b4,b8

b8

From: b8
Sent: Monday, November 28, 2022 8:26 AM
To: Slovinski, Steven P.; b8
Cc: Goni, Catherine H; b8
Subject: FW: 6/9 Crypto-Related Activities Presentation - Question

Good morning Steve and b8
The WO requested some clarification on b4,b8 Crypto-related holdings last week. I responded quickly and should have included you both -- to keep you in the loop!

My apologies. I hope you both had a nice Thanksgiving holiday!
b8

From b8
Sent: Wednesday, November 23, 2022 12:04 PM
To: Muraywid, Sumaya A. <SMuraywid@FDIC.gov>; Goni, Catherine H. <CGoni@FDIC.gov>
Cc b8; b8 Collado, Larisa M. <LCollado@FDIC.gov>; Ahrenholtz, Jason P. <jahrenholtz@FDIC.gov>
Subject: Re: 6/9 Crypto-Related Activities Presentation - Question

Good morning Sumatra and Team,
b4,b8 is a bank subsidiary and not FDIC supervised. It is a registered broker-dealer b4,b8 is a division of the bank and b4,b8 is named custodian. In the past, assets were held in sub-custody with another party but I think they recently moved the assets to b4,b8 as well. Most custodians, including b4,b8, have the ability to record keep domestic and international assets. Also b4,b8 has a significant international client base.

In general, custody client assets get into their accounts one of two ways- have a broker buy them and have them settle into their account at the bank or they have the bank buy them. This is a service some banks provide and we review for compliance with Regulation R.

I hope this helps a bit! Let me know if you have additional questions.
b8

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From: Muraywid, Sumaya A. <SMuraywid@FDIC.gov>
Sent: Tuesday, November 22, 2022 5:44:07 PM
To: b8 Goni, Catherine H. <CGoni@FDIC.gov>
Cc: b8; b8 Collado, Larisa M. <LCollado@FDIC.gov>; Ahrenholtz, Jason P. <jahrenholtz@FDIC.gov>
Subject: RE: 6/9 Crypto-Related Activities Presentation - Question

Hi b8 – can you clarify, the b4,b8 and b4,b8 – does the custody activity happen through the bank's trust department? And several of these are not U.S. based or traded on U.S. exchanges as far as I can tell. How does the bank acquire or custody such holdings? Thanks.

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From: b8
Sent: Tuesday, June 21, 2022 10:59 AM
To: Muraywid, Sumaya A. <SMuraywid@FDIC.gov>; Goni, Catherine H. <CGoni@FDIC.gov>
Cc: Macias, Sandra <SMacias@FDIC.gov>; b8 b8
b8 Collado, Larisa M. <LCollado@FDIC.gov> b8
Subject: RE: 6/9 Crypto-Related Activities Presentation - Question

Good morning Sumaya and team,
I have received some details on the b4,b8 holdings. All of these holdings were client directed, but we don't know if they were purchased by the bank or received in-kind. The assets are broken out by division:

b4,b8 (Trust Department)

- 1 client holding 50 shares b4,b8 - unknown if bank purchased upon client direction or if received in-kind b4,b8

b4,b8 Custody

- Multiple holdings across a number (approx. 124) of domestic/international clients totaling b4,b8

b4,b8

b4,b8

b4,b8 is a b4,b8 who custodies client assets at b4,b8 Although not regulated by the FDIC, the bank provided details on b4,b8 holdings which included:

- b4,b8

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From: Muraywid, Sumaya A. <SMuraywid@FDIC.gov>
Sent: Thursday, June 16, 2022 9:45 PM
To: b8 Goni, Catherine H. <CGoni@FDIC.gov> b8
Cc: Macias, Sandra <SMacias@FDIC.gov>; b8 b8 b8 Collado, Larisa M. <LCollado@FDIC.gov>
Subject: RE: 6/9 Crypto-Related Activities Presentation - Question

b8 and Catherine – to follow-up on our discussion earlier this week, 1) o b4,b8 you can proceed with asking the bank the questions you laid out wrt trust versus investment management account and direction on file, and 2) were you able to follow-up with the exam team on the information they obtained during the b4,b8 exam?

From: b8
Sent: Friday, June 10, 2022 1:42 PM
To: Muraywid, Sumaya A. <SMuraywid@FDIC.gov>
Cc: Goni, Catherine H. <CGoni@FDIC.gov>; Macias, Sandra <SMacias@FDIC.gov> b8 b8 b8 b8
Subject: RE: 6/9 Crypto-Related Activities Presentation - Question

Hi Sumaya,
I would be happy to meet with you. Next week is a bit crazy but I am wide open Monday afternoon (best from 2pm-5pm) or Wednesday or Thursday mornings. Feel free to propose a time that works best with your schedule(s) as I am sure you have more meetings than me! I am planning to attend the FFIEC Advanced AML sessions next week but happy to skip a session if the afternoons are better for you.

b8

From: Muraywid, Sumaya A. <SMuraywid@FDIC.gov>
Sent: Friday, June 10, 2022 1:28 PM
To: b8
Cc: Goni, Catherine H. <CGoni@FDIC.gov>; Macias, Sandra <SMacias@FDIC.gov>; b8 b8 b8 b8
Subject: RE: 6/9 Crypto-Related Activities Presentation - Question

Hi b8

Can you set up some time to discuss your questions with us?

Thanks
Sumaya

From: Miller, Rae-Ann <RMiller@FDIC.gov>
Sent: Friday, June 10, 2022 10:46 AM
To: b8
Cc: Goni, Catherine H. <CGoni@FDIC.gov>; b8 Muraywid, Sumaya A. <SMuraywid@FDIC.gov>; b8
Subject: RE: 6/9 Crypto-Related Activities Presentation - Question

Thanks b8 I am copying Sumaya and b8 for follow up. b8 works with us closely on these matters. I have seen the b4,b8 name in another bank in SFRO.

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From: b8
Sent: Friday, June 10, 2022 8:01 AM
To: Miller, Rae-Ann <RMiller@FDIC.gov>
Cc: Goni, Catherine H. <CGoni@FDIC.gov>; b8 b8
b8
Subject: 6/9 Crypto-Related Activities Presentation - Question

Good morning Rae-Ann,
I was the person who asked the trust department question in yesterday's presentation. First, my question/comment was poorly crafted – it is hard writing a question while listening to a presentation! Regardless, I thought I would ask about trust since we are seeing an increase in crypto-related assets in our departments. I probably should have left the second part of my comment out – it is a much broader issue than crypto. In short, for those I have copied on this email, here is clip of my question:

> **Anonymous (You)** 3:00 PM *Private*
>
> Does the WO want banks to report trust or custody crypo-related assets? We are seeing an increase in such holdings - in ETFs, Trusts (Greyscale, Bitcoin Trust), and other areas (Coinbase, etc.). It may be directed by the client; we are uncertain if any trust departments/investment managers are recommending these for clients in alternative investment allocations of a client account. We are also aware that some banks may try and move operating funds from digital asset deposit accounts to custody/trust systems for sweeps.

The first part: I just wanted to make sure that the Washington Office wants banks to report crypto-related trust assets to the FDIC under FIL-16-2022. These are customer assets and while they largely appear to be client directed from what we have seen, I imagine it is a matter of time before investment professionals are buying these alternative investments in client portfolios. I have asked our trust SMEs to inquire about digital asset activities during pre-exam planning. Currently, the NY Region has at least one trust department that we know of (and has reported) that has ETF/Trust related holdings in b4,b8 and b4,b8 Another examiner has identified a number of holdings in custody accounts at another bank and it has been escalated to the EIC to determine next steps. While I don't envision them setting up any networks, I think it is just the start of things. Banks that administer Estates for clients could very easily see these assets come into the bank for estate settlement. They will have to determine whether they will accept this type of business. If they take on this responsibility then questions and concerns will arise over how do you gather these assets, recordkeep the assets, then sell or distribute them to the heirs at the appropriate time. There are also the traditional operational controls, tax reporting, and regulatory reporting (Call Report RC-T) requirements to be dealt with.

I won't get into the second part of my submission now but happy to chat about it at another point.

Have a good weekend!
b8

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