

Federal Deposit Insurance Corporation Divisions of Risk Management Supervision and Depositor and Consumer Protection

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Telephone: (312) 382-7500 FAX: (312) 382-6901



September 16, 2022

Board of Directors



Subject: April 25, 2022 Report of Examination (Report)

Members of the Board:

The Examination Conclusions and Comments page contains the bank's component and composite ratings. The composite rating is described on the inside front cover of the Report. The ratings, the contents of the Report, and this letter are subject to the confidentiality restrictions of part 309 of the FDIC Rules and Regulations, and of

The Report indicates the bank's condition is . However, the bank's risk profile has increased due to the implementation of a new cryptoasset service that allows customers to buy, sell, and hold Bitcoin through a third party. The bank's risk management program did not appropriately identify, quantify, and mitigate the risks associated with the new service. The Report includes a Matter Requiring Board Attention (MRBA) related to the cryptoasset service. The following MRBA contains material issues and recommendations that warrant the Board and management's immediate action, as these weaknesses could increase the bank's risk profile or adversely affect its financial condition if not corrected.

• <u>Cryptoasset Service</u>: The Board should ensure that management conducts a robust assessment of the customer cryptoasset service to appropriately identify, quantify, and document potential risks, particularly the risk of consumer confusion. Without a robust

risk management framework, the Board may fail to provide sufficient attention to ensuring the adequacy of mitigating controls to address risks related to this service. An effective risk management framework needs to include a comprehensive risk assessment that appropriately identifies potential enterprise-wide risks, including the risk of consumer harm; a thorough vendor due diligence analysis; appropriate Board oversight; and a comprehensive compliance management system (CMS) to account for and mitigate the consumer compliance risks.

The Board needs to ensure that these matters are fully addressed to effectivity mitigate risk to the institution and consumers. The Board also needs to remain vigilant for evolving interpretations of or changes in laws, regulations, and policies relating to cryptoassets, including evolving regulatory interpretations. The FDIC and will monitor the Board and management's actions towards addressing the MRBA until they are satisfactorily resolved. Once the determination is made and communicated that the MRBA are resolved, the Board may move forward with offering the new cryptoasset service beyond its current base of customers using the service, to the extent consistent with applicable laws and regulations.

Enclosed is an invitation to participate in the FDIC's post-examination survey process. Please refer to the invitation for details and instructions.

Please provide a written response to the addresses above within 45 days of the date of this letter as to the actions taken or planned with respect to the MRBA and other examination findings contained in the Report. Alternatively, the response to the FDIC may be sent to ChiMailroom@fdic.gov via the FDIC Secure Email Portal. If you have any questions contact

ChiMailroom@fdic.gov via the FDIC Secure Email Portal. If you have any questions contact
FDIC Case Manager

Sincerely,

Sincerely,

Michelle Ogren
Acting Deputy Regional Director
Federal Deposit Insurance Corporation

Enclosures

cc: Federal Reserve Bank of Chicago