

April 22, 2022

MEMORANDUM TO:	Correspondence File
FROM:	b8 Case Manager
SUBJECT:	b4,b8 Digital Asset Customers – Discussion with Bank Management
EVF b4,b8 , along with bank BSA personnel b4,b8 and b4,b8 provided an update regarding the bank's digital asset customers to Case Manger b8 SACM b8 and SE b8 on April 22, 2022. Refer to the February 15, 2022, IBC memo in RADD and the July 2021 FDIC examination for background information.	
EVP b4,b8 provided an update on the bank's progress in addressing our prior recommendations. She stated that the bank has recently completed its analysis of CTR data for b4,b8 digital asset customers. For that customer, the bank gathered CTR data for b4,b8	
That data was transported to an Excel worksheet and the bank then conducted a judgmental sample. The result was the identification of approximately babble customers who had routine large deposits into the kiosks. EVP b4,b8 stated that b4,b8 then discussed these with the bitcoin operator and reviewed its policies with respect to the customers and determined what the bitcoin operator was/is doing with respect to these customers. He determined that the bitcoin operator is following its policies with respect to these customers. EVP b4,b8 acknowledged that a lot of these cash deposits were large but did not seem to believe that they are necessarily suspicious based on the business line of the bitcoin operator. At this point, EVP b4,b8 stated that the bank does not appear to be b4,b8 with respect to these transactions; therefore, she stated that the bank needs further guidance from the FDIC with respect to what to do next. She agreed that many of the cash deposits are certainly large, but she does not believe the bank has the information necessary to determine that they are suspicious. She noted that the bitcoin operator is a legal business and is following its policies.	
Regarding EVP b4,b8 comments, SACM b8 noted that the bar for being a suspicious activity is low, and that it can reasonably be assumed that many of these deposits would be suspicious in nature. SACM b8 laid out all the potential red flags regarding these deposits and concentrations of customers, and also discussed in length the importance of due diligence that is required by the bank. EVP b4,b8 stated that it is unclear to her what further action is required from the bank. Once again, SACM b8 stated that CDD and EDD needs to be very comprehensive for these customers. EVP b4,b8 stated that she believes the FDIC has made a determination that banking these b4,b8 customers is not ok. SACM reiterated that we are not requiring the bank to exit the business, but to conduct more due diligence, look at the potential red flags, and provide the bank's board with the results. The decision whether or not to continue	

to bank these customers should be a business decision made by the board after review of the additional information.

EVP b4,b8 stated during the call that the bank wants to do what is right and will certainly exit these relationships if necessary, but she seemed to be of the opinion that the bank has limited responsibility because there is a go between (theb4,b8 digital asset customers) with the individuals that are conducting the cash transactions. She noted that other businesses (e.g. used car dealers) have customers who buy vehicles with cash, and there are no concerns. SACM noted that it all comes back to the due diligence aspect. EVP b4,b8 stated that the bank may at least begin filing SARs, and SACM b4,b8 pted that this would be a first step in the process.

EVP b4,b8 expressed her appreciation with us in discussing this issue and providing further guidance on what needs to be done. She stressed that she is a rule follower and wants the bank to do what is right with respect to these customers.

EVP b4,b8 stated that the plan going forward is to conduct the CTR review of the b4,b8 digital asset customer. Additionally, the bank is scheduled for an external BSA audit in May. EVP b4,b8 noted that she believes the bank can complete this additional review, get the findings from the BSA audit, then present a lengthy package of the results of both the audit and the bank's findings from the CTR reviews, in the next b4,b8 months. She will provide this package to the board, and it will include examples describing the activity of individual customers. The regional office will send the board a letter briefly summarizing the April 22, 2022, discussion. We will also schedule another call with EVP b4,b8 after the audit and additional review is completed, likely around July 2022. I will also request that Director b4,b8 participate on the call. His family owns the bank, and he is also the president of the affiliated | b4,b8 I have a good working relationship with b4,b8 b4,b8 and believe that his participation on the call would be beneficial.