

## CONTROLLED//FDIC BUSINESS

## Federal Deposit Insurance Corporation

Division of Risk Management Supervision 25 Jessie Street at Ecker Square, Suite 2300 San Francisco, CA 94105



## Transmitted by Electronic Correspondence

June 29, 2023

President & COO	

RE: Notification of Crypto-Related Activities

Dear

On February 27, 2023, we received your response to the FDIC and letter, dated December 29, 2022, requesting additional information, including information previously requested on November 2, 2022, regarding your institution's involvement with cryptorelated activities (collectively, request letters). Our request letters asked that the Bank provide its legal analysis and supporting documentation on the permissibility of the Bank acquiring and holding crypto-assets and non-fungible tokens (NFTs). Your response noted that the Bank did not view these purchases as investments but instead as immaterial marketing activities, similar to acquiring art for a branch. Your response also stated that after exploring the potential activity, the Bank concluded not to engage and ceased all activities associated with crypto-assets and NFTs. Nonetheless, the Bank continues to hold the crypto-assets and NFTs. The Bank concluded that Part 362 of the FDIC Regulations did not apply, and therefore, an independent legal analysis of permissibility was not obtained. 1

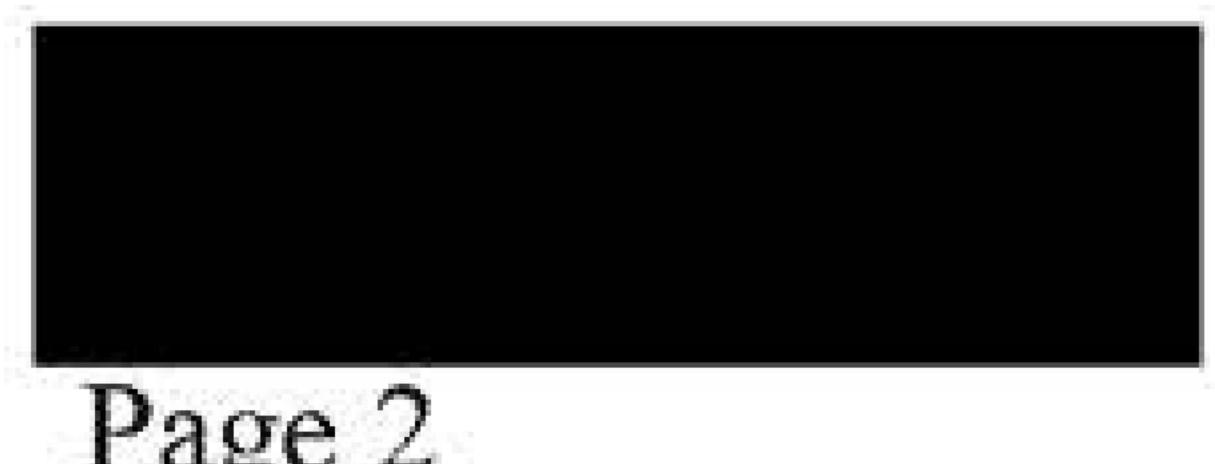
Financial Institution Letter (FIL), FIL-54-2014 - Filing and Documentation Procedures for State Banks Engaging, Directly or Indirectly, in Activities or Investments That Are Permissible for National Banks, describes how a state bank seeking to engage in an activity permissible for a national bank can maintain supporting documentation in its files. Such documentation is subject to examination by the FDIC.

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 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.

Part 362 of the FDIC Rules and Regulations implements section 24 of the Federal Deposit Insurance Act (12 USC 1831a). Subpart A to Part 362 restricts and prohibits insured State banks and their subsidiaries from engaging in activities and investments that are not permissible for national banks and their subsidiaries.

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Please provide the supporting documentation and information listed below within 30 days of the date of this letter.

- A legal analysis and supporting documentation on the permissibility of the Bank acquiring and holding each crypto-asset and NFT.
- Clarification on whether the Bank continues to use the NFTs for marketing. If the Bank continues to use the NFTs for marketing, provide documentation on how they are used, what platforms are used, what groups are targeted, if any, and when or how often they are used. If applicable, in light of how will NFTs be used for marketing?
- Clarification on why the bank continues to hold crypto-assets and NFTs in light of the Bank's response that explains why the Bank obtained them, that the Bank concluded not to engage in the potential activity, and that they "ceased all activities associated with cryptocurrency and NFTs."
- A risk assessment and due diligence for the crypto-assets and the NFTs.

Alternatively, the Bank may also provide a divesture plan in lieu of this analysis, as we note in your response that the Bank has decided to not pursue further activity and has since ceased all activities associated with crypto-assets and NFTs, with no intention of acquiring new crypto-assets or NFTs.

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 and Division Chief Director Manager

Sincerely,

Regional Director Federal Deposit Insurance Corporation

