OFFICE MEMORANDUM	Federal Deposit Insurance Corporation

July 27, 2023

To: Larisa Collado
Chief, Risk Management and Applications, RMS

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Senior Examination Specialist, RMS

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Consumer Compliance Technology Specialist, DCP

Through: Laura A. Rapp
Assistant Regional Director, RMS

From: b8
Case Manager, RMS

Subject: b4,b8 Determine the "In Scope/Out of Scope" Applicability of FIL-16-2022 for Crypto-Related Activities (FIL-16-2022)

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Bank Overview/Structure/Summary:

The Bank is a b4,b8 Minority Depository Institution (MDI) headquartered in b4,b8 b4,b8 b4,b8 The Bank currently operates b4,b8 b4,b8 b4,b8 The Bank provides business-banking services to the b4,b8 Specific services include remote deposit, E-banking, mobile banking, commercial and investor real estate loans, business loans and lines of credit, Small Business Administration loans, mortgage loans, trade finance and a full range of depository accounts.

The last examination was an FDIC only independent examination with a start date of November 29, 2021, and an as of date of September 30, 2021 b4,b8 However, a joint examination with a start date of January 23, 2023, and an as of date of September 30, 2022, is in the process of review b4,b8 with both agencies agreeing to b4,b8 Due to a b4,b8 The

b4,b8

On September 28, 2022, the Bank proactively notified the FDIC of two activities related to FIL-16-2022 involving b4,b8

RMS Analysis of "In Scope/Out of Scope" Applicability of FIL-16-2022 Notification of Engaging in Crypto-Related Activities (FIL-16-2022): b4,b8

b4,b8

The Bank terminated its relationship with b4,b8 on March 6, 2023, due to the growing risks associated with this company and all accounts are closed. b4,b8 is involved with digital assets, and b4,b8 b4,b8 The Bank provided fund transfer services by utilizing the bank's domestic and international wire services, and b4,b8 had considerable deposit accounts at the Bank which at one time approximated b4,b8 It is believed that there was no digital asset involved activity between the Bank and b4,b8 The Bank had no losses associated with the involvement. b4,b8

b4,b8

Given the activities o b4,b8 and that the relationship was terminated on March 6, 2023, and with consultation with the Washington Office, SF RMS considers this activity to be out of scope of FIL 16-2022.

RMS Analysis of "In Scope/Out of Scope" Applicability of FIL-16-2022 Notification of Engaging in Crypto-Related Activities (FIL-16-2022) b4,b8

b4,b8

As described by Bank President b4,b8 b4,b8

b4,b8

b4,b8. The average account sizes are small ($120 per President b4,b8 has their own platform and is a b4,b8 company. The Bank's relationship with b4,b8 b4,b8 b4,b8 The relationship was brought into the Bank from their b4,b8 Branch. Since the recently completed Risk examination scope did not include a comprehensive review of crypto/digital asset concerns, the subsequent DCP start date May 15, 2023, examination scope included a review of b4,b8 account/digital asset activities.

On June 5, 2023, Compliance EIC b4,b8 reported that he reviewed the account activity and indicated that the activity is related to investor/venture capital related activities, and that there was no evidence of digital asset involvement related to b4,b8 accounts at the Bank. As a result, an "Out of Scope" letter will be sent to the board, with a reminder to notify the Regional Director of any intent to engage in digital assets related activities with b4,b8 The letter will also mention b4,b8 This plan of action was reached in consultation with the Washington Office.

Division of Depositor and Consumer Protection (DCP) Analysis:

San Francisco DCP has been involved with the Bank's crypto notice and this associated analysis. On June 20, 2023, Consumer Compliance Technology Specialist b8 concurred with San Francisco RMS's determination that the Bank's relationship with b4,b8 and b4,b8 is outside the scope of FIL-16-2022.

At the last examination dated b4,b8 Compliance was rated b4,b8 and CRA was rated b4,b8

Conclusion/Recommendation:

The region does not believe the bank's activities fall within the scope of FIL-16-2022 based on the information provided by the bank and reviewed during the ongoing DCP exam. The region will send an out-of-scope letter to the bank notifying it of our determination following the WO's concurrence.

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