regarding such applications.” 91 Fed. Reg. at 18,287.

Codify an Affirmative Supervisory Purpose

The Board should codify that the purpose of its supervisory programs is to ensure the safe and sound operation of banking organizations and their compliance with applicable law. The preamble to the OCC/FDIC final rule explained that supervision "should focus on concrete risks and objective criteria directly related to applicable statutory requirements[,]" and that "the use of reputation risk in the supervisory process does not increase the safety and soundness of supervised institutions."[11] We agree. Supervision should focus on material financial risks, not on subjective political or social perceptions.

To make this principle truly durable, the federal banking agencies should adopt a common statement that the purpose of bank supervision is to assure financially safe and sound operations and compliance with applicable laws, and that supervisory actions must be tied to I financial risks that are likely, or reasonably can be expected, to cause significant harm, or to identifiable violations of law. Codifying such a principle would provide an anchor against future attempts to rebrand reputation-type concepts under different labels and would give courts and Congress a clear benchmark for evaluating whether supervisory conduct remains within its proper bounds.

Consistent with this approach, we agree that eliminating reputation risk as a supervisory category will not impair safety and soundness, because concerns previously channeled through "reputation risk" can — and should — be addressed through objective categories like credit, market, liquidity, operational, and legal risk.

Improve Transparency, Accountability, and Implementation

The Board should work with the OCC and FDIC to complement their rules with measures to reduce "shadow supervision," including targeted reforms to confidential supervisory information ("**CSI**") and Freedom of Information Act ("**FOIA**") practices and clear internal accountability mechanisms for how examiners apply these rules in the field. As we observed in our OCC/FDIC response, reputation risk abuses flourished within a regime of confidential examinations, informal MRAs, and limited public visibility into supervisory "secret law."[12] Beyond this NPR, the Board should commit to reviewing its CSI and FOIA practices to prevent them from being used to shield reputation-based debanking from public or congressional scrutiny.

The Board should also explore dedicated reporting channels, such as an online portal or hotline for firms or consumers who believe they have been denied banking services

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[11] *Id.* at 18,280-82.
[12] Coinbase, "Response to OCC and FDIC Joint Notice of Proposed Rulemaking regarding the Prohibition of the Use of Reputation Risk by Regulators," at 6-7 (Dec. 29, 2025), https://ctf-images-01.coinbasecdn.net/o10es7wu5gm1/3yCV9RF0AA5S6JkU8ihLMg/9c2b82b8a40394e8a7b0c02f3eb1ed55/2025.12.29_OCC_FDIC_Reputation_Risk.docx.pdf.

based on politicized or reputation-driven supervisory pressure. These measures are not substitutes for the current proposal, but they are important reinforcements that would help safeguard the rule's effectiveness over time and across supervisory teams.

In addition, the Board should adopt concrete implementation steps to avoid unintended consequences and to prevent legacy practices from persisting under new terminology. To do this, the Board should:

- provide comprehensive training on § 262.9 for all supervisory staff, using concrete examples of what does and does not constitute a reputation-based concern;
- establish management controls and metrics to monitor whether examination findings and MRAs/MRIAs are tied to quantifiable financial risks or compliance with applicable laws; and
- create clear escalation channels for supervised institutions that believe reputation-based considerations are influencing supervisory outcomes, with appropriate protection against retaliation.

These implementation steps would substantially reduce the possibility that reputation-based supervision would be used informally even as the formal framework is revised.

The Board's proposal with appropriate additional safeguards represents a critical step toward ending the misuse of reputation risk and restoring a supervisory framework grounded in objective, material financial risks and the rule of law. With these refinements, the Board's rule would meaningfully advance the President's directive to remove reputation risk and equivalent concepts from bank supervision. This would ensure that banking services are provided based on quantifiable risks rather than shifting political or social preferences.

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We appreciate the Board's leadership on this issue and welcome the opportunity to engage further.