November 21, 2022

Board of Directors
Subject: June 20, 2022 Response to Questions and Node and Activity Permissibility
Dear Members of the Board:
On June 20, 2022, the FDIC received the bank's response to our April 25, 2022 request for information (Correspondence). Please note, although we acknowledge receipt of the bank's Correspondence, such acknowledgement does not constitute non-objection. We expect that the bank will satisfactorily address our questions to ensure the bank will be engaging in the contemplated activities in a safe and sound manner. We are reviewing the Correspondence and may request additional information during this review.
During our review of the Correspondence, it has come to our attention that the bank currently holds approximately a token that will be used for transactions, staking, and grants on the Blockchain. The Blockchain is the platform plans to use for transfers. The bank's tokens were granted on February 1, 2022, in connection with the bank's membership, and are recorded The Correspondence also indicates that because the Bank The Correspondence states that although there are no definitive plans to do so at the present time, the bank may purchase additional to hold in reserve through cash purchases.
The Correspondence indicates the bank will not validate transactions on the Blockchain but may operate a Sentry Node (Sentry Node) to facilitate certain activities. The Sentry Node is managed and supported by and is used to read and store a copy of the ledger for business continuity purposes, for operational monitoring and reporting, and for second and third line verification purposes (<i>i.e.</i> , to preserve and cross-validate applicable on-chain transaction information in the event of any service

In response to the FDIC's question regarding whether the bank's membership in the is permissible under section 24 of the Federal Deposit Insurance Act and part 362 of

disruption) and as needed or desired for auditing, monitoring, or other reporting purposes.

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

Legal Reference Manual (Legal Manual). This section of the Legal Manual discusses the permissibility of the bank's ownership of a non-controlling interest in the however, it does not discuss the permissibility of holding tokens or operating a Sentry Node. Furthermore, it does not appear that the Office of the Comptroller of the Currency has specifically addressed the permissibility of either of these activities for a national bank.

As a result, the bank should file an application in accordance with Part 362 requesting the FDIC's consent to hold the on the bank's balance sheet and obtain the prior consent of the FDIC under Part 362 before acquiring any additional with the proposed activity of operating a Sentry Node, the bank is requested to either provide the FDIC with the documentation contemplated by FDIC FIL-54-2014, Filing and Documentation Procedures for State Banks Engaging, Directly or Indirectly, in Activities or Investments That Are Permissible for National Banks, dated November 19, 2014, for our review (in the event the OCC has specifically addressed the permissibility of this activity for a national bank) or seek and receive the prior consent of the FDIC under Part 362 for this activity. The required contents of a Part 362 filing are outlined under Section 303.121(b) of the FDIC Rules and Regulations.³ In addition, each submission should include a satisfactory signed legal opinion regarding the permissibility of the proposed activity for the bank.

As noted above, we continue to review and assess the bank's responses and information provided. As part of that process, we may have additional questions and follow-up correspondence and direction associated with the permissibility of the activities.

Written correspondence should be addressed to Frank R. Hughes, Regional Director, FDIC, New York Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (https://securemail.fdic.gov/) to the New York Regional Office Mail Room using the following email address: NYMailRoom@FDIC.gov. Information about how to use secure email and FAQs about the service can be found using the link above.

This letter and its contents are confidential and intended only for the bank's internal use. The disclosure of such confidential supervisory information is governed by Part 309 of the FDIC Rules and Regulations.

If you have any questions, please contact Assistant Regional Director Ashley Amicangioli at Sincerely,
Frank R. Hughes
Regional Director

cc:
Federal Reserve Bank of New York

² 12 U.S.C. § 1831a; 12 CFR part 362.

³ 12 CFR § 303.121(b).