b8

From: b8
Sent: Monday, August 22, 2022 1:49 PM
To: FDIC San Francisco Regional Office
Cc: b8
Subject: FW: Secure E-mail [EXTERNAL MESSAGE] crypto

RADD Upload Request
Include email: **Yes**
Institution Name: b4,b8
City & State: b4,b8
Division: **RMS**
Source: **Bank**
Folder: **Correspondence**
Doc Name: **Letter from Bank**
Description: **5/23/2022 Follow-up Email From** b4,b8 **on Prospective FBO Omnibus Deposit Account for** b4,b8

Thank you,
b8
Case Manager, RMS
Federal Deposit Insurance Corporation
25 Jessie Street
San Francisco, CA 94105
b6,b8
FDIC

From: b4,b8
Sent: Monday, May 23, 2022 2:50 PM
To: b8
Subject: RE: Secure E-mail [EXTERNAL MESSAGE] crypto

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Hi b8

Would you have time to discuss b4,b8 a bit further?

I mentioned 'depository services' in my initial email below, one angle of the b4,b8 relationship that we are exploring is a deposit FBO account.

b4,b8 has a digital wallet on their platform for each and every customer of theirs. The idea is to have one single 'omnibus' FBO deposit account here at b4,b8 housing the US dollars in those accounts.

Among other things, we understand that some of the rules for that account would be:

- No co-mingling other monies into this account. Not used for operational purposes.
- We will need daily reports showing the sub-ownership of the funds.

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- We need the ability to access and review KYC on customers whose money is in the FBO account.
- High level of sensitivity and oversight around disclosures, marketing messages etc.

One question that we have internally, is how this pivots the relationship?

- How are these examined?
- Would this be viewed in the same light as a lending strategic partner?
- What other examination expectations exist?
- Intensity around fourth party vendor management?
- Similar to lending strategic partners, would we be required to ensure that b4,b8 has a backup servicer for their deposit accounts, etc?

Thanks

--- Originally sent by b8 on May 3, 2022 1:32 PM ---

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Hi b4,b8

Unfortunately, I have not been able to get a answer yet on my question of the FIL's applicability for providing commercial banking services to a crypto-currency exchange. I will be in touch once I hear back but in the meantime please continue under assumption that the FIL does not apply to the activity that you originally described on Monday, April 25th.

Sorry for the delay on my end,

b8

Case Manager, RMS

Federal Deposit Insurance Corporation

25 Jessie Street

San Francisco, CA 94105

b6,b8

From: b4,b8
Sent: Tuesday, April 26, 2022 11:44 AM
To: b8
Subject: RE: Secure E-mail [EXTERNAL MESSAGE] crypto

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Wonderful, thanks!

--- Originally sent by b8 on Apr 26, 2022 11:05 AM ---

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Hi b4,b8

I agree it is not very clear so I have requested clarification from my Washington, DC office and I will let you know when I hear back from them.

Thank you,

b8

From: b4,b8
Sent: Tuesday, April 26, 2022 9:52 AM
To: b8
Subject: RE: Secure E-mail [EXTERNAL MESSAGE] crypto

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Thanks b8

We are aware of the FIL. To be honest we are not clear on the applicability of the FIL to this situation. Specifically because, the bank would not be offering any crypto-related products, it would simply be providing traditional commercial banking services to a customer that is a crypto platform.

The FIL says: "...the FDIC is requesting all FDIC-supervised institutions that are considering engaging in crypto-related activities to notify the FDIC of their intent and to provide all necessary information that would allow the FDIC to engage with the institution regarding related risks."

Can you share perspective on this?

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Thanks

--- Originally sent by b8 on Apr 26, 2022 9:39 AM ---

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Hi b4,b8

Thank you for reaching out and it is nice to meet you virtually too.

A few weeks ago, on April 7th, the FDIC issued a Financial Institution Letter (FIL) titled "Notification of Engaging in Crypto-Related Activities" that can be found here: https://www.fdic.gov/news/financial-institution-letters/2022/fil22016.html#letter. Per your question, the Letter contains some, but not all, crypto-related risk considerations about which the FDIC is concerned. I think that your list does a good job outlining some of the critical potential risks but I would also encourage you to read through the Letter and determine if the considered b4,b8 relationship would result in any additional risks to the institution.

In addition, the Letter also creates a reporting requirement for FDIC-supervised institutions to notify the FDIC of engagement in crypto-related activities. The notification to the FDIC should describe the activity in detail and provide the institution's proposed timeline for engaging in the activity. If your email below was intended to serve this purpose then please provide more detail regarding the considered relationship with b4,b8 such as a listing of anticipated banking services utilized, an estimate of expected activity, and a timeline for engaging in this relationship.

I hope this helps but please feel free to reach out if you have any clarifying questions or concerns.

Thank you,

b8

Case Manager, RMS

Federal Deposit Insurance Corporation

25 Jessie Street

REL0000042435

San Francisco, CA 94105

b6,b8

From: b4,b8
Sent: Monday, April 25, 2022 11:10 AM
To: b8
Subject: [EXTERNAL MESSAGE] crypto

Hi b8

Nice to virtually meet you as our new case manager.

Looking to discuss or get some feedback from you.

Please see the following website for b4,b8

b4,b8 based entity involved in crypto currency (think b4,b8 Their leadership is quite impressive (perhaps you know b4,b8 and they have some impressively robust systems and processes that we have seen.

The bank is considering some 100% USD based ACH and wire services or other depository services to support b4,b8 needs (customer ACH transfers etc). No lending or other functions.

Clear concerns / risks are some of the following (not all-inclusive):

- BSA / AML / KYC (heightened sensitivity beyond other customers)
- Safety / Soundness
    -
    -
    - Operational; ACH rejects, returns, etc (Not necessarily different risks from other customers utilizing these services)

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- Liquidity; shifts in deposit balances, stability of funds
- Capital; impact to assets and capital coverage.

Crypto is a sensitive area. There is no expectation now or ever in the future that the bank would hold or otherwise touch actual crypto coins.

From a regulatory standpoint (and with the crypto element); what advice or advice could you offer?

Thanks

b4,b8

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