Division of Risk Management Supervision San Francisco Regional Office (415) 546-0160

Sent via Secure email

December 17, 2024

Board	of Dire	ectors		

Subject: Response to Notification of Engagement in Crypto-Related Activities

Dear Members of the Board:

The FDIC acknowledged the notification provided by the Bank) dated May 31, 2022, regarding the Bank's intent to engage in proposed crypto activities including issuing and distributing stablecoins; providing digital asset safekeeping and custody services; originating loans collateralized by digital assets; and facilitating customer purchases and sales of digital assets. The FDIC also acknowledged the notification provided by the Bank dated August 5, 2022, of the Bank's intent to originate test accounts and perform testing on two digital asset infrastructure providers. The notifications were provided pursuant to Financial Institution Letter (FIL), FIL-16-2022 Notification of Engaging in Crypto-Related Activities. FIL-16-2022 requested that all FDIC supervised institutions that intend to engage in, or that are currently engaged in, any activities involving or related to crypto-assets (also referred to as "digital assets") promptly notify the appropriate FDIC Regional Director.

On July 28, 2022, the FDIC sent a letter to the Board acknowledging the Bank's plan to engage in crypto activities. The FDIC recognized that the plan to engage in the proposed crypto activities was in the early implementation stages and requested additional information to assess the safety and soundness and consumer protection implications. In that letter, the FDIC requested that, until we completed our review, that the Bank not proceed with planned activities, pending FDIC supervisory feedback, and that the Bank continue to update the FDIC on developments in the Bank's risk management framework and compliance management system. In response to the Bank's August 5, 2022, notification, the FDIC requested additional information and requested that the Bank provide the information requested in the FDIC's letter dated July 28, 2022. The Bank provided additional information in 2022 and 2023, including a June 9, 2023, Memorandum to the FDIC, Federal Reserve Bank of San Francisco, and the

The Memorandum provided an update on the Bank's progress developing a risk framework and policies/procedures for the proposed crypto activities. The FDIC transmitted supervisory feedback to the Bank on March 18, 2024.

Page 2

In a letter from the Bank dated May 10, 2024, Chairman of the Board stated that the Bank had decided to eliminate proposed crypto activities from its current business plan; therefore, the Bank no longer intends to engage in the crypto activities outlined in the Bank's May 31, 2022, notification and its subsequent communications with the FDIC. Additional follow-up to clarify the Bank's strategic direction and plans was performed at the September 3, 2024, FDIC examination.

Based on the September 3, 2024, examination as well as the May 10, 2024, letter from Chairman (which supersedes the March 18, 2022, and July 28, 2022, letters), we have acknowledged that the Bank no longer intends to pursue crypto-related activities as described in FIL-16-2022. In regard to the Bank's May 31, 2022, and August 5, 2022, notifications pursuant to FIL-16-2022, the FDIC's review is complete. We request that the Bank notify this office if the status of this activity, or other crypto-related activity, changes in the future.

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). If you have any questions, please contact Senior Case Manager or Review Examiner.

Written correspondence should be addressed to my attention at the San Francisco Regional Office and sent as a PDF document through the FDIC's Secure Email portal (securemail fdic.gov) using the following e-mail address: sfmailroom@fdic.gov.

Sincerely,

18/ Paul Worthing

Paul Worthing Regional Director

cc