

History Associates Inc. v. FDIC, No. 1:24-cv-1857-ACR (D.D.C.)

FDIC's Redacted Pause Letters

~~November 22, 2024~~

January 3, 2025

DOCUMENT 1



Federal Deposit
Insurance Corporation

Dallas Regional Office

600 North Pearl Street, Suite 700, Dallas, Texas
(214) 754-0098 FAX (972) 761-2082

Division of Risk Management Supervision
Division of Depositor and Consumer Protection

SENT VIA SECURED ELECTRONIC MAIL

March 11, 2022

The Board of Directors
[REDACTED]

Subject: Proposed New FinTech Product [REDACTED]

Dear Members of the Board:

This office received President and Chief Executive Officer [REDACTED] submission [REDACTED] on February 25, 2022, that provided high-level information relating to the subject product. The proposed product is [REDACTED] apparently an avenue for bank customers to engage in crypto asset activity, specifically Bitcoin transactions, through a third-party arrangement. However, at this time the FDIC has not yet determined what, if any, regulatory filings will be necessary for a bank to engage in this type of activity. As a result, we respectfully ask that you pause all crypto asset-related activity. The FDIC will notify all FDIC-supervised banks at a later date when a determination has been made on the supervisory expectations for engaging in crypto asset-related activity, including the need for any regulatory filings.

You may direct questions on this matter to Case Manager [REDACTED] at [REDACTED] or me at [REDACTED]. As a reminder, written correspondence should be addressed to Kristie Elmquist, Regional Director, FDIC, Dallas Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following e-mail address: DALMailRoom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/securemail/>. If there are any questions about the Secure Email process, please contact Case Manager [REDACTED] or me at [REDACTED].

Sincerely,

Eric T. Guyot (Signed)

Eric T. Guyot
Assistant Regional Director

cc: Federal Reserve Bank of Atlanta
[REDACTED]

DOCUMENT 2



FEDERAL DEPOSIT INSURANCE CORPORATION
10 10th Street NE, Suite 800
Atlanta, Georgia 30309-3849

Atlanta Regional Office
Division of Risk Management Supervision
(678) 916-2200

March 15, 2022

Via Secure Email

[REDACTED]

President, [REDACTED]

Subject: [REDACTED] Internal Blockchain

Dear [REDACTED]

Based on recent discussions with you and your management team, as well as review of documentation provided by the bank, our understanding is that [REDACTED] intends to offer bank clients [REDACTED] an internal blockchain-based, real-time payments service provided by [REDACTED]. You indicate that [REDACTED] is intended to enable real-time payments by tokenizing U.S. dollar deposits. The platform, as presented, is a closed-loop payments system that would involve the movement of tokens between existing [REDACTED] customers. Under this platform, all transactions and activities would remain within the bank, and no transactions would involve outside parties. We further understand that the bank has entered into a two-year agreement with [REDACTED] to provide this service.

Please notify us of any material change from the arrangement as described to the FDIC, including, but not limited to, expanding the service to include any clients, transactions or activities outside of the bank, such as through [REDACTED]. Thereafter, the FDIC may have additional questions to clarify the bank's proposed activities prior to expanding the service to ensure the bank is operating in safe and sound manner.¹

If you have any questions concerning this letter, please contact Case Manager [REDACTED] at [REDACTED] or by telephone at [REDACTED].

Sincerely,

Frank R. Hughes
Acting Regional Director

¹ See e.g., Section 39 of the Federal Deposit Insurance Act and Part 364 of the FDIC Rules and Regulations.

DOCUMENT 3



March 25, 2022

Board of Directors
~~e/e~~ [REDACTED]

Subject: Activity Related to[REDACTED]

Dear Members of the Board:

On [REDACTED], the [REDACTED], a [REDACTED] association of [REDACTED] institutions, was launched to further the adoption and interoperability of a [REDACTED] to facilitate the transfer of value on a blockchain. [REDACTED] is one of the [REDACTED] members of the [REDACTED].

[REDACTED] General Counsel and Corporate Secretary [REDACTED] along with leadership of the other [REDACTED] members, participated in a February 22, 2022 conference call to discuss the [REDACTED] and its proposal with representatives from the ~~[REDACTED]~~FDIC, the Board of Governors of the Federal Reserve System, and the Office of Comptroller of the Currency (collectively, Federal regulators). The Federal regulators understand, as a result of this conference call, that the [REDACTED] is currently drafting operating rules to govern transactions on the [REDACTED] blockchain network.

The FDIC has a number of questions based on the information provided to date. We expect you to satisfactorily address them (in advance of implementation) to ensure the bank is operating in a safe and sound manner.¹ To assist the FDIC and the other Federal regulators in the [REDACTED] review process, we will be sending, under separate cover, (i) the questions regarding the [REDACTED] that have not yet been satisfactorily addressed and (ii) additional questions and document requests that will need to be addressed.

Written correspondence should be addressed to Jessica A. Kaemingk, Acting Regional Director, FDIC, New York Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://secureemail.fdic.gov/>) using the following email address: NYMailRoom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/secureemail/>.

If you have any questions, please contact Assistant Regional Director Steven P. Slovinski at [REDACTED]

¹ See e.g., Section 39 of the Federal Deposit Insurance Act and Part 364 of the FDIC Rules and Regulations.

Sincerely,
Jessica A. Kaemingk
Acting Regional Director

CC: [REDACTED]
Federal Reserve Bank of New York

DOCUMENT 4



March 25, 2022

Board of Directors
[REDACTED]

Subject: Activity Related to [REDACTED] Bank Digital Deposit

Dear Board Members:

On October 12, 2021, [REDACTED] Bank met with the FDIC and notified the FDIC of a new planned product, the [REDACTED] Bank Digital Deposit ([REDACTED]) (f/k/a [REDACTED] Bank Digital Dollar).

President and Chief Executive Officer [REDACTED] along with other bank management, participated in a conference call to discuss [REDACTED] and its proposed launch with representatives from the FDIC and the [REDACTED] on October 12, 2021, with a follow-up call on [REDACTED] November 15, 2021. The regulators understand, as a result of these discussions, that [REDACTED] represents an enhancement to the existing [REDACTED] technology. The [REDACTED] token design will also only enable transactions between qualifying [REDACTED] Bank commercial clients. [REDACTED], however, will operate on the [REDACTED] a decentralized public Blockchain, rather than on the [REDACTED] a private, permissioned Blockchain.

The FDIC has a number of questions based on the information provided to date. We expect you to satisfactorily address them (in advance of implementation) to ensure the bank will be engaging in this new activity in a safe and sound manner.¹ To assist in the [REDACTED] review process, we will be sending, under separate cover, (i) the questions regarding [REDACTED] that have not yet been satisfactorily addressed; and (ii) additional questions and document requests that will need to be addressed prior to ~~launch~~ launching [REDACTED].

Written correspondence should be addressed to Jessica A. Kaemingk, Acting Regional Director, FDIC, New York Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://secureemail.fdic.gov/>) using the following email address: NYMailRoom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/secureemail/>.

If you have any questions, please contact Assistant Regional Director Steven P. Slovinski at [REDACTED]

¹ See e.g., Section 39 of the Federal Deposit Insurance Act and Part 364 of the FDIC Rules and Regulations.

Sincerely,
Jessica A. Kaemingk
Acting Regional Director

| [CC:](#) [\[REDACTED\]](#)

DOCUMENT 5



Federal Deposit Insurance Corporation
Division of Risk Management Supervision
300 South Riverside Plaza, Suite 1700, Chicago, IL 60606

Chicago Regional Office
Phone (312) 382-7500
Fax (312) 382-6901

April 5, 2022

Board of Directors
[REDACTED]

Subject: Activity Related to [REDACTED] [Bitcoin Service](#)

Dear Board Members:

~~[REDACTED]~~ [On December 17, 2021](#), the Federal Deposit Insurance Corporation (FDIC), [the \[REDACTED\]](#), and [\[REDACTED\]](#) management team participated in a virtual meeting to discuss crypto-asset [finder services that \[REDACTED\] is offering to certain customers. Approximately 2,800 \[REDACTED\] customers can purchase, sell, and store Bitcoin using an application from \[REDACTED\] through the bank's online and mobile banking platform provided by \[REDACTED\]](#) Subsequent to that ~~[REDACTED]~~ meeting, the FDIC [and \[REDACTED\] requested and](#) received additional documentation regarding the bank's agreements, risk assessment, and due diligence related to this new service.

The FDIC has a number of questions based on the information provided to date. Those include questions with respect to the permissibility of this activity, including what legal analysis the bank performed related to permissibility and to assess compliance with Part 362 of the FDIC Rules and Regulations. Those also include questions with respect to safety and soundness¹ related to this activity and consumer protection issues. The FDIC plans to perform a detailed review of this activity and will seek further information with respect to those questions at the upcoming ~~[REDACTED]~~ [April 25, 2022 joint](#) examination. Until [that review is completed](#), [\[REDACTED\]](#) should not expand the service to additional customers.

If you have any questions, please contact Deputy Regional Director Christopher J. Newbury at [\[REDACTED\]](#)

Sincerely,

Gregory P. Bottone
Regional Director

cc: [\[REDACTED\]](#)

¹ See e.g., Section 39 of the Federal Deposit Insurance Act and Part 364 of the FDIC Rules and Regulations.

DOCUMENT 6



DIVISION OF
RISK MANAGEMENT
SUPERVISION

Dallas Regional Office
600 North Pearl Street, Suite 700
Dallas, Texas 75201
(214) 754-0098 FAX (972) 761-2082

April 15, 2022

The Board of Directors
[REDACTED]

Subject: Proposed [New FinTech Product](#) [REDACTED]

Dear Members of the Board:

We received [President and Chief Operating Officer](#) [REDACTED] submission [\[REDACTED\] on February 23, 2022](#), that provided high-level information related to the subject [REDACTED] [product](#). The proposed product will [\[REDACTED\] apparently be interfaced with the bank's online and mobile banking platforms and will offer bank customers access to Bitcoin and Ethereum through the bank's mobile app](#). However, at this time the FDIC has not yet determined what, if any, regulatory filings will be necessary for a bank to engage in this type of activity. As a result, we respectfully ask that you pause all crypto asset-related activity. The FDIC will notify all FDIC-supervised banks at a later date when a determination has been made on the supervisory expectations for engaging in crypto asset-related activity, including the need for any regulatory filings. Refer to the Financial Institution Letter issued on April 7, 2022, FIL-16-2022-Notification of Engaging in Crypto-Related Activities, for additional information.

Please direct questions on this matter to [Case Manager](#) [REDACTED] at [REDACTED] or [REDACTED]. As a reminder, written correspondence should be addressed to Kristie K. Elmquist, Regional Director, FDIC, Dallas Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following e-mail address: DALMailRoomPfdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/secureemail/>. If you prefer to send correspondence via mail, please use the Dallas Regional Office address noted in the letterhead. If there are any questions about the Secure Email process, please contact [Case Manager](#) [REDACTED].

Sincerely,

Signed by Joseph A. Meade

Joseph A. Meade
Assistant Regional Director

cc: Federal Reserve Bank of Kansas City
[REDACTED]

DOCUMENT 7



April 22, 2022

Board of Directors
[REDACTED]

Subject: Activity Related to [REDACTED]

Dear Members of the Board:

On [REDACTED], the [REDACTED] a [REDACTED] association of [REDACTED] institutions, was launched to further the adoption and interoperability of a [REDACTED] to facilitate the transfer of value on a blockchain. [REDACTED] Bank is currently a member of the [REDACTED]. We appreciate the transparency of [REDACTED] management team over the past several months in keeping us informed as the bank has conducted due diligence and explored its entry into the digital asset space. This letter serves as a follow-up to what was discussed in regards to [REDACTED] activity during the March 25, 2022 call between the [REDACTED] management team and FDIC New York Regional Office staff.

Several key [REDACTED] members participated in a [REDACTED] February 22, 2022 conference call to discuss the [REDACTED] and its proposal with representatives from the FDIC, [REDACTED] the Board of Governors of the Federal Reserve System, and the Office of Comptroller of the Currency (collectively, Federal regulators). The Federal regulators understand, as a result of this conference call, that the [REDACTED] is currently drafting operating rules to govern transactions on the [REDACTED] blockchain network.

The FDIC has a number of questions based on the information provided to date. We expect the [REDACTED] to address those (in advance of implementation) to ensure [REDACTED] member banks are operating in a safe and sound manner.¹ To assist the FDIC and the other Federal regulators in the [REDACTED] review process, we will be sending, under separate cover, (i) the questions regarding the [REDACTED] that have not yet been satisfactorily addressed and (ii) additional questions and document requests that will need to be addressed. In addition to this outreach, we may reach out directly to [REDACTED] with questions to gain an understanding of how the bank will ensure continued safe and sound operation as this activity is implemented.

Written correspondence should be addressed to Jessica A. Kaemingk, Acting Regional Director, FDIC, New York Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following email address:

¹ See e.g., Section 39 of the Federal Deposit Insurance Act and Part 364 of the FDIC Rules and Regulations.

NYMailRoom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/secureemail/>.

If you have any questions, please contact Assistant Regional Director Ashley M. Amicangioli at [REDACTED]

Sincerely,
Jessica A. Kaemingk
Acting Regional Director

CC: [REDACTED]
[Federal Reserve Bank of New York](#)

DOCUMENT 8



April 25, 2022

Board of Directors
[REDACTED]
Via Secure Email

Members of the Board:

[REDACTED] On February 22, 2022, the FDIC, [REDACTED] OCC, and Federal Reserve Board met with [REDACTED] and banks that were members of [REDACTED] at the time, including [REDACTED] who is a [REDACTED] member of the [REDACTED]. [REDACTED], General Counsel at [REDACTED], participated in the meeting to discuss the [REDACTED] and its proposed launch. At that meeting, it was evident that the [REDACTED] had yet to finalize the use cases or functionality of the product and the Operating Rules by which the [REDACTED] and its members would be governed. The discussion indicated phases or versions of the product, [REDACTED] with future solutions, and subsequently, FDIC has received revised information outlining three models under consideration for the [REDACTED] program.

In our letter to you [REDACTED] dated March 11, 2022, the FDIC stated it has a number of questions based on the discussion and information provided to date. The initial questions are attached and we request responses [REDACTED] by June 9, 2022. As noted in our prior letter, we expect you to satisfactorily address these and any subsequent questions (in advance of implementation) to ensure the bank is operating in a safe and sound manner.¹ This is consistent with FIL-16-2022 which requests that institutions provide information necessary to allow the agency to assess the safety and soundness, consumer protection, and financial stability implications of such activities.

Written correspondence should be addressed to Kristie K. Elmquist, Regional Director, FDIC, Dallas Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following e-mail address: DALMailRoom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/secureemail/>.

Sincerely,

Kristie Elmquist
Regional Director

Attachment

¹ See e.g., Section 39 of the Federal Deposit Insurance Act and Part 364 of the FDIC Rules and Regulations

1. **[REDACTED] Governance and Structure of [REDACTED].**

- a. Describe the activities conducted by [REDACTED]; the assets held by [REDACTED]; the services [REDACTED] provides to [REDACTED] banks; and the relationship between [REDACTED] and [REDACTED] banks.
- b. Describe the governance in place for [REDACTED] private protocol within the [REDACTED] blockchain, including the processes for decision-making, key participants, and key personnel. In your response, indicate the extent to which (i) [REDACTED] will participate in or exercise control over governance of [REDACTED] private protocol within the [REDACTED] blockchain; and (ii) participants on the private protocol could make decisions that would have binding effect with respect to [REDACTED], including over [REDACTED] objections.
- c. Describe what role, if any, [REDACTED], and [REDACTED] will play in the governance of the [REDACTED].
- d. Describe what role, **[REDACTED]** if any, non-member, participating banks will play in the governance of [REDACTED] private protocol, including whether such banks will be restricted in conducting any activities related to the public [REDACTED] blockchain.
- e. Provide the terms of the [REDACTED] smart contract, the rules of the [REDACTED] blockchain and the private protocol, and any documents that describe the terms [REDACTED] of such smart contract. Identify the party responsible for **[REDACTED]** creating and coding such terms into the smart contract.
- f. Explain in detail the consensus mechanism for the [REDACTED] blockchain. Identify all persons that control 5 percent or more **[REDACTED]** of the staking assets for the blockchain and provide the percentage controlled.
- g. Explain any dispute resolution processes contemplated with respect to [REDACTED] members.
- h. Provide a list of the fees [REDACTED] has already paid to [REDACTED], and estimated expenses moving forward. In your response, please clarify what the fees are for and whether there are expectations of periodic payments to [REDACTED].
- i. Discuss the permissibility [REDACTED] membership in [REDACTED] under section [REDACTED]24 of the Federal Deposit Insurance Act, [REDACTED]12 U.S.C. § 183 la, and part 362 of the FDIC Rules and Regulations, [REDACTED]12 C.F.R. part 362.
- j. Clarify whether [REDACTED] operates a node or is otherwise involved in validating transactions on the [REDACTED] blockchain or the private protocol. Identify other entities that operate as a node or otherwise validate transactions.

Explain how such nodes are assigned; the role they serve; the governance process for nodes; and whether the nodes for the [REDACTED] private protocol are the same or different than [REDACTED] nodes.

- k. Describe what involvement, if any, [REDACTED] may consider in [REDACTED] related activities of the [REDACTED] blockchain.
- l. Identify the steps that [REDACTED] would need to take if it chooses to exit the [REDACTED].
- m. Describe key third-party relationships that the [REDACTED] ~~is~~ and the will enter into with respect to [REDACTED] activities. In your response, please address any contemplated relationships with [REDACTED] and their affiliates.
- n. If the applications for [REDACTED] include business-to-business payments, merchant payments, ~~[REDACTED]~~ and peer-to-peer payments, explain whether different governance protocols would be adopted to ensure privacy, confidentiality and/or data security for the different types of customers and their data.
- o. Explain any restrictions in place regarding the use of data related to [REDACTED] transactions. In your response identify the parties with access to such data and the type(s) of data they can access and any controls monitoring the use of such data. Explain the rights and responsibilities with respect to privacy and/or data security violations.
- p. Explain the extent to which [REDACTED] transactions will make use of an off-chain contract execution environment.
- q. Provide a copy of the Operating Rules.
- r. ~~2. [REDACTED]~~ Describe any insurance that is contemplated to cover loss or malfeasance at the [REDACTED] or [REDACTED] bank-level.
- s. Explain whether [REDACTED] banks or participating banks are required to sign exclusivity agreements with the [REDACTED]. In your response, clarify whether [REDACTED] banks or participating banks are allowed to join other similar

2. Classifications.

- a. Explain the difference, if any, between the [REDACTED] use of the terms “[REDACTED],” “[REDACTED]” and “[REDACTED]” (Note these questions use the term “[REDACTED],” but should be read broadly if there is a difference in these terms.)

- b. The website [REDACTED] (last visited on 3/31/2022) uses the terms “[REDACTED]” and “[REDACTED]” Clarify [REDACTED] understanding of [REDACTED].
- c. Explain whether the [REDACTED] digital markers identify the issuing bank and how, if at all, this distinction is apparent to banks and/or customers.
- d. Explain the basis for [REDACTED] determination that its participation in the [REDACTED], including all the activities that it would conduct as part of the [REDACTED] is permissible under applicable law.

3. Accounting.

- a. Explain how funds exchanged for [REDACTED] digital markers are reflected on the balance sheet of [REDACTED].
- b. Explain whether and how the [REDACTED] digital markers themselves are or will be reflected on the balance sheet of [REDACTED].
- c. Explain whether reserves will be held in connection with the [REDACTED] digital marker liabilities and, if so, whether such reserves be held as cash or in the form of specific assets. If reserves are held, explain whether they serve as collateral for the [REDACTED] digital marker liabilities.
- d. Provide example general ledger entries for [REDACTED] minting; transfer of [REDACTED] to a customer of another [REDACTED] bank; burning of [REDACTED] and settlement of due-to/due- from balances among [REDACTED] banks. Please provide a chart depicting the flow of funds.

4. Exposure to ~~[REDACTED]~~Other Members of the

- a. Explain how [REDACTED] mitigates the risk of intraday (or over-the-weekend) exposures to other banks. In your response, describe any controls in place to protect [REDACTED].
- b. Explain the liability, if any, [REDACTED] would have to holders of from the failure of a fellow [REDACTED] bank during the term of these exposures, issued by another [REDACTED] bank upon such bank’s failure.

5. Risk Management and Controls.

- a. Describe the role of the board in reviewing and approving bank participation in [REDACTED] the and [REDACTED] activities.
 - i. Explain the process by which [REDACTED] board and/or management assessed authority to participate in the

- ii. [REDACTED] Identify the legal risks (including permissibility, if applicable) [REDACTED] board considered when deciding whether to participate in the [REDACTED]. Explain how the [REDACTED] plans to mitigate and manage those risks.
 - iii. If participation in the [REDACTED] was approved by the board, explain the basis upon which the board approved [REDACTED] participation while key questions related to liability, membership, operating rules, and use cases have not been finalized.
 - iv. If participation in the [REDACTED] was not approved by the board, explain management's authority to enter into the activity without board approval.
- b. [REDACTED] Explain the type of risk assessment and due diligence [REDACTED] that was performed and identify key personnel involved in such activities.
 - c. [REDACTED] Explain whether management identified relevant expertise needed to engage in this activity.
 - d. Explain whether the [REDACTED] established any dollar volume-based limitations on customer activity or bank level activity (on a daily basis) (for example, to monitor total exposure/volume).
 - e. [REDACTED] Explain whether the bank will upgrade or change any systems or procedures to allow for this activity.
 - f. Describe the risk management systems, processes, and controls in place or in development with respect to [REDACTED] activities, including the minting and burning of [REDACTED], maintenance of [REDACTED] wallets, and participation in the blockchain.
 - g. f. [REDACTED] Describe the risk management systems, processes, and controls that [REDACTED] and the have put in place to monitor and mitigate potential risks posed by the public [REDACTED] blockchain, including those related to blockchain governance disputes, software defects, and changes in protocol rules.
 - ~~g. [REDACTED]~~
 - h. Explain how [REDACTED] public, permission less nature impacts [REDACTED] ability to mitigate risks related to security and privacy.
 - i. Explain how [REDACTED] will mitigate operational risk where a step in the transfer process does not occur as expected.

- j. Provide any continuity plans if the [REDACTED] blockchain fails, including operational errors or delays in processing and system outages.
 - k. Describe [REDACTED] efforts to conduct due diligence and assess the risks of engaging in the [REDACTED] smart contract.
 - l. ~~m.~~ [REDACTED] Explain how [REDACTED] will ensure that the amount of funds in the omnibus deposit account matches, at a minimum, at all times the aggregate amount of [REDACTED] in its customers' wallets.
 - m. Describe any testing [REDACTED] is conducting or will conduct in relation to the smart contract, or other aspects of its participation in the
 - n. Describe and provide documentation of vulnerability analysis [REDACTED] that has been performed related to the smart contracts.
6. **Settlement:** ~~[REDACTED]~~ Explain when the final settlement of a transaction facilitated by [REDACTED] occurs, where it is recorded, and whether there are any dependencies on the public [REDACTED] blockchain for settlement finality.
- a. ~~7.~~ [REDACTED] Provide a detailed account of what "[REDACTED]" is and for what it will be used. In your response, include whether it has a set price or whether its price can fluctuate.
 - b. Explain whether will be paying "[REDACTED]" fees directly to update the blockchain ledger and, if so, to whom such fees are paid.
 - c. Explain whether [REDACTED] plans to hold "[REDACTED]" and, if so, (i) how it will be reflected on [REDACTED] balance sheet and (ii) how much the [REDACTED] plans to hold. If its price can fluctuate, explain how [REDACTED] intends to account for variations in the price of "[REDACTED]".
 - d. Provide a description of the accounting methods and treatment used for [REDACTED] held by [REDACTED] (including initial recording and any subsequent entries).

7. Use Cases

- a. Provide a detailed description of planned and potential use cases for [REDACTED].
- b. Explain how the [REDACTED] differs from other bank-offered peer-to-peer payments platforms (e.g. [REDACTED] in if the [REDACTED] interacts with any such platforms.
- c. Explain whether and how the [REDACTED] is developing an alias directory (e.g. email addresses). If so, explain (i) whether such directory will be housed by a central party, or such data will be stored in a decentralized manner; how any

personal identifiable information (PII) stored in the alias directory will be protected.

d. Explain how customers effectuate peer-to-peer payments (e.g., in banks' own apps or via a third-party app).

e. Identify and describe safeguards that will be put in place to mitigate the risk that customers send funds to an unintended recipient.

f. Provide screen shots to show the customer's user experience.

8. Consumer Protection.

[REDACTED]

a. Identify the fees and other charges that will be imposed on [REDACTED] customers that elect to use [REDACTED] to conduct transactions.

b. Describe the anticipated process for managing complaints from [REDACTED] customers related to [REDACTED].

c. Explain any steps [REDACTED] will take to ensure consumers understand any difference in protections between [REDACTED] and traditional banking products.

d. Describe network rules, systems, and practices that will be put in place to protect consumers. For example, explain the rights consumers will have to dispute errors, payments mistakenly sent to the wrong party, or payments related to fraud. Describe how [REDACTED] and the [REDACTED] will ensure such disputes are resolved in a timely basis and in accordance with network rules and applicable laws and regulations.

e. Explain whether [REDACTED] or any other entity will indemnify customers for breaches to the wallets.

f. Explain whether consumers are required to enter into an agreement with [REDACTED] (or another entity) to maintain a wallet.

g. ~~h.~~ Describe any representations that [REDACTED] is making or plans to make regarding the applicability of FDIC deposit insurance.

h. Describe any representations that [REDACTED] ~~i.~~ is making or plans to make regarding the stability of [REDACTED], including regarding reserves.

i. Explain whether responsibility for approval of advertising and marketing materials rests with individual [REDACTED] banks or the [REDACTED] as a whole, or if there is some other arrangement.

- j. Identify the consumer data that will be shared with the [REDACTED] and its participants, as well as any controls in place to protect PII and limit sharing. In your response, indicate whether any PII will be stored on a distributed ledger and describe any disclosures regarding data sharing [REDACTED] that intends to provide.

DOCUMENT 9



SENT VIA SECURED ELECTRONIC MAIL

May 4, 2022

The Board of Directors
[REDACTED]

Subject: Proposed Crypto Asset Capability

Dear Members of the Board:

This office received [Senior Vice President and Compliance Officer \[REDACTED\]](#) [e-mail sent on April 19, 2022](#), that provided high-level information about the bank's intent to provide a crypto asset capability [involving \[REDACTED\]](#). [The relationship with \[REDACTED\] would provide bank customers an avenue to engage in crypto asset transactions, specifically the purchase and sale of Bitcoin, using the bank's mobile banking application.](#) We thank you for your timely notification as requested by Financial Institution Letter (FI L-16-2022) dated April 7, 2022.

At this time the FDIC has not yet determined what, if any, regulatory filings will be necessary for a bank to engage in this type of activity. As a result, we respectfully ask that you not implement this product, while we consider this crypto asset-related activity.

As we review your proposed activity, we will continue to correspond with your institution regarding additional information requests to aid us in our assessment of the activity. In the meantime, you may direct questions on this matter to [Case Manager \[REDACTED\]](#) at [REDACTED] Written correspondence should be addressed to Kristie K. Elmquist, Regional Director, FDIC, Dallas Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following e-mail address: DALMailRoom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/securemail/>.

Sincerely,

/s/ J. Mark Love

J. Mark Love
Assistant Regional Director

cc: Federal Reserve Bank of Dallas
[REDACTED]

DOCUMENT 10



May 13, 2022

Board of Directors
[REDACTED]

Subject: [REDACTED]Third-Party Bitcoin Facilitation Activity

Dear Members of the Board:

By letter dated December 30, 2021, [REDACTED] President o [REDACTED] (the Bank), advised the FDIC and the [REDACTED] of the Bank's intent [REDACTED] to offer Bank customers [REDACTED]the ability to buy, hold, and sell bitcoin through the Bank's online banking website and mobile application in conjunction with [REDACTED] (bitcoin trading platform) and [REDACTED] (technology provider). The relationship allows Bank customers to purchase and sell bitcoin through [REDACTED], with funds flowing through the customer's account at the Bank.

By letter dated [REDACTED]January 19, 2022, additional information was received from President [REDACTED] regarding this service, and a brief conference call with President [REDACTED], the [REDACTED], and a representative from the FDIC was held on January 26, 2022. By letter dated [REDACTED]February 9, 2022, the FDIC and [REDACTED] outlined certain information [REDACTED]included in the November 23, 2021 Joint Statement on Crypto-Asset Policy Sprint Initiative and Next Steps (Joint Statement).

On April 7, 2022, the FDIC issued a Financial Institution Letter, FIL-16-2022, explaining a notification and supervisory feedback process concerning a bank's current or planned crypto-asset related activity. That FIL is available here:
<https://www.fdic.gov/news/financial-institution-letters/2022/fil22016.html>

On April 14, 2022, President [REDACTED] verbally notified Case Manager [REDACTED] that the Bank had launched the bitcoin facilitation activity on [REDACTED]. To date, approximately 36 number of customers have executed transactions, with most transactions being bitcoin purchases.

The FDIC continues to review [REDACTED]the bitcoin facilitation activity and various questions remain outstanding, including with respect to the legal permissibility of this activity, the potential applicability of part 362 of the FDIC Rules and Regulations, and safety and soundness and consumer protection principles. Consistent with the procedures outlined in FIL-16-2022, the FDIC will make future information requests to assist us in reviewing the activity and providing supervisory feedback to the Bank. Accordingly, until we complete our review, we request that the Bank refrain from expanding this service to additional customers.

If you have any questions, please contact Assistant Regional Director Cindy Scott at [REDACTED] Written correspondence should be addressed to my attention at the Dallas

| [\[REDACTED\]](#)

[Bank Acting as a Finder for Bitcoin Service](#)

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Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following e-mail address: DALMailRoomPfdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/secureemail/>.

Sincerely,

Kristie K. Elmquist
Regional Director

| [cc:](#) [\[REDACTED\]](#)

DOCUMENT 11



Federal Deposit Insurance Corporation

Division of Risk Management Supervision and Division of Depositor and Consumer Protection
350 5th Avenue, New York, NY 10018

New York Regional Office

June 22, 2022

Board of Directors
[REDACTED]

Subject: [REDACTED] Notice to Engage in Digital Asset Activities under FIL-16-2022

Dear Members of the Board:

We received the subject correspondence [dated May 20, 2022 from \[REDACTED\] \(Bank\)](#), in response to Financial Institution Letter 16-2022, notifying the FDIC of the Bank's intent to engage in activities involving digital assets. New York Regional Office staff has met numerous times with Bank management over the past several months regarding these proposed activities. We appreciate management's efforts to keep us informed as the Bank has conducted due diligence and explored its entry into the digital asset space.

The FDIC has a number of questions regarding the activities based on the information provided to date. The FDIC plans to conduct a targeted review of the Bank's planned digital asset activities [\[REDACTED\] in July 2022](#) to gain an understanding of how the Bank will ensure continued safe and sound operations and consumer protections, should these activities be implemented. A document request list related to this targeted review was provided under separate cover. The Bank should address these questions, in advance of implementation of the proposed activities, in order for the FDIC to assess the safety and soundness of the proposed activities¹ and compliance with laws and regulations.

If you have any questions, please contact Assistant Regional Director Ashley M. Amicangioli at [REDACTED] or Assistant Regional Director Kara L. Ritchie at [REDACTED]

Sincerely,
Jessica A. Kaemingk
Acting Regional Director

CC: [REDACTED]

¹ See e.g., Section 39 of the Federal Deposit Insurance Act and Part 364 of the FDIC Rules and Regulations.

DOCUMENT 12



Federal Deposit Insurance Corporation
Division of Risk Management Supervision
Division of Depositor and Consumer Protection
300 South Riverside Plaza, Suite 1700, Chicago, IL 60606

Chicago Regional Office
Phone (312) 382-7500
Fax (312) 382-6901

June 27, 2022

Board of Directors
[REDACTED]

Subject: ~~[REDACTED]~~ Third-Party Bitcoin Facilitation Activity

~~[REDACTED]~~ Dear Members of the Board:

By letter dated May 27, 2022, [REDACTED] Vice President/Compliance Officer of [REDACTED] (the Bank), advised the FDIC, in response to Financial Institution Letter 16-2022 (FIL-16-2022),¹ and the [REDACTED] of the Bank's intent to offer Bank customers ~~[REDACTED]~~ the ability to buy, hold, and sell bitcoin through the Bank's online banking website and mobile application in conjunction with [REDACTED] and certain of its subsidiaries (collectively, [REDACTED] and [REDACTED] (technology provider). The relationship allows Bank customers to purchase and sell bitcoin through [REDACTED], with funds flowing through the customer's account at the Bank, as facilitated by the technology provider.

On June 14, 2022, Vice President/Compliance Officer [REDACTED] verbally informed Acting Case Manager [REDACTED] that the Bank would begin marketing the bitcoin facilitation activity to Bank customers on [REDACTED] To date, the Bank has enrolled 20 customers, all employees of the bank, with transactions totaling approximately \$1,400.

The FDIC continues to review ~~[REDACTED]~~ the bitcoin facilitation activity and various questions remain outstanding. Consistent with the procedures outlined in FIL-16-2022, the FDIC will request additional information to assist us in reviewing the activity and providing supervisory feedback to the Bank. Accordingly, until we complete our review, we request that the Bank refrain from expanding this service.

If you have any questions, please contact Acting Case Manager [REDACTED] at [REDACTED] or Review Examiner [REDACTED] at [REDACTED] Written correspondence should be addressed to my attention at the Chicago Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (securemail.fdic.gov) using the following e-mail address: CHIMailRoom@FDIC.gov.

¹ On April 7, 2022, the FDIC issued FIL-16-2022, explaining a notification and supervisory feedback process concerning a bank's current or planned crypto-asset related activity. FIL-16-2022 is available here: <https://www.fdic.gov/news/financial-institution-letters/2022/fil22016.html>.

Sincerely,

Gregory P. Bottone
Regional Director

| [cc:](#) [REDACTED]

DOCUMENT 13



June 30, 2022

Board of Directors
[REDACTED]

Subject: ~~[REDACTED]~~ Third-Party Bitcoin Facilitation Activity

Dear Members of the Board:

In a December 13, 2021 meeting, [REDACTED] (Bank) officers¹ advised the FDIC of the Bank's intent to offer customers the ability to buy, hold, and sell bitcoin through the online banking website and mobile application in conjunction with [REDACTED] and [REDACTED]. The relationship allows Bank customers to purchase and sell bitcoin through [REDACTED], with funds flowing through the customer's account at the Bank.

In a letter dated May 19, 2022, EVP Chief Digital Payments Officer [REDACTED] provided an overview of the program and due diligence activities in response to the FDIC Financial Institution Letter, FIL-16-2022, dated April 7, 2022 (FIL-16-2022). FIL-16-2022 explains the notification and supervisory feedback process concerning current or planned crypto-asset-related activity. On June 1, 2022, the Bank, the FDIC, and [REDACTED], discussed the program again. The program was rolled out to a select group of employees or [REDACTED]

The FDIC continues to review ~~[REDACTED]~~ the bitcoin activity and various questions remain outstanding. Consistent with the procedures outlined in FIL-16-2022, the FDIC will request additional information to assist us in reviewing the activity and providing supervisory feedback to the Bank. Accordingly, until we complete our review, we request that the bank refrain from expanding this service.

If you have any questions, please contact Assistant Regional Director Catherine H. Goni at [REDACTED]. Written correspondence should be addressed to my attention at the New York Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (securemail.fdic.gov) using the following e-mail address: NYMailroom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/secureemail/>.

Sincerely,
Jessica A. Kaemingk
Acting Regional Director

¹ Chief Risk Officer [REDACTED], Chief Information Officers [REDACTED], Executive Vice President Chief Digital Payments Officer [REDACTED], and Vice President Compliance Officer [REDACTED]

| [cc:](#) [REDACTED]

DOCUMENT 14



July 14, 2022

Board of Directors
[REDACTED]

Subject: ~~[REDACTED]~~ Third-Party Bitcoin Activity

~~[REDACTED]~~ Dear Members of the Board:

By letter dated July 8, 2022, [REDACTED] (Bank) provided notification pursuant to Financial Institution Letter-16-2022, *Notification of Engaging in Crypto-Related Activities* (FIL-16-2022), of its program offering customers ~~[REDACTED]~~ the ability to buy, hold, and sell bitcoin through the Bank's online banking website in conjunction with [REDACTED] This relationship allows Bank customers to purchase and sell bitcoin through [REDACTED], with funds flowing through the customer's account at the Bank.

On ~~[REDACTED]~~ June 21, 2022, the FDIC held a videoconference meeting, with members of the Bank's executive team to discuss the bitcoin activity. Chief Executive Officer (CEO) [REDACTED] President [REDACTED] General Counsel [REDACTED], and Compliance Officer (CO) [REDACTED] represented the Bank. Assistant Regional Director (ARD) J. Mark Love, ARD Cynthia Scott, ARD Akhtar Khan, and Case Manager [REDACTED] represented the FDIC.

During the meeting, GC [REDACTED] informed the FDIC that the program is live as of [REDACTED], the Bank does not directly engage in bitcoin activity on behalf of customers, and the activities are transacted on a platform provided by [REDACTED] that is integrated into the Bank's online banking website by a technology service provider. GC [REDACTED] committed to provide additional information about the activity, including screenshots of the customer-facing disclosures, a risk assessment of the activity, and the vendor management due diligence of [REDACTED]. In addition, GC [REDACTED] committed to provide, by July 8, 2022, user data, including the number of current users, the number of active users, the number of transactions, and the average and total dollar amount of transactions related to the activity. Subsequent to this meeting, the Bank advised the FDIC that 70 Bank customers have established accounts, 30 of which have conducted at least one transaction. The Bank stated that the total transaction volume since inception is \$35,906, with an average balance held in each account of \$2,933.

The FDIC continues to review crypto-related activities and various questions remain outstanding. Consistent with the procedures outlined in FIL-16-2022, the FDIC may request additional information to assist us in reviewing the activity and providing supervisory feedback to the Bank. Accordingly, until we complete our review, we request that the Bank refrain from expanding this service.

[REDACTED]

Third-Party Bitcoin Activity

Page 2

If you have any questions, please contact ARD Love at [REDACTED] Written correspondence should be addressed to Kristie K. Elmquist, Regional Director, FDIC, Dallas Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following e-mail address: DALMailRoom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/secureemail/>.

Sincerely,

/s/ Kristie K. Elmquist

Kristie K. Elmquist
Regional Director

cc: [REDACTED]

DOCUMENT 15



FDIC

Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

Division of Risk Management Supervision
San Francisco Regional Office
(415) 546-0160

July 27, 2022

Board of Directors
[REDACTED]

Subject: Notification of Crypto-Related Activity

Dear Members of the Board:

By letter dated March 22, 2022, [REDACTED], SVP/CRO of [REDACTED], (the Bank) notified the FDIC and the [REDACTED] that the Bank will provide its customers [REDACTED] the ability to buy, sell, and hold bitcoin through the Bank's online banking website in conjunction with [REDACTED] and [REDACTED]. The relationship will allow Bank customers to purchase, hold, and sell bitcoin through [REDACTED], with funds flowing through the customer's account at the Bank. [REDACTED] will maintain custody of the bitcoin accounts.

On April 7, 2022, the FDIC issued a Financial Institution Letter, FIL-16-2022, explaining a notification and supervisory feedback process concerning a bank's current or planned crypto-asset related activity. That FIL is available here: <https://www.fdic.gov/news/financial-institution-letters/2022/fil22016.html>.

By email dated May 4, 2022, SVP/CRO [REDACTED] provided the FDIC and [REDACTED] with due diligence documents related to the bitcoin activities as attachments to the email. These documents include the following: [REDACTED]

On May 31, 2022, a joint FDIC and [REDACTED] Safety and Soundness examination began. [REDACTED] On June 15, 2022, examiners and bank management held an MS Teams Meeting to present an additional request list related to the proposed crypto activities. During the meeting, [REDACTED] a live demonstration of the Bank's test environment was held whereby a bank employee bought and sold bitcoin. Bank management noted that the ability to buy/sell/hold bitcoin is currently limited to a test environment, and only certain employees have access to the test environment.

The FDIC continues to review [REDACTED] the bitcoin activities and various questions remain outstanding. Consistent with the procedures outlined in FIL-16-2022, the FDIC has requested information as part of the examination process and may request additional information to assist us in reviewing the activity and providing supervisory feedback to the Bank. Accordingly, until we complete our review, we request that the Bank refrain from expanding this service to its customers.

If you have any questions, please contact RMS Assistant Regional Director David Wong at [REDACTED] or DCP Assistant Regional Director Matthew Sheeren at [REDACTED]. Written correspondence should be addressed to my attention at the San Francisco Regional

Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following e-mail address: SFMailroom@FDIC.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/secureemail/>.

Sincerely,

Kathy L. Moe
Regional Director

| ~~cc:~~ [REDACTED]

DOCUMENT 16



FDIC

Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

Division of Risk Management Supervision
Division of Consumer Protection
San Francisco Regional Office
(415) 546-0160

Sent via secure email to [REDACTED]

July 28, 2022

Board of Directors
[REDACTED]

Subject: Notification of Engaging in Crypto-Related Activities

Dear Members of the Board:

On May 31, 2022, [REDACTED] Chief Financial Officer (CFO) [REDACTED] submitted [REDACTED] draft three-year business plan (Plan) pursuant to FDIC's Financial Institution Letter-16-2022, *Notification of Engaging in Crypto-Related Activities* (FIL-16-2022). We also held a brief discussion with President and Chief Executive Office [REDACTED], [REDACTED] CFO [REDACTED] and the Digital Banking Division's Chief Operating Officer [REDACTED] on June 22, 2022. As discussed during the call, the Plan [REDACTED] represents a significant and material change in the bank's business model [REDACTED] as it seeks to develop and implement a proposed Digital Banking Platform (DBP) strategy.

While the FDIC continues to review the bank's Plan pursuant to FIL-16-2022, in order to assess the safety and soundness and consumer protection implications of such activities, additional information is needed and questions remain outstanding. [REDACTED] We recognize that the Plan is early in its implementation stages, and that developing the risk management framework is an ongoing process; however, it is essential for management to [REDACTED] solidify this framework prior to implementation to ensure planned activities and strategies are consistent with current laws, rules, and regulations, as well as safety and soundness and consumer protection principles. Examples of incomplete, but essential, elements that we request the opportunity to review, when available, include the following:

- Risk assessments [REDACTED] for DBP activities,
- Due diligence [REDACTED] for all vendors related to the Digital Banking Division, as well as the identification of vendors to assist in customer due diligence, custodial services, exchange services, funds movement, and any other services related to DPB,
- Policies and procedures [REDACTED] and planned products and services surrounding the Digital Banking Division,
- Project plans and cost benefit analysis [REDACTED] for DBP activities,
- Formal succession plan [REDACTED] for the Digital Banking Division,

- Draft contracts and legal agreements [REDACTED] between the bank and its affiliate entities, as well as key third parties,
- Legal analysis of the permissibility of the proposed new products and services under Part 362 of the FDIC's Rules and Regulations, including [REDACTED] the permissibility of BTC/ETH as collateral and the applicability of 12 C.F.R. § 1.7 with respect to the Digital Assets Lending Program,
- Also with respect to the Digital Assets Lending Program:
 - Identification of loan types, policies, target loan mix, and anticipated direct and indirect loan relationships,
 - Legal analysis of: (1) how [REDACTED] would perfect its security interest in BTC/ETH collateral under the [REDACTED] Uniform Commercial Code (UCC), (2) the priority of [REDACTED] security interest in BTC/ETH collateral under the [REDACTED] UCC, (3) how [REDACTED] would foreclose on BTC/ETH under [REDACTED] law, and (4) the applicability of Regulation U (12 C.F.R. Part 221) to the proposed program.
- Banking services [REDACTED] to be offered to fintech platforms and ecosystem participants,
- Plans to expand [REDACTED] the bank's lending outside of its existing assessment area or market area as a result of the DBP strategy, if any, and expected impacts to the Community Reinvestment Act (CRA) performance,
- Any assessment of consumer protection risk [REDACTED] considerations; for example, any potential consumer harm or consumer confusion associated with planned products and services offered by the Digital Banking Division,
- Analysis performed with respect to SEC Staff Accounting Bulletin No. 121 and proposed new products and services, and,
- Plans for ongoing monitoring and audit [REDACTED] of the Digital Banking Platform.

[REDACTED] As noted throughout the Plan and during our discussion, we understand that much of the development, acquisition, and pursuit of the various DBP strategies remain in process. As a result, we expect to remain in close correspondence with the bank in the coming weeks and months. Also, please note that FIL-16-2022 does not provide for the issuance of an FDIC non-objection, as requested in the Plan. Consistent with the procedures outlined in FIL-16-2022, the FDIC may make future information requests to assist us in reviewing the activities and providing any relevant supervisory feedback to the bank. Accordingly, until we complete our review, we request that the bank not proceed with planned activities, pending FDIC supervisory feedback, and that you continue to update us on developments in the bank's risk management framework and compliance management system.

Board of Directors

[REDACTED]

Page 3

If you have any questions related to Risk Management, please contact Assistant Regional Director Jaclyn Valderrama or [Case Manager](#) [REDACTED] at [REDACTED] and [REDACTED], respectively. For questions related to Consumer Protection, please contact Assistant Regional Director Matthew Sheeren or [Review Examiner](#) at [REDACTED] and [REDACTED], respectively. Written correspondence should be addressed to my attention at the San Francisco Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following e-mail address: SFMailRoom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/securemail/>.

Sincerely,

/s/ Kathy L. Moe

Kathy L. Moe
Regional Director

cc: [REDACTED]
[Federal Reserve Bank of San Francisco](#)

DOCUMENT 17



August 9, 2022

Board of Directors
[REDACTED]

Subject: [REDACTED]Third-Party Bitcoin Facilitation Activity

Dear Members of the Board:

By letter dated May 10, 2022, [REDACTED], President and CEO of [REDACTED] (Bank), advised the FDIC of the bank's intent to offer customers the ability to buy, sell, and hold bitcoin through the Bank's digital and mobile banking platform in conjunction with [REDACTED] (bitcoin facilitation activity) in response to FIL-16-2022.¹ The relationship allows Bank customers to purchase and sell bitcoin with [REDACTED] as the trade execution provider and custodian and with all customer orders and transaction confirmations flowing through the Bank (bitcoin trading platform). The Bank also plans to offer a debit card with cash rewards that [REDACTED] pays in the form of bitcoin. Furthermore, [REDACTED] advised that credit was extended in November 2021 to [REDACTED], in the amount of [REDACTED] The credit is secured by bitcoin and contains a 50 percent margin requirement, updated daily.

On [REDACTED]March 11, 2022, the Bank discussed the [REDACTED]bitcoin facilitation activity with the FDIC Division of Depositor and Consumer Protection — Kansas City Regional Office (RO). Follow-up discussions were held on [REDACTED]April 12, 2022, and June 2, 2022. During the course of those discussions Bank management explained [REDACTED]that beta testing of the bitcoin trading platform had commenced, with plans to expand that beta testing to non-customers. By letter [REDACTED]dated June 3, 2022, additional information from the Bank was forwarded to the RO documenting the Bank's due diligence regarding the bitcoin facilitation activity and the loan presentation for the credit extended to [REDACTED] in November 2021.

The FDIC continues to review [REDACTED]the bitcoin facilitation activity and various questions remain outstanding. Consistent with the procedures outlined in FIL-16-2022, the FDIC will make future information requests to assist us in reviewing the activity and providing supervisory feedback to the Bank. Accordingly, until we complete our review, we request that the Bank refrain from expanding this service to additional customers.

If you have any questions, please contact Assistant Regional Director Michele Sharp or Case Manager Nick Ellwanger[REDACTED] at [REDACTED] Written correspondence should be addressed to my attention at the Kansas City Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following e-mail

¹ On April 7, 2022, the FDIC issued a Financial Institution Letter, FIL-16-2022, explaining a notification and supervisory feedback process concerning a bank's current or planned crypto-asset related activity. That FIL is available here: <https://www.fdic.gov/news/financial-institution-letters/2022/fil22016.html>.

Board of Directors

[REDACTED]

Page 2

address: KCMailRoom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/secureemail/>.

Sincerely,
James D. LaPierre
Regional Director

cc: [REDACTED]

DOCUMENT 18



FEDERAL DEPOSIT INSURANCE CORPORATION
10 10th Street NE, Suite 800
Atlanta, Georgia 30309-3849

Atlanta Regional Office
Division of Risk Management Supervision
Division of Depositor and Consumer Protection
(678) 916-2200

August 26, 2022

Board of Directors
[REDACTED]

Subject: Notification of Crypto-Related Activity

Dear Members of the Board:

On [REDACTED] August 5, 2022, the FDIC received [REDACTED] (Bank) notification, in response to Financial Institution Letter (FIL), FIL-16-2022, *Notification of Engaging in Crypto-Related Activities*, of the Bank's intent to engage in crypto-asset related activity by offering customers bitcoin services through the Bank's banking platform in conjunction with [REDACTED] FIL-16-2022 requested that all FDIC-supervised institutions that intend to engage in, or that are currently engaged in, any activities involving or related to crypto-assets (also referred to as "digital assets") promptly notify the appropriate FDIC Regional Director. The Bank's notification outlines that crypto-asset related activity includes offering customers the ability to buy, hold, and sell bitcoin ([REDACTED] Platform); a [REDACTED] Program; and a [REDACTED] Program.

The letter states that the Bank intends to start offering these services to customers on [REDACTED] As stated in FIL-16-2022, the FDIC may request that institutions provide information necessary to allow the FDIC to assess the safety and soundness, consumer protection, and financial stability implications of such activities. To assess these risks, the FDIC is reviewing the notification and information provided, and is also assessing whether the proposed crypto-asset activities constitute a major deviation or material change in the business plan that the Bank must operate within during its [REDACTED] under the Deposit Insurance Order dated [REDACTED]

To assist in our review of the proposed activities, please provide the documentation referenced in the Appendix attached to this letter. We will review this documentation to assess the safety and soundness, consumer protection, and [REDACTED] financial stability implications of such activities as it is received and in conjunction with the safety and soundness examination [REDACTED] scheduled to commence on September 26, 2022. When we have completed our review, the FDIC will provide the institution with relevant supervisory feedback, as appropriate. Accordingly, until we complete our review, we request that the Bank refrain from providing this service to its customers.

Please submit the information requested in the Appendix to the FDIC as a PDF file to ATLMailRoom@fdic.gov using the secure message center at <https://securemail.fdic.gov>. The information should be submitted to this office by [REDACTED] September 9, 2022. If you foresee any issues with meeting this deadline, please contact the individuals identified below.

If you have any questions related to Risk Management, please contact [Case Manager \[REDACTED\] at \[REDACTED\] or at \[REDACTED\]](#). If you have any questions related to Consumer Protection, please contact [Senior Review Examiner \[REDACTED\] at \[REDACTED\] or at \[REDACTED\]](#).

Sincerely,

Frank R. Hughes
Acting Regional Director

cc: [REDACTED]

Appendix
Crypto-Related Activity Request List

Please provide the following documentation in relation to the proposed crypto-related activities:

1. All contracts (including any draft contracts that the Bank is reviewing/considering);
2. Overview of the contracting process (e.g., who is/was involved in the review, analysis, and structuring);
3. Any contract analysis performed prior to execution;
- ~~4. [REDACTED]~~
4. ~~5. [REDACTED]~~ Description of the transaction flows and related controls for each activity (i.e., [REDACTED] Platform, [REDACTED] Program, and [REDACTED] Program);
5. Detailed description of the settlement process for customer buy/sell transactions between the Bank [REDACTED], and any other related parties for each activity (i.e., [REDACTED] Platform, [REDACTED] Program, and [REDACTED] Program);
6. The Bank's permissibility analysis and determination with respect to each activity;
7. The Bank's analysis of SEC SAB 121 and its applicability;
8. Any cost-benefit analysis conducted;
9. Project plan for each activity;
10. ~~[REDACTED]~~ Vendor management due diligence analysis related to [REDACTED] and vendor due diligence documentation and analysis related to [REDACTED] role in this product (including audits, financials, insurance, complaints, etc.);
- ~~11. [REDACTED]~~
11. ~~12.~~ Description of what happens to customers' accounts or holdings of Bitcoin if the Bank does not continue or cancels offering the services provided by [REDACTED];
- ~~13. [REDACTED]~~ ~~14. [REDACTED]~~ Details on operational aspects of the [REDACTED] and [REDACTED] Programs including, but not limited to: 1) the types of credit and debit cards or savings and money market accounts that can be enrolled in the program, 2) the process of converting [REDACTED] or USD to Bitcoin, 3) when and how transaction receipts are provided for purchase transactions, 4) and if and how customers can turn the features on or off for any given period;
12. Description of any fees charged to consumers related to the [REDACTED] Platform, [REDACTED] Program, and [REDACTED] Program, and how they will be calculated

(describe if and how fees are split amongst the Bank and any third parties involved in the activities);

13. Description of any transaction limitations imposed by [REDACTED] or the Bank on the amount of Bitcoin a consumer may purchase or sell through the [REDACTED] Platform (e.g., daily, weekly, monthly). Similarly, describe any transaction limitations that exist, if any, through the [REDACTED] Program and [REDACTED] Program (including any minimum purchase amounts). Provide a description of the methodology that determines the price a consumer pays to [REDACTED] for Bitcoin through the [REDACTED] Platform, [REDACTED] Program, and [REDACTED] Program. This includes providing an explanation of how any market or benchmark price is determined and how the spread, if any, is calculated;
14. Copies of consumer agreements, disclosures, and other terms and conditions related to each of the activities provided by or through the Bank and by third parties (draft or proposed);
15. Marketing materials, press releases, internal scripts, educational materials, and any other publicly distributed information related to each of the activities (draft or proposed). This includes screen shots/screen recordings of any online banking or mobile application user interfaces (including hidden text that must be clicked) that will be made visible to consumers by, or through, the Bank in connection with each of the activities;
16. Strategic plan that details how crypto-asset activities achieve the objectives of the Board and any contingency plan, should the activities fail to achieve the objectives;
17. Implementation plan. For each activity, please include expected volumes, income projections used to determine whether the products are financially feasible, and any other analysis performed to support launching the products;
18. Board and committee minutes reflecting discussion, analysis, approval, and any documentation provided on the activities;
19. Internal training materials related to the activities;
20. Policies and procedures that will govern each of the crypto-related activities, including those related to consumer compliance and complaint resolution (we acknowledge receipt of the policy outline previously submitted, this request is for the policies and procedures);
21. If not outlined in policies and procedures, framework of assigned responsibilities and qualifications for those involved in day-to-day administration of crypto-related activity, including internal controls responsibilities. Description of oversight responsibilities (e.g., management, staff, committees (including members, frequency of meetings), and collectively, their approval authority); and
22. [REDACTED]Description addressing the following: when a customer enrolls in the [REDACTED] Platform, [REDACTED] Program, and [REDACTED] Program, are the

individual customer's Bitcoin balances purchased through each feature presented in aggregate or by program within the online banking and mobile application interface.

23. Describe how the risk assessment was developed, what policies govern the structure/process for risk assessments, and which staff performed the risk assessment. Explain how the Bank determined the risk assessment scope is appropriate for all three product types collectively (~~trading, interest enhancement, and rewards~~)[REDACTED], [REDACTED], and [REDACTED]
24. The Risk Assessment includes the following statement under [REDACTED]
 - a. Provide any quantitative analysis including projections and stress events developed by the Bank to support this [REDACTED]
25. The Risk Assessment includes the following statement, "[REDACTED]".
 - a. Provide the Bank's legal analysis and support for that statement.
26. ~~25.~~ The Risk Assessment includes the following statement under Compliance Risk, "[REDACTED]".
 - a. Provide the relevant audit reports that the Bank considers as the risk mitigants.
27. The Risk Assessment includes the following statement under Compliance Risk, "[REDACTED]"
 - a. Provide a description of PII exchanged between the bank, the technology service provider, and [REDACTED].
28. ~~a.~~ The Risk Assessment includes the following statement under Operational Risk, "[REDACTED]".
 - a. Provide a copy of these reports.
29. ~~31.~~ The Risk Assessment includes the following statement under Operational Risk, "[REDACTED]"
 - a. Provide a copy of the general and digital asset-specific insurance policies.
30. ~~a.~~ The Risk Assessment includes the following statement under Operational Risk, "[REDACTED]"
 - a. Provide a copy of the [REDACTED] the bank has considered as operational risk mitigants.
31. The Risk Assessment includes the following statement under Reputational Risk, "[REDACTED]"
 - a. Provide a copy of analysis performed regarding this stated "[REDACTED]."

32. Page 15 of the Risk Assessment includes the following statement, "[REDACTED]"
- a. Provide information regarding these controls, protocols, and systems developed and implemented by the Bank.
33. Page 17 of the Risk Assessment includes the following statement, "[REDACTED]".
- a. Explain how the Bank performs this monitoring and provide copies of monitoring reports.
34. Page 17 of the Risk Assessment also includes the following statement, "[REDACTED]."
- a. Explain how management assessed the adequacy of the Bank's management information systems relative to this service.
- b. Provide a description of the controls that have been established as stated.
- c. Provide copies of the described monitoring, reporting, and exception management documentation.
35. Page 18 of the Risk Assessment also includes the following statement, "[REDACTED]"
- a. Provide any such reports or anticipated content of such reports planned for Audit Committee.

DOCUMENT 19



Federal Deposit Insurance Corporation
Division of Risk Management Supervision
Division of Depositor and Consumer Protection
300 South Riverside Plaza, Suite 1700, Chicago, IL
60606

Chicago Regional Office
Phone (312) 382-7500
Fax (312) 382-6901

September 9, 2022

Board of Directors
[REDACTED]

Subject: Third-Party Crypto-Asset Activity

Dear Members of the Board:

On June 30, 2022, Executive Vice President [REDACTED] submitted a notification of the Bank's intended crypto-asset activities in response to Financial Institution Letter-16-2022, *Notification of Engaging in Crypto-Related Activities* (FIL-16-2022). Acting Case Manager [REDACTED] also held a discussion with Head of Digital Assets [REDACTED] on July 15, 2022 regarding the proposed crypto-asset activities. As discussed during the call, [REDACTED] is developing a Digital Asset department and seeks to implement the following crypto-asset services for bank customers: custodian services (end of the third quarter 2022); facilitation of buying and selling crypto-assets (after custodian services implementation); and, allowing customers to spend/withdraw bitcoin (no timeline).

The FDIC requests insured depository institutions provide sufficient information to assist the FDIC to assess the safety and soundness, consumer protection, and financial stability implications of crypto-asset activities. The FDIC requests the Bank provide the information in the attached list by [REDACTED] October 18, 2022, so that the FDIC may begin those assessments. If the requested information has not yet been developed, provide the status and timeline for developing each item in the response, as applicable. Once the FDIC has completed its review of the requested information, we will determine whether additional information is necessary to complete the review of the activity. When we have completed our review, the FDIC will provide the institution with relevant supervisory feedback, as appropriate. Accordingly, until we complete our review, we request that the Bank not proceed with planned activities, pending FDIC supervisory feedback.

If you have any questions, please contact Case Manager [REDACTED] at [REDACTED] or Regional Examination Specialist [REDACTED] at [REDACTED]. Written correspondence should be addressed to my attention at the Chicago Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (securemail.fdic.gov) using the following e-mail address: CHIMailRoom@FDIC.gov.

Sincerely,
Gregory P. Bottone
Regional Director

Enclosure — Crypto-Asset Activity Request List

cc: [REDACTED]
Federal Reserve Bank of Chicago

Crypto-Asset Activity Request List

1. Strategic Plan that details how crypto-related activity achieves objectives of the Bank's Board and the Contingency Plan in the event the activity fails to achieve those objectives.
2. Project/Implementation plan including, but not limited to, expected volumes of activity or contemplated activity limits, cost benefit analysis including income projections used to determine whether the services are financially feasible, and any other analysis performed to support launching the services.
3. Risk assessments for all crypto-related services. Consideration should be made to Safety and Soundness, Information Technology, Anti-Money Laundering/Combating the Financing of Terrorism, and Consumer Compliance.
4. Vendor management due diligence documentation, and analysis for all vendors that will provide crypto-related technologies or services.
5. Board and committee minutes reflecting approval, discussion, analysis, and any documentation provided on the activity.
6. Draft contracts and legal agreements between the Bank and crypto-related third party vendors.
7. Policies and procedures that will govern the crypto-related activity, including those related to consumer compliance and complaint resolution.
8. If not outlined in policies and procedures, the framework of assigned responsibilities and qualifications for those involved in day-to-day administration of digital asset activity, including internal controls responsibilities, and a description of oversight responsibilities, for example: management; staff; committees, including committee members; frequency of meetings; and collectively, their approval authority, and expertise required to be a committee member.
9. Draft marketing plans, including press releases, educational and training materials, and any other proposed public distributions.
10. Draft consumer agreements, disclosures, or other terms and conditions related to these activities provided by, or through, the Bank and by third parties.
11. Legal analysis of the permissibility of the proposed services under part 362 of the FDIC's Rules and Regulations, and [under the State of \[REDACTED\] banking regulations](#).
12. Analysis performed with respect to SEC Staff Accounting Bulletin No. 121 and proposed services.
13. Plans for ongoing monitoring and audit of crypto-related products and services.

DOCUMENT 20



FEDERAL DEPOSIT INSURANCE CORPORATION
10 10th Street NE, Suite 800
Atlanta, Georgia 30309-3849

Atlanta Regional Office
Division of Risk Management Supervision
Division of Depositor and Consumer Protection
(678) 916-2200

September 13, 2022

Sent via secure email

Board of Directors
[REDACTED]

Subject: Third-Party Crypto-Asset Activity

Dear Members of the Board:

On ~~[REDACTED]~~ August 17, 2022, we received [REDACTED] (the Bank) notification, in response to Financial Institution Letter (FIL), FIL-16-2022, *Notification of Engaging in Crypto-Related Activities*, of the Bank's intent to offer customers the ability to buy, sell, and hold Bitcoin through the Bank's digital and mobile banking platform in conjunction with [REDACTED] FIL-16-2022 requests that all FDIC-supervised institutions that intend to engage in, or that are currently engaged in, any activities involving or related to crypto-assets (also referred to as "digital assets") promptly notify the appropriate FDIC Regional Director.

As stated in FIL-16-2022, the FDIC may request that institutions provide information necessary to allow the FDIC to assess the safety and soundness, consumer protection, and financial stability implications of such activities. In order to begin those assessments, please provide the information in the attached list by November 14, 2022. If the requested information has not yet been developed, include the status and timeline for developing each item in the response, as applicable. Once the FDIC has completed its review of the above-requested information, we will determine whether additional information is necessary to complete the review of the activity. When we have completed our review, the FDIC will provide the institution with relevant supervisory feedback, as appropriate. Accordingly, until we complete our review, we request that the Bank refrain from providing these services to its customers.

Board of Directors

[REDACTED]

Page 2 of 2

This letter is confidential and may not be disclosed or made public in any manner under part 309 of the FDIC Rules and Regulations (12 CFR part 309). If you have any questions, please contact [Case Manager \[REDACTED\]](#) at [\[REDACTED\]](#) or [\[REDACTED\]](#) or [Review Examiner \[REDACTED\]](#) at [\[REDACTED\]](#) or [\[REDACTED\]](#) Written correspondence should be addressed to my attention at the Atlanta Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (securemail.fdic.gov) using the following e-mail address: ATLMailRoomPfdic.gov.

Sincerely,

John F. Vogel
Acting Regional Director

cc: [REDACTED]

Enclosure

Crypto-Asset Activity Request List

Documentation (Prospective):

1. Contracts (including any draft contracts that bank is reviewing/considering);
2. Overview of the contracting process (e.g., who is/was involved in the review, analysis, and structuring)
3. Any contract analysis performed prior to execution
4. The bank's permissibility analysis and determination with respect to the activity
5. Bank's analysis of SEC SAB 121 and its applicability
6. Cost-benefit analysis
7. Project plan
8. ~~[REDACTED]~~ Vendor management due diligence documentation and analysis related to both [REDACTED] and [REDACTED] including audits, financials, insurance, complaints, etc.
9. Description of what happens to customers' accounts or holdings of Bitcoin if the bank does not continue or cancels offering the services provided by [REDACTED]
10. Description of any fees that will be charged to consumers related to the activity, and how they will be calculated. Also, describe if and how fees are split amongst the bank and any third parties involved in the activity.
11. ~~[REDACTED]~~ Description of any transaction limitations imposed by [REDACTED] or the bank on the amount of Bitcoin a consumer may purchase or sell (e.g. daily, weekly, monthly).
12. Description of the methodology that determines the price a consumer pays to [REDACTED] for Bitcoin. This includes providing an explanation of how any market price is determined and how the spread, if any, is calculated.
- ~~12. — [REDACTED]~~
13. Consumer agreements, disclosures, and other terms and conditions related to the activities provided by or through the bank and by third parties (draft or proposed)
14. Marketing materials, press releases, internal scripts, educational materials, and any other publicly-distributed information related to the activity (draft or proposed). This includes screen shots/screen recordings of any online banking or mobile application user

interfaces (including hidden text that must be clicked) that will be made visible to consumers by, or through, the bank in connection with activities.

15. Any other due diligence materials.
16. Strategic plan that details how crypto-asset activity achieves objectives of the board and the contingency plan should the activity fail to achieve the objectives.
17. Implementation plan. Please include expected activity volumes, income projections used to determine whether the products are financially feasible, and any other analysis performed to support launching the products.
18. Board and committee minutes reflecting discussion, analysis, approval, and any documentation provided on the activity.
19. Risk assessment(s) related to the activity.
20. Internal training materials related to the activity.
21. Policies and procedures that will govern the crypto-related activity, including those related to consumer compliance and complaint resolution.
22. If not outlined in policies and procedures, framework of assigned responsibilities and qualifications for those involved in day-to-day administration of crypto-related activity, including internal controls responsibilities. Description of oversight responsibilities (e.g. management, staff, committees (including members, frequency of meetings), and collectively, their approval authority).

DOCUMENT 21



FEDERAL DEPOSIT INSURANCE CORPORATION
600 North Pearl Street, Suite 700
Dallas, Texas 75201
(214) 754-0098 FAX (972) 761-2082

Dallas Regional Office
Division of Risk Management Supervision
Division of Depositor and Consumer Protection

SENT VIA SECURE ELECTRONIC EMAIL

September 14, 2022

Board of Directors
[REDACTED]

Subject: Notification of Crypto-Asset Related Activity

Dear Members of the Board:

By email dated [August 17, 2022](#), [Senior Vice President/Chief Operating Officer](#) [REDACTED] notified us of [REDACTED] intent to provide its customers [the ability to buy, sell, and hold Bitcoin through a mobile banking platform in conjunction with](#) [REDACTED]

As stated in FIL-16-2022, *Notification of Engaging in Crypto-Related Activities*, the FDIC may request that institutions provide information necessary to allow the FDIC to assess the safety and soundness, consumer protection, and financial stability implications of such activities. In order to begin those assessments, please provide the information in the attached list **by November 14, 2022**. If the requested information has not yet been developed, please include the status and timeline for developing each item in the response, as applicable. Once the FDIC has completed its review of the requested information, we will determine whether additional information is necessary to complete the review of the activity. When we have completed our review, the FDIC will provide the institution with relevant supervisory feedback, as appropriate. Accordingly, until we complete our review, we request that the bank refrain from providing this service to its customers.

This letter is confidential and may not be disclosed or made public in any manner under part 309 of the FDIC Rules and Regulations (12 CFR part 309). If you have any questions, please contact [Case Manager](#) [REDACTED] at [REDACTED]. Written correspondence should be addressed to Kristie K. Elmquist, Regional Director, FDIC, Dallas Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following e-mail address: DALMailRoom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/secureemail/>.

Sincerely,

Kristie K. Elmquist
Regional Director

Attachment

cc: Federal Reserve Bank of Dallas
[REDACTED]

Crypto-Asset Activity Request List — [REDACTED]

Documentation:

1. Contracts (including any draft contracts that bank is reviewing/considering)
2. Overview of the contracting process (e.g., who is/was involved in the review, analysis, and structuring)
3. Any contract analysis performed prior to execution
4. Description of the transaction flows and related controls
5. Detailed description of the settlement process for customer buy/sell transactions between the bank, [REDACTED], and any other related parties
- ~~6. [REDACTED]~~
6. The bank's permissibility analysis and determination with respect to the activity
7. Bank's analysis of **SEC SAB 121** and its applicability
8. Cost-benefit analysis
9. Project plan
10. Vendor management due diligence documentation and analysis related to both [REDACTED] ~~and~~ and [REDACTED], including audits, financials, insurance, complaints, etc.
11. Description of what happens to customers' accounts or holdings of Bitcoin, if the bank does not continue or cancels offering the services provided by [REDACTED]
12. Description of any fees that will be charged to consumers related to the activity, and how they will be calculated. Also, describe if and how fees are split amongst the bank and any third-parties involved in the activity.
13. ~~[REDACTED]~~ Description of any transaction limitations imposed by [REDACTED] or the bank on the amount of Bitcoin a consumer may purchase or sell (e.g. daily, weekly, monthly)
14. ~~[REDACTED]~~ Description of the methodology that determines the price consumer pays to [REDACTED] for bitcoin. This includes providing an explanation of how any market price is determined and how the spread, if any, is calculated.
15. Consumer agreements, disclosures, sample account statement, sample transaction receipt, and other terms and conditions related to the activities provided by or through the bank and by third parties (draft or proposed)

16. Marketing materials, press releases, internal scripts, educational materials, and any other publicly-distributed information related to the activity (draft or proposed). This includes screen shots/screen recordings of any online banking or mobile application user interfaces (including hidden text that must be clicked) that will be made visible to consumers by, or through, the bank in connection with activities.
17. Any other due diligence materials
18. Strategic plan that details how crypto-asset activity achieves objectives of the board and the contingency plan should the activity fail to achieve the objectives
19. Implementation plan. Please include expected activity volumes, income projections used to determine whether the products are financially feasible, and any other analysis performed to support launching the products.
20. Board and committee minutes reflecting discussion, analysis, approval, and any documentation provided on the activity
21. Risk assessment(s) related to the activity
22. Internal training materials related to the activity
23. Policies and procedures that will govern the crypto-related activity, including those related to consumer compliance and complaint resolution
24. If not outlined in policies and procedures, framework of assigned responsibilities and qualifications for those involved in day-to-day administration of crypto-related activity, including internal controls responsibilities. Description of oversight responsibilities (e.g. management, staff, committees (including members, frequency of meetings), and collectively, their approval authority).

DOCUMENT 22



Federal Deposit Insurance Corporation
Division of Risk Management Supervision
25 Jessie Street at Ether Square, Suite 2300
San Francisco, CA 94105

[REDACTED]

Transmitted by Electronic Correspondence

October 17, 2022

[REDACTED]
President & COO
[REDACTED]

RE: Notification of Crypto-Related Activities

Dear [REDACTED]:

On [REDACTED] July 8, 2022, we received your letter notifying the FDIC and [REDACTED] of your institution's involvement in crypto-related activities, in response to Financial Institution Letter (FIL), FIL-16-2022, *Notification of Engaging in Crypto-Related Activities*. FIL-16-2022 requested that all FDIC-supervised institutions that intend to engage in, or that are currently engaged in, any activities involving or related to crypto-assets (also referred to as "digital assets") promptly notify the appropriate FDIC Regional Director.

[REDACTED] We understand that in 2021, the Bank began exploring crypto-related activities and has decided to not offer crypto-asset products or services to Bank customers. The notification letter also stated that the Bank acquired three types of crypto-assets and subsequently exchanged less than \$25,000 in crypto-assets for Non-Fungible Tokens (NFT). Further, the notification letter says the Bank currently holds approximately \$1,300 worth of crypto-assets with a custodian. After a review of the Bank's notification letter, we have determined that additional information is needed to further clarify the crypto-related activities being conducted [REDACTED] and crypto-related assets held by the Bank.

As stated in FIL-16-2022, the FDIC may request that institutions provide information necessary to allow the FDIC to assess the safety and soundness, consumer protection, and financial stability implications of such activities. To assist in the review of the Bank's crypto-related activities, please provide the documentation listed below within 30 days of the date of this letter.

- Provide the Bank's most recent internal [REDACTED] Report reflecting crypto- assets and purchased NFTs, including volumes and values.

~~This letter is confidential and may not be disclosed or made public in any manner. Additional information regarding these confidentiality restrictions may be found both in Part 309 of the FDIC Rules and Regulations and Chapter 167 Section 2 of Massachusetts General Law. Please notify regulators immediately if you receive a subpoena or other legal process calling for the production of this letter or a description of its content.~~

[REDACTED]

Page 2

- [REDACTED] Explain the methods used to report and value (e.g., cost or fair value) the crypto-assets and NFTs on the Call Report. Provide supporting documentation and analysis. Include financial statement disclosures concerning these activities.
- The Bank's 12/31/2021 [REDACTED] Report shows \$98,900 "[REDACTED]" held at [REDACTED]. Clarify whether that "[REDACTED]" is U.S. Dollars or [REDACTED]. If U.S. Dollars, what is the purpose for holding s amount at [REDACTED] and for what purpose are the funds intended to be used? If [REDACTED] dollars, please clarify the discrepancy in the amount because the Bank reports \$1,300 in crypto-assets in the notification letter.
- Please clarify whether the Bank owns any other crypto-assets or NFTs, other than what has already been disclosed.
- Explain how the Bank uses the NFTs currently owned for promotional purposes and provide internal employee training material.
- Please provide details about whether Directors and/or Officers of the Bank have a financial or other interest in the acquired NFTs.
- Provide an independent legal analysis of the permissibility of the Bank acquiring and holding crypto-assets and NFTs under part 362 of the FDIC Regulations (12 CFR part 362) and other relevant state and federal laws.

Until we complete our review, we request the Bank refrain from [REDACTED] purchasing additional crypto-assets and NFTs. When we have completed our review, we will provide the institution with relevant supervisory feedback, as appropriate.

Please notify us of any material changes in these activities or intent to engage in other crypto-related activities. This letter is confidential and may not be disclosed or made public in any manner under part 309 of the FDIC Rules and Regulations (12 CFR part 309). Questions should be directed to FDIC Case Manager [REDACTED] at [REDACTED] and [REDACTED] at [REDACTED]

Sincerely,

[REDACTED]

/s/ Kathy L. Moe

Kathy L. Moe
Regional Director
Federal Deposit Insurance Corporation

DOCUMENT 23



FDIC

Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

Division of Risk Management Supervision
Division of Consumer Protection
San Francisco Regional Office
(415) 546-0160

Sent via secure email

October 21, 2022

Board of Directors
[REDACTED]

Subject: Notification of Engaging in Crypto-Related Activities

Dear Members of the Board:

During a virtual meeting held on [May 6, 2021](#), [President \[REDACTED\]](#), [Executive Vice President \(EVP\) and Chief Financial Officer \[REDACTED\]](#), [EVP and Chief Operating Officer \[REDACTED\]](#), and other bank personnel presented and discussed the bank's [then-newly announced partnership with \[REDACTED\]](#) with staff of the FDIC and [the \[REDACTED\]](#). During the meeting, bank management presented an overview of the [\[REDACTED\]relationship and planned activity to offer bank customer \[REDACTED\]customers the ability to buy, hold, and sell Bitcoin through a mobile application.](#) They also discussed management's risk assessment; the extent of contractual agreements; [contemplated structure of the arrangements with \[REDACTED\] and the bank's core service provider \[REDACTED\]](#); planned timeframe for implementation; the extent of [planned crypto asset offerings; and the holding company's investment in \[REDACTED\]](#).

On [\[REDACTED\]April 4, 2022](#), during a virtual meeting, bank management provided an update to FDIC and [\[REDACTED\]](#) staff on the project and their ongoing due diligence. Bank management also provided additional documents and information on [\[REDACTED\]April 5, 2022, and June 8, 2022](#), in response to follow-up requests from the FDIC. On [August 2, 2022](#), [Chief Executive Officer \[REDACTED\]](#) notified [FDIC Field Supervisor \[REDACTED\]](#) that the project had [\[REDACTED\]moved from a development phase to a testing phase](#) as part of the bank's ongoing due diligence.

On [\[REDACTED\]2April 7, 2022](#), the FDIC issued Financial Institution Letter (FIL)-16-2022 ("Notification of Engaging in Crypto-Related Activities"). FIL-16-2022 requested that all FDIC-supervised institutions that intend to engage in, or that are currently engaged in, any activities involving or related to crypto-assets (also referred to as "digital assets") promptly notify the appropriate FDIC Regional Director and outlined a supervisory feedback process concerning a bank's current or planned crypto-asset related activity. The FIL is available at <https://www.fdic.gov/news/financial-institution-letters/2022/fil22016.html>. As stated in FIL-16-2022, the FDIC may request that institutions provide information necessary to allow the FDIC to assess the safety and soundness, consumer protection, and financial stability implications of such activities. On [\[REDACTED\]October 6, 2022](#), the FDIC submitted a list of requested information to the bank, which is currently under review as part of the examination that began on [\[REDACTED\]October 11, 2022](#). When we have completed our review, the FDIC

Board of Directors

[REDACTED]

Page 2

will provide the bank with relevant supervisory feedback, as appropriate. Until we complete our review, we request that the bank refrain from providing this service to its customers.

Please notify us during our review period if there are any material changes in the planned service, the status of this project, or its planned implementation, to ensure that the bank is operating in a safe and sound manner and in compliance with consumer protection regulations.

This letter is confidential and may not be disclosed or made public in any manner under part 309 of the FDIC Rules and Regulations (12 CFR part 309). If you have any questions related to Risk Management, please contact Assistant Regional Director Jaclyn Valderrama at [REDACTED] or [at or Case Manager](#) [REDACTED] [at \[REDACTED\]](#). For questions related to Consumer Protection, please contact Assistant Regional Director Matthew Sheeren at [REDACTED] or Review Examiner ~~Robin Thomas~~ [REDACTED] at [REDACTED]. Written correspondence should be addressed to my attention at the San Francisco Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following e-mail address: SFMailRoom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/secureemail/>.

Sincerely,

/s/ Kathy L. Moe

Kathy L. Moe
Regional Director

cc: [REDACTED]
Federal Reserve Bank of San Francisco

DOCUMENT 24



Federal Deposit Insurance Corporation
Division of Risk Management Supervision
Division of Depositor and Consumer Protection
300 South Riverside Plaza, Suite 1700, Chicago, IL
60606

Chicago Regional Office
Phone (312) 382-7500
Fax (312) 382-6901

February 17, 2023

Board of Directors
[REDACTED]

Subject: Notification of Engagement in Blockchain Technology

Dear Members of the Board:

On September 28, 2022, the FDIC received notification of the bank's intent to partner with the [REDACTED] to offer [REDACTED]. The notification was provided pursuant to Financial Institution Letter (FIL)-16-2022, *Notification of Engaging in Crypto-Related Activities*. The FDIC requested additional information on December 13, 2022, to evaluate the safety and soundness, consumer protection, and financial stability considerations of the proposed activities.

The FDIC received the requested information from the bank on January 31, 2023. We will review the documents to determine whether subsequent information is necessary to evaluate the proposed activities. When we have completed our review, the FDIC will provide the bank with relevant supervisory feedback, as appropriate. Until we complete our review, we request that the bank refrain from providing the [REDACTED] and [REDACTED] to its customers.

Please notify us if there are any material changes in the planned service, the status of this project, or its planned implementation, to ensure that the bank is operating in a safe and sound manner and in compliance with consumer protection regulations.

This letter is confidential and may not be disclosed or made public in any manner under part 309 of the FDIC Rules and Regulations. If you have any questions, please contact Case Manager [REDACTED] at [REDACTED] or Senior Review Examiner [REDACTED] at [REDACTED].

Sincerely,
Gregory P. Bottone
Regional Director

cc: [REDACTED]
Federal Reserve Bank of Chicago

DOCUMENT 25



Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 10018

New York Regional Office

May 5, 2023

Board of Directors
[REDACTED]

Subject: Information Request — Proposed Crypto-Asset Banking Activity

Dear Board Members:

On March 13, 2023, we received [REDACTED] the Bank) notification of its intent to provide a bank account to [REDACTED] for the purpose of holding deposit reserves corresponding to [REDACTED] ; issuance of a stablecoin, [REDACTED], as requested in Financial Institution Letter (FIL), FIL-16-2022, *Notification of Engaging in Crypto-Related Activities*.

As stated in FM-16-2022, the FDIC may request that institutions provide information necessary to allow the FDIC to assess the safety and soundness, consumer protection, and financial stability implications of such activities. In order to begin those assessments, please provide the information in the attached list by May 15, 2023. If the requested information has not yet been developed, please include the status and timeline for developing each item in the response, as applicable. Once the FDIC has completed its review of the requested information, we will determine whether additional information is necessary to complete the review of the proposed activity. When we have completed our review, the FDIC will provide the institution with relevant supervisory feedback, as appropriate, [REDACTED] should not proceed with any crypto-asset activity until such time that the FDIC has determined [REDACTED] ability to implement the activity in a safe and sound manner.

This letter is confidential and may not be disclosed or made public in any manner under Part 309 of the FDIC Rules and Regulations (12 C.F.R. 309). If you have any questions, please contact Senior Case Manager [REDACTED] at [REDACTED] or Senior Review Examine [REDACTED]. [REDACTED] at [REDACTED] Written correspondence should be addressed to my attention at the New York Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (securemail.fdic.gov) using the following e-mail address: NYMailroom@fdic.gov.

Sincerely,
Frank R. Hughes
Regional Director

Attachment: Crypto-Asset Activity Request List

cc: [REDACTED]

Crypto-Asset Activity Request List

1. Product and Key Initiative Risk Assessment, including considerations regarding applicable consumer compliance and Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT)-related laws and regulations.
2. Due Diligence Memo and supporting documentation, including the [REDACTED] SOC 1 report.
3. Board of Directors materials and minutes evidencing approval of the proposed activity.
4. Legal opinion on permissibility.
5. Brokered deposit applicability analysis.
6. Deposit volatility analysis.
7. Revisions to the contingency funding plan and other elements of liquidity risk management.
8. Liquidity stress testing analysis, both bank-wide and [REDACTED]
9. Wind down plan should [REDACTED] withdraw the [REDACTED] relationship from the Bank and a description of how a withdrawal has been incorporated into the contingency funding planning and liquidity stress testing.
10. Capital analysis, including a description of scenarios developed, assumptions, and methodology.
11. An updated description and information on the Bank's deployment of deposit funds received from [REDACTED] customers.
12. A description of any transactions between the proposed [REDACTED] reserve deposit account and the existing [REDACTED] payments account.
13. A description of procedures to monitor compliance with AML/CFT requirements, including customer identification and beneficial owner verification requirements at account opening.
14. Applicable client disclosures to end-users.
15. [REDACTED] marketing materials, including planned advertising, press releases, or other public statements, including any planned, drafted, or issued materials or media that contain the FDIC name or logo.
16. Describe any existing or expected statements or representations made regarding FDIC deposit insurance, including pass thru insurance, in association with any [REDACTED] deposits or any [REDACTED] customer deposits held at the Bank.

17. All (including drafts if not final) term sheets, binding commitments, and other agreements between the Bank and [REDACTED] including deposit account agreements (collectively, the Agreements).
18. If not addressed in the Agreements, describe any Bank responsibilities or obligations related to collateral requirements, balancing, verification, or attestation requirements (i.e. who is responsible for verifying the reserves are in place), and if [REDACTED] has any investment criteria.
19. A description of the timing of funds flowing from [REDACTED] to the Bank, and in reverse, the deposit and redemption of funds from purchases and redemptions of [REDACTED].
20. Describe whether or not the Bank has any explicit or implicit redemption obligations or there is a presumption that the Bank could be or is a redemption agent for [REDACTED] on either a wholesale or retail basis.
21. What percentage of [REDACTED] reserves could be held at the Bank? Is there a minimum or maximum?
22. Describe the Bank's expectations of future business relationship expansion with [REDACTED] given the partnership between [REDACTED]
23. Describe any expectations of [REDACTED] wallet integration/connection for the purpose of direct [REDACTED] redemptions by the Bank.