FDIC
Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

Division of Risk Management Supervision
Division of Depositor and Consumer Protection
San Francisco Regional Office
(415) 546-0160

August 18, 2023

b4,b8

Subject: FIL-16-2022 Notification of Engaging in Crypto-Related Activities– Request for Additional Information

b4,b8

On August 10, 2022, you initially notified the FDIC of b4,b8 (Bank) engagement in blockchain-based digital records and the bank's relationship with technology vendor b4,b8 b4,b8 and its wholly-owned subsidiary b4,b8 in response to Financial Institution Letter 16-2022, Notification of Engaging Crypto-Related Activities.

On August 30, 2022, as part of the August 22, 2022, Safety and Soundness examination, you replied via email to follow-up questions by the FDIC. On November 21, 2022, the FDIC sent the Bank a letter requesting additional information we needed to further understand the nature of the activity. Subsequently, the FDIC received the Bank's response on January 5, 2023.

Based on our review of the information provided, additional information is needed to understand the activity. Please see the attached request list regarding the Bank's activities and provide a response addressing each of the items requested as well as supporting documentation within 60 days of the date of this letter.

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 questions, please contact Division of Risk Management Supervision Case Manager b8 at b6,b8 b8 or Division of Depositor and Consumer Protection Review Examiner b8 b8 at b6,b8 or b8 Documents can be sent electronically as a PDF through the FDIC Secure Email portal at SFMailRoom@FDIC.gov. Information about how to use secure email and FAQs about the service can be found at https://www.fdic.gov/secureemail/.

Sincerely,

KATHY MOE Digitally signed by KATHY MOE Date: 2023.08.18 11:18:50 -07'00'

Kathy L. Moe
Regional Director

Enclosures

cc: b8

Attachment – Additional Information

1. Settlement records and documentation to show that the transactions were still settled through traditional means.
2. A list of all investments, including debt and equity, or other interests held in b4,b8 by insiders of the bank or b4,b8 including employees, officers, directors, their related parties, and/or their immediate families.
3. Bank's legal analysis as to any conflicts of interest created by insider ownership or involvement in b4,b8 including the manner in which such conflicts will be addressed.
4. Updated project plan and timeline on proposed activities, including items outlined in the b4,b8 Business Strategy.
5. Updated project plan and timeline for b4,b8
6. Legal analysis of applicable state law recognition of digital securities/assets and legal analysis of federal securities law implications related to digital asset securities.
7. Bank's independent legal permissibility analysis of the proposed activities related to the b4,b8 Business Strategy.
8. Bank's conflicts of interest, ethics, or similar policies.
9. Policies governing the project's development, testing, and production and ongoing operation, and wind-down of proposed activities.
10. Explanation of b4,b8 role and whether b4,b8 performs any clearing or settlement.
11. Bank's due diligence on b4,b8
12. Description of the role of b4,b8 with respect to clearing, settlement, or trade execution.
13. Description of b4,b8 role with respect to proposed activity involving trade execution of loans, or origination/trading of municipal securities.
14. Bank's due diligence documentation of b4,b8
15. Bank analysis of whether any b4,b8 entity is acting as a money services business.
16. Legal counsel review of platform license agreements and other contracts with any third party related to the proposed activity.
17. An explanation of how b4,b8 improves secondary market liquidity (as stated in b4,b8 b4,b8 document submitted by the bank) and how significant such secondary market liquidity is for the bank's liquidity position and liquidity risk management function.
18. The process by which the bank's origination and sales of municipal loans and bonds (as stated in b4,b8 document submitted by the bank) will be governed by bank policies and lines of authority; any legal analysis associated with a bank engaging in such activities, including any licenses or registration that may be needed; and business plans including cost/benefit analysis of bank engaging in such activities.
19. Detailed description, including project plan and timeline and related independent legal permissibility analysis, for the bank's plan to utilize b4,b8 business model (as stated in b4,b8 document submitted by the bank) to "l b4,b8 b4,b8" which the bank stated was in beta phase and going live shortly.
20. Details about the wallet, its location and usage, private key, ownership, hash algorithm and storage location on chain, private key's interaction on initiation of a smart contract/chaincode.
21. Detailed description of how the bank plans to utilize b4,b8 business model (as outlined in b4,b8 document submitted by the bank) to "b4,b8

b4,b8

b4,b8 ."

22. Detailed description of how the bank plans to utilize b4,b8 business model (as outlined in b4,b8 document submitted by the bank) to "b4,b8 b4,b8 " and related legal permissibility analysis.
23. Project plan and timelines for leveraging b4,b8 broker registration to co-invest and to create a secondary market for direct placement bonds, which bank stated "b4,b8 b4,b8 " the white label origination platform creation.
24. Detailed description of how the bank plans to utilize b4,b8 business model (as outlined in b4,b8 document submitted by the bank) to "b4,b8 b4,b8 ."
25. Detailed description of how the bank plans to utilize b4,b8 business model (as outlined in b4,b8 document submitted by the bank) to "b4,b8 b4,b8 ."
26. Detailed description of what the bank provided in its collaboration with b4,b8 "b4,b8 b4,b8 ."
27. An assessment of intellectual property implications to the bank given that "b4,b8 b4,b8 ."
28. Explanation of which entity operates the b4,b8 Platform that is utilized to execute trades of loans.
29. b4,b8 BlockChain technical and implementation documentation (including nodes, validator, delegator, gas fees, on chain document storage, etc.)
30. b4,b8 API documentation.
31. b4,b8 chaincode/smart contract documentation.
32. Bank and b4,b8 integration architecture diagram (at component and network level).
33. Technical specifications of the b4,b8 platform. Note: "A b4,b8 b4,b8 " states that "b4,b8 b4,b8 b4,b8 "
34. End to end process diagram for the proposed solution.
35. Details about transaction and transaction types, including how chaincode and smart contracts will be used (note: previously submitted Attachment 1 - b4,b8 was a very high level business process and did not provide details).
36. Description of the data collection and transmission for b4,b8 including data flows between b4,b8 the bank, and customers.
37. Description of how b4,b8 uses the transaction data.
38. Description of the mechanics of how b4,b8 will conduct a credit analysis of the issuers and b4,b8 role in that process.
39. Description of the mechanics of the dual ledger recording and how b4,b8 ensures accuracy and confidentiality of data on the blockchain.
40. Explanation of how custody is part of the platform, in light of b4,b8 Roadmap v2, which suggests that custody of bonds is part of the platform.
41. Risk assessments (repeat request of item #15 FDIC Request dated 11/21/22). If bank did not perform risk assessments, please reflect that in the response.
42. Any documented bank analysis of the due diligence documents provided by the bank on 1/5/23.