FDIC FEDERAL DEPOSIT INSURANCE CORPORATION
DIVISION OF RISK MANAGEMENT SUPERVISION

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November 16, 2022

Board of Directors
[redacted]
Via Secure Email

Subject: June 9, 2022 Response to [redacted] Questions and Node and [redacted] Activity Permissibility

Dear Members of the Board:

On June 9, 2022, the FDIC received the bank's response to our April 25, 2022 request for information (Correspondence). We are reviewing the Correspondence and may request additional information during this review. Please note, while we acknowledge receipt of the bank's response, such acknowledgment does not constitute non-objection.

During our review of the bank's July board minutes, it came to our attention that [redacted] was granted $500,000 in Hash, a token that will be used for transactions, staking, and grants on the [redacted] Blockchain. The [redacted] Blockchain is the platform the [redacted] plans to use for transfers. Please provide additional details related to the [redacted] grant and information regarding how the bank has recorded this asset on the bank's books.

Additionally, we understand that the bank may operate a [redacted] Sentry Node (Sentry Node) to facilitate certain [redacted] activities, should the proposed [redacted] payment system be launched. The Sentry Node would be managed and supported by [redacted] and would be used to read and store a copy of the [redacted] ledger for business continuity purposes, for operational monitoring and reporting, for second and third line verification purposes (*i.e.*, to preserve and cross-validate applicable on-chain transaction information in the event of any service disruption), and as needed or desired for auditing, monitoring, or other reporting purposes.

In response to the FDIC's question regarding whether the bank's membership in the [redacted] is permissible under section 24 of the Federal Deposit Insurance Act and part 362 of the FDIC Rules and Regulations (Part 362),[1] the Correspondence referred us to section [redacted] Although this section of the Legal Manual discusses the permissibility of the bank's ownership of a non-controlling interest in the [redacted] it does not discuss the permissibility of holding [redacted] tokens. It does not appear that the Office of the Comptroller of the Currency has specifically addressed the permissibility this

[1] 12 U.S.C. § 1831a; 12 C.F.R. part 362.

activity 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

In addition, the does not discuss the permissibility of operating as a Sentry Node. Again, it does not appear that the Office of the Comptroller of the Currency has specifically addressed the permissibility of this activity for a national bank. As a result, with regard to 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.[2] 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. We expect that the bank will satisfactorily address our questions to ensure the bank would be engaging in the contemplated activities in a safe and sound manner. [3]

Written correspondence should be addressed to Kristie K. Elmquist, Regional Director, FDIC, Dallas Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (https://securemail.fdic.gov/) using the following e-mail address: DALMailRoom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at https://www.fdic.gov/secureemail/.

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.[4]

If you have any questions, please contact Case Manager

Sincerely,

/s/ K Elmquist

Kristie Elmquist
Regional Director

[2] 12 CFR § 303.121(b).
[3] *See, e.g.,* Section 39 of the Federal Deposit Insurance Act and Part 364 of the FDIC Rules and Regulations.
[4] 12 CFR part 309.

[redacted]