

FDIC Records—Correspondence Related to Crypto-Related Activities

February 5, 2025

Pages 2 through 280 (64 records) consist of FDIC correspondence with the 24 banks that received “pause letters” as detailed in the FDIC OIG’s report entitled “[FDIC Strategies Related to Crypto-Asset Risks](#)” (FDIC OIG EVAL-24-01 Oct. 2023).

Pages 281 through 790 (111 records) consist of FDIC correspondence and other records involving the crypto-related activities of other regulated institutions.



Federal Deposit Insurance Corporation
Division of Risk Management Supervision
Division of Depositor and Consumer Protection
300 South Riverside Plaza, Suite 1700, Chicago, IL 60606

Chicago Regional Office

Phone (312) 382-7500

Fax (312) 382-6901

April 24, 2023

Board of Directors
[REDACTED]

Subject: Third-Party Crypto-Asset Activity

Dear Members of the Board:

On June 30, 2022, [REDACTED] (the Bank) notified the Federal Deposit Insurance Corporation (FDIC) of the intent to offer crypto-asset services to customers. This notification was in response to Financial Institution Letter (FIL), FIL-16-2022, *Notification of Engaging in Crypto-Related Activities*. Acting Case Manager [REDACTED] held a phone discussion with Head of Digital Assets [REDACTED] on July 15, 2022, to discuss the Bank's crypto-asset plans.

On September 9, 2022, the FDIC sent a letter to the Board requesting that the Bank delay expansion of crypto-asset services while the FDIC considered the proposed crypto-related activity. Furthermore, the letter provided a crypto-asset activity request list and requested the information by October 18, 2022. On October 11, 2022, the Bank informed the FDIC that, due to prioritization of other projects, more time was needed to assemble the information. The letter stated that the request list should be completed by the first part of 2023.

On March 15, 2023, Case Manager [REDACTED] and Review Examiner [REDACTED] held a phone discussion with Bank management to discuss the status of crypto-asset initiatives. On March 28, 2023, Chairman and CEO [REDACTED] submitted a letter updating the FDIC and [REDACTED] on the status of the Bank's crypto-asset activities in response to FIL-16-2022. CEO [REDACTED] stated that, due to other projects, including the consummation of a merger, the Bank does not expect to launch crypto-related activities before the fourth quarter of 2023; however, no clear proposed timeline for the activity has been provided. To date, the FDIC also has not received any of the items requested in its letter to the Bank dated September 9, 2022.

Please keep the FDIC and [REDACTED] updated as to the timeline for the Bank's crypto-asset plans and when the previously requested items will be received. The FDIC's September 9, 2022 letter included a request list and requested that the Bank not proceed with planned activities until the FDIC had completed its review and provided supervisory feedback.

[REDACTED]

If you have any questions, please contact Case Manager [REDACTED] or Review Examiner [REDACTED]. Written correspondence should be addressed to my attention at the Chicago Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (securemail.fdic.gov) using the following e-mail address: CHIMailRoom@FDIC.gov.

Sincerely,
Gregory P. Bottone
Regional Director

cc: [REDACTED]
Federal Reserve Bank of Chicago



Federal Deposit Insurance Corporation
Division of Risk Management Supervision
Division of Depositor and Consumer Protection
300 South Riverside Plaza, Suite 1700, Chicago, IL 60606

Chicago Regional Office
Phone (312) 382-7500
Fax (312) 382-6901

August 10, 2023

Board of Directors



Subject: Response to Notification – Third-Party Crypto-Asset Activity

Dear Members of the Board:

On June 30, 2022, [REDACTED] (the Bank) notified the Federal Deposit Insurance Corporation (FDIC) of the intent to offer various crypto-asset services to customers. This notification was in response to Financial Institution Letter (FIL), FIL-16-2022, *Notification of Engaging in Crypto-Related Activities*. Acting Case Manager [REDACTED] held a phone discussion with Head of Digital Assets [REDACTED] on July 15, 2022, to discuss the Bank's crypto-asset plans.

On September 9, 2022, the FDIC sent a letter to the Board requesting that the Bank delay expansion of crypto-asset services until the FDIC completed its review of the proposed crypto-related activity. Furthermore, the letter provided a crypto-asset activity request list and requested the information by October 18, 2022. On October 11, 2022, the Bank informed the FDIC that, due to prioritization of other projects, the Bank needed more time to assemble the requested information. The Bank's letter stated that the Bank expected to provide the requested items by the first part of 2023. To date, the FDIC has not received any of the items requested in its September 9, 2022 letter to the Bank.

On March 15, 2023, Case Manager [REDACTED] and Review Examiner [REDACTED] held a phone discussion with Bank management to discuss the status of crypto-asset initiatives. On March 28, 2023, Chairman and CEO [REDACTED] submitted a letter updating the FDIC and [REDACTED] on the status of the Bank's crypto-asset activities stating that, due to other projects, including the consummation of a merger, the Bank does not expect to launch crypto-related activities before the fourth quarter of 2023. However, no clear proposed timeline for the activity was provided. Subsequent to this discussion, on April 24, 2023, the FDIC sent a letter to the Board to acknowledge the status of this activity, to request that the Bank keep the FDIC informed of its timeline, and to inquire when the information requested on September 9, 2022 would be submitted.

In a subsequent letter sent to the FDIC and [REDACTED] dated July 17, 2023 and received by email on July 19, 2023, CEO [REDACTED] stated that the Bank had decided to place all crypto-related activities on hold for an indefinite amount of time. The letter states that management would inform the FDIC if they choose to resume any of these activities. The FDIC acknowledges the Bank's updated status related to this activity, and the September 9, 2022 FDIC letter to the Board has been superseded as a result of the Bank's July 17, 2023 communication to the FDIC and [REDACTED]. We request that the Bank notify our office if the status of this activity, or other crypto-related activity, changes in the future.

Written correspondence should be addressed to Gregory P. Bottone, Regional Director, FDIC, Chicago Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following email address: ChiMailRoom@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 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 Assistant Regional Director Debbie J. Bush [REDACTED] or Assistant Regional Director of Compliance Amy T. Richardson [REDACTED].

Sincerely,

Gregory P. Bottone
Regional Director

cc: [REDACTED]
Federal Reserve Bank of Chicago

VIA SECURE ELECTRONIC MAIL

February 27, 2023

[REDACTED]
Senior Vice President/Chief Operating Officer
[REDACTED]

Re: Crypto Assets-Related Activity

Dear [REDACTED]:

We acknowledge receipt of the additional documents that you submitted on January 25, 2023, in response to the requested items in our December 12, 2022 email. Thank you for your response.

The FDIC continues to review crypto assets-related activities and various questions remain. Consistent with the procedures outlined in Financial Institution Letter 16-2022, *Notification of Engaging in Crypto-Related Activities*, the FDIC may request additional information to assist us in reviewing the activity and providing supervisory feedback to the bank.

To assess the safety and soundness, consumer protection, and financial stability implications of the proposed activity, the FDIC would like to schedule a Visitation at your bank starting on April 10, 2023. The [REDACTED] will also participate on the Visitation. We will contact management to provide additional details of the Visitation.

If you have any questions, please contact Case Manager [REDACTED]. 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/>.

Sincerely,

Eric T. Guyot (Signed)

Eric T. Guyot
Assistant Regional Director

cc: [REDACTED]



Division of Risk Management Supervision
Division of Depositor and Consumer Protection

Dallas Regional Office
600 North Pearl Street, Suite 700
Dallas, Texas 75201
(214) 754-0098 FAX (972) 761-2082

SENT VIA SECURE ELECTRONIC MAIL

April 26, 2023

Board of Directors



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

Dear Members of the Board:

We acknowledge the notification provided by Senior Vice President (SVP) [REDACTED] on August 17, 2022, of the bank's intent to offer Bitcoin services to its customers through a third-party arrangement with [REDACTED]. The notification was provided pursuant to Financial Institution Letter (FIL), 16-2022, *Notification of Engaging in Crypto-Related Activities*. On September 14, 2022, the FDIC sent a letter to the Board requesting information necessary for us to assess the safety and soundness, consumer protection, and financial stability implications of the proposed activities. In the letter, we requested that the bank refrain from providing the service to its customers until we completed our review. On December 12, 2022, we sent management follow-up questions and requested additional information to assist in the review. On February 27, 2023, we notified the bank of our intent perform a Visitation at the bank starting on April 10, 2023, to continue the review of the proposed crypto-related activities and provide supervisory feedback to the bank.

In an email dated March 8, 2023, SVP [REDACTED] stated that the Board decided to cancel the arrangement with [REDACTED] and cease pursuing crypto-related activities at this time. We acknowledge the Board's decision and the bank's updated status related to this activity. As a result of the bank's March 8, 2023 communication to the FDIC, we decided to cancel the April 10, 2023 Visitation and the September 14, 2022 FDIC letter to the Board has been superseded. We request that the bank notify us if the status of these activities, or any other proposed crypto-related activity, changes.

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 relating to safety and soundness, please contact Case Manager [REDACTED] or by email at [REDACTED]. If you have questions relating to CRA or consumer compliance, please contact Review Examiner [REDACTED]

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 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/>.

Sincerely,

Kristie K. Elmquist
Regional Director

cc: 



Federal Deposit Insurance Corporation

Division of Risk Management Supervision
350 5th Avenue, New York, NY 10018

New York Regional Office

April 25, 2022

Board of Directors

Chief Executive Officer

Subject: Questions Related to

Dear Members of the Board:

On February 22, 2022, the FDIC, OCC, and Federal Reserve Board met with [REDACTED] and [REDACTED], including [REDACTED], [REDACTED]

[REDACTED] General Counsel and Corporate Secretary [REDACTED] participated in the meeting to discuss the [REDACTED] and its proposed launch. At that meeting, it was evident that [REDACTED] had yet to finalize the use cases or functionality of the product and the Operating Rules by which [REDACTED] would be governed. The discussion indicated phases or versions of the product with future solutions, and, subsequently, the FDIC has received revised information outlining three models under consideration for [REDACTED]

In our letter to you on March 25, 2022, the FDIC stated it has a number of questions based on the discussion and information provided to date. The initial questions are attached and we request responses by June 9, 2022. As noted in our prior letter, we expect you to satisfactorily address these and any subsequent questions (in advance of implementation) to ensure the bank is operating in a safe and sound manner.¹ This is consistent with FIL-16-2022 which requests that institutions provide information necessary to allow the agency to assess the safety and soundness, consumer protection, and financial stability implications of such activities.

Written correspondence should be addressed to Jessica A. Kaemingk, Acting Regional Director, FDIC, New York Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (<https://securemail.fdic.gov/>) using the following email address: NYMailRoom@fdic.gov. Information about how to use secure email and FAQs about the service can be found at <https://www.fdic.gov/securemail/>.

¹ See e.g., Section 39 of the Federal Deposit Insurance Act and Part 364 of the FDIC Rules and Regulations.

[REDACTED]
Board of Directors

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If you have any questions, please contact Assistant Regional Director Steven P. Slovinski
at [REDACTED]

Sincerely,
Jessica A. Kaemingk
Acting Regional Director

Attachment – [REDACTED] Questions

CC: [REDACTED]
Federal Reserve Bank of New York

Questions

1. Governance and Structure of [REDACTED]

- a. Describe the activities conducted by [REDACTED]; the assets held by [REDACTED]; the services [REDACTED] provides to [REDACTED] banks; and the relationship between [REDACTED] banks.
- b. Describe the governance in place for [REDACTED] private protocol within the [REDACTED] blockchain, including the processes for decision-making, key participants, and key personnel. In your response, indicate the extent to which (i) [REDACTED] will participate in or exercise control over governance of [REDACTED] private protocol within the [REDACTED] blockchain; and (ii) participants on the private protocol could make decisions that would have binding effect with respect to [REDACTED], including over [REDACTED] objections.
- c. Describe what role, if any, [REDACTED] and [REDACTED] will play in the governance of the [REDACTED].
- d. Describe what role, if any, non-member, participating banks will play in the governance of [REDACTED] private protocol, including whether such banks will be restricted in conducting any activities related to the public [REDACTED] blockchain.
- e. Provide the terms of the [REDACTED] smart contract, the rules of the [REDACTED] blockchain and the private protocol, and any documents that describe the terms of such smart contract. Identify the party responsible for creating and coding such terms into the smart contract.
- f. Explain in detail the consensus mechanism for the [REDACTED] blockchain. Identify all persons that control 5 percent or more of the staking assets for the blockchain and provide the percentage controlled.
- g. Explain any dispute resolution processes contemplated with respect to [REDACTED].
- h. Provide a list of the fees [REDACTED] has already paid to [REDACTED], and estimated expenses moving forward. In your response, please clarify what the fees are for and whether there are expectations of periodic payments to [REDACTED].
- i. Discuss the permissibility of [REDACTED] under section 24 of the Federal Deposit Insurance Act, 12 U.S.C. § 1831a, and part 362 of the FDIC Rules and Regulations, 12 C.F.R. part 362.
- j. Clarify whether [REDACTED] operates a node or is otherwise involved in validating transactions on the [REDACTED] blockchain or the private protocol. Identify other entities that operate as a node or otherwise validate transactions. Explain how such nodes are assigned; the role they serve; the governance process for nodes; and whether the nodes for the [REDACTED] private protocol are the same or different than [REDACTED] nodes.
- k. Describe what involvement, if any, [REDACTED] may consider in non-[REDACTED] related activities of the [REDACTED] blockchain.
- l. Identify the steps that [REDACTED] would need to take if it chooses to exit the [REDACTED].
- m. Describe key third-party relationships that the [REDACTED] and the [REDACTED] will enter into with respect to [REDACTED] activities. In your response, please address any contemplated relationships with [REDACTED] and their affiliates.

- n. If the applications for [REDACTED] include business-to-business payments, merchant payments, and peer-to-peer payments, explain whether different governance protocols would be adopted to ensure privacy, confidentiality and/or data security for the different types of customers and their data.
- o. Explain any restrictions in place regarding the use of data related to [REDACTED] transactions. In your response identify the parties with access to such data and the type(s) of data they can access and any controls monitoring the use of such data. Explain the rights and responsibilities with respect to privacy and/or data security violations.
- p. Explain the extent to which [REDACTED] transactions will make use of an off-chain contract execution environment.
- q. Provide a copy of the Operating Rules.
- r. Describe any insurance that is contemplated to cover loss or malfeasance at the [REDACTED] or [REDACTED] bank-level.
- s. Explain whether [REDACTED] banks or participating banks are required to sign exclusivity agreements with the [REDACTED]. In your response, clarify whether [REDACTED] banks or participating banks are allowed to join [REDACTED].

2. Classifications.

- a. Explain the difference, if any, between the [REDACTED] use of the terms "[REDACTED]" and "[REDACTED]" (Note these questions use the term "[REDACTED]" but should be read broadly if there is a difference in these terms.)
- b. The website [REDACTED] (last visited on 3/31/2022) uses the terms "[REDACTED]" and "[REDACTED]". Clarify [REDACTED] understanding of [REDACTED].
- c. Explain whether the [REDACTED] identify the issuing bank and how, if at all, this distinction is apparent to banks and/or customers.
- d. Explain the basis for [REDACTED] determination that its participation in the [REDACTED], including all the activities that it would conduct as part of the [REDACTED], is permissible under applicable law.

3. Accounting.

- a. Explain how funds exchanged for [REDACTED] are reflected on the balance sheet of [REDACTED].
- b. Explain whether and how the [REDACTED] themselves are or will be reflected on the balance sheet of [REDACTED].
- c. Explain whether reserves will be held in connection with the [REDACTED] liabilities and, if so, whether such reserves be held as cash or in the form of specific assets. If reserves are held, explain whether they serve as collateral for the [REDACTED] liabilities.
- d. Provide example general ledger entries for [REDACTED]; transfer of [REDACTED] to a customer of another [REDACTED] bank; burning of [REDACTED]; and settlement of due-to/due-from balances among [REDACTED] banks. Please provide a chart depicting the flow of funds.

4. Exposure to Other Members of the [REDACTED].

- a. Explain how [REDACTED] mitigates the risk of intraday (or over-the-weekend) exposures to other [REDACTED] banks. In your response, describe any controls in place to protect [REDACTED] from the failure of a fellow [REDACTED] bank during the term of these exposures.
- b. Explain the liability, if any, [REDACTED] would have to holders of [REDACTED] issued by another [REDACTED] bank upon such bank's failure.

5. Risk Management and Controls.

- a. Describe the role of the board in reviewing and approving bank participation in the [REDACTED] and [REDACTED] activities.
 - i. Explain the process by which [REDACTED] board and/or management assessed [REDACTED] authority to participate in the [REDACTED]?
 - ii. Identify the legal risks (including permissibility, if applicable) [REDACTED] board considered when deciding whether to participate in the [REDACTED]. Explain how the [REDACTED] plans to mitigate and manage those risks.
 - iii. If participation in the [REDACTED] was approved by the board, explain the basis upon which the board approved [REDACTED] participation while key questions related to liability, membership, operating rules, and use cases have not been finalized.
 - iv. If participation in the [REDACTED] was not approved by the board, explain management's authority to enter into the activity without board approval.
- b. Explain the type of risk assessment and due diligence that was performed and identify key personnel involved in such activities.
- c. Explain whether management identified relevant expertise needed to engage in this activity.
- d. Explain whether [REDACTED] established any dollar volume-based limitations on customer activity or bank level activity (on a daily basis) (for example, to monitor total exposure/volume).
- e. Explain whether the bank will upgrade or change any systems or procedures to allow for this activity.
- f. Describe the risk management systems, processes, and controls in place or in development with respect to [REDACTED] activities, including the minting and burning of [REDACTED], maintenance of [REDACTED] wallets, and participation in the [REDACTED] blockchain.
- g. Describe the risk management systems, processes, and controls that [REDACTED] and the [REDACTED] have put in place to monitor and mitigate potential risks posed by the public [REDACTED] blockchain, including those related to blockchain governance disputes, software defects, and changes in protocol rules.
- h. Explain how [REDACTED] public, permissionless nature impacts [REDACTED] ability to mitigate risks related to security and privacy.
- i. Explain how [REDACTED] will mitigate operational risk where a step in the transfer process does not occur as expected.
- j. Provide any continuity plans if the [REDACTED] blockchain fails, including operational errors or delays in processing and system outages.

- k. Describe [REDACTED] efforts to conduct due diligence and assess the risks of engaging in the [REDACTED] smart contract.
- l. Explain how [REDACTED] will ensure that the amount of funds in the omnibus deposit account matches, at a minimum, at all times the aggregate amount of [REDACTED] in its customers' wallets.
- m. Describe any testing [REDACTED] is conducting or will conduct in relation to the [REDACTED] blockchain, [REDACTED] smart contract, or other aspects of its participation in the [REDACTED].
- n. Describe and provide documentation of vulnerability analysis that has been performed related to the smart contracts.

6. Settlement.

- a. Explain when the final settlement of a transaction facilitated by [REDACTED] occurs, where it is recorded, and whether there are any dependencies on the public [REDACTED] blockchain for settlement finality.
- b. Provide a detailed account of what [REDACTED] is and for what it will be used. In your response, include whether it has a set price or whether its price can fluctuate.
- c. Explain whether [REDACTED] will be paying [REDACTED] fees directly to update the [REDACTED] blockchain ledger and, if so, to whom such fees are paid.
- d. Explain whether [REDACTED] plans to hold [REDACTED] and, if so, (i) how it will be reflected on [REDACTED] balance sheet and (ii) how much [REDACTED] plans to hold. If its price can fluctuate, explain how [REDACTED] intends to account for variations in the price of [REDACTED].
- e. Provide a description of the accounting methods and treatment used for [REDACTED] held by [REDACTED] (including initial recording and any subsequent entries).

7. Use Cases.

- a. Provide a detailed description of planned and potential use cases for [REDACTED].
- b. Explain how the [REDACTED] differs from other bank-offered peer-to-peer payments platforms (e.g., [REDACTED]). Explain if the [REDACTED] interacts with any such platforms.
- c. Explain whether and how the [REDACTED] is developing an alias directory (e.g. email addresses). If so, explain (i) whether such directory will be housed by a central party, or such data will be stored in a decentralized manner; how any personal identifiable information (PII) stored in the alias directory will be protected.
- d. Explain how customers effectuate peer-to-peer payments (e.g., in banks' own apps or via a third-party app).
- e. Identify and describe safeguards that will be put in place to mitigate the risk that customers send funds to an unintended recipient.
- f. Provide screen shots to show the customer's user experience.

8. Consumer Protection.

- a. Identify the fees and other charges that will be imposed on [REDACTED] customers that elect to use [REDACTED] to conduct transactions.
- b. Describe the anticipated process for managing complaints from [REDACTED] customers related to [REDACTED].

- c. Explain any steps [REDACTED] will take to ensure consumers understand any difference in protections between [REDACTED] and traditional banking products.
- d. Describe network rules, systems, and practices that will be put in place to protect consumers. For example, explain the rights consumers will have to dispute errors, payments mistakenly sent to the wrong party, or payments related to fraud. Describe how [REDACTED] and the [REDACTED] will ensure such disputes are resolved in a timely basis and in accordance with network rules and applicable laws and regulations.
- e. Explain whether [REDACTED] or any other entity will indemnify customers for breaches to the wallets.
- f. Explain whether consumers are required to enter into an agreement with [REDACTED] (or another entity) to maintain a wallet.
- g. Describe any representations that [REDACTED] is making or plans to make regarding the applicability of FDIC deposit insurance.
- h. Describe any representations that [REDACTED] is making or plans to make regarding the stability of [REDACTED] including regarding reserves.
- i. Explain whether responsibility for approval of advertising and marketing materials rests with [REDACTED] or the [REDACTED] or if there is some other arrangement.
- j. Identify the consumer data that will be shared with [REDACTED] and its participants, as well as any controls in place to protect PII and limit sharing. In your response, indicate whether any PII will be stored on a distributed ledger and describe any disclosures regarding data sharing that [REDACTED] intends to provide.

CONTROLLED//FDIC BUSINESS



Division of Risk Management Supervision
Division of Depositor and Consumer Protection

Dallas Regional Office
600 North Pearl Street, Suite 700
Dallas, Texas 75201
(214) 754-0098 FAX (972) 761-2082

October 6, 2023

Board of Directors

Subject: Transmittal Letter: Joint Examination Team (JET) Visitation Crypto-Related Activities Review at [REDACTED]

Dear Members of the Board:

On April 4, 2022, management initiated a new digital service through a third party, [REDACTED] and its affiliated entities (collectively [REDACTED]). This service, the [REDACTED] (Platform), allows retail deposit customers the option to buy, hold, and sell Bitcoin, and was embedded in the bank's online banking platform and mobile application ([REDACTED] Services) provided by [REDACTED].

After becoming aware of the activity, FDIC Dallas Regional Office representatives met with bank management on June 21, 2022, and requested that the bank provide notification as requested by FIL-16-2022 and pause onboarding new customers. Bank management notified the FDIC on July 8, 2022, and confirmed that the bank suspended new customer acceptance, but allowed existing customers to continue to trade. On July 14, 2022, the FDIC notified the bank's Board via letter that the agency was reviewing these activities and would be providing supervisory feedback, and requested that the bank refrain from expanding the service until the review's completion.

On October 31, 2022, an FDIC joint examination team from Division of Risk Management (RMS) and Division of Depositor and Consumer Protection (DCP), together with participation from the [REDACTED], began a joint visitation of the bank. The purpose of the visitation was to review the bank's new digital service offering customers the ability to purchase, hold, and sell Bitcoin via a third party arrangement. While finalizing visitation findings, on July 20, 2023, bank management notified the FDIC that [REDACTED] terminated its agreement with the bank effective immediately via a letter dated [REDACTED]. The FDIC is providing the following high-level comments, which summarize key findings from the information reviewed during the visitation and prior to the termination of the arrangement, to help inform management on the bank's third-party risk management practices. These findings include a [REDACTED] that requires corrective action.

SCOPE OF THE REVIEW

The October 31, 2022, visitation was led by DCP Examiner-in-Charge (EIC) [REDACTED] and RMS EIC [REDACTED]. The visitation focused on understanding and assessing the bank's risk

and compliance management frameworks governing the [REDACTED] Services. This includes, but was not limited to, management's actions to evaluate the services prior to implementation, processes established to identify, manage and mitigate potential risks presented by these services, and ongoing monitoring processes developed to oversee these services.

BACKGROUND

Crypto-related activities may pose safety and soundness and consumer protection risks to the institution and its customers. The types and levels of risks are dependent on the type of activity, implementation of the activity, and controls designed to mitigate risks. Examples of risks that may be present include, but are not limited to, compliance, legal, operational, third party, and strategic. Facilitating customer crypto-asset trading alongside traditional banking products and services may also present heightened risk to the Bank's customers, such as:

- Confusion about the role of the financial institution in crypto transactions;
- Lack of understanding about the nature and risks associated with crypto-asset products;
- Inability to differentiate between nondeposit products and traditional banking products, such as deposit accounts; and,
- Misunderstanding the applicability of Federal deposit insurance coverage.

SUPERVISORY FEEDBACK

The overall risk management and compliance management frameworks governing the [REDACTED] Services did not sufficiently identify, measure, monitor, and control existing risks. The Board is accountable for ensuring sufficient oversight, prudent risk appetites, and the effective identification, measurement, monitoring, and control of risks through the establishment of appropriate policies, procedures, risk assessments, internal controls, and review processes.

Management's strategic planning, initial due diligence and project implementation of the [REDACTED] Services was largely informal, lacked independence and Board oversight, was heavily reliant on [REDACTED]-provided information and on [REDACTED]'s relationship with [REDACTED], and was not sufficiently comprehensive for the initiative's significant strategic impact. The initial due diligence process was overly reliant on vendor-provided documents, and sufficient independent assessment and analysis was not evidenced. Further, Board minutes do not reflect any discussion of the [REDACTED] Services, and Board oversight appears limited to the inclusion of [REDACTED] as a potential vendor on the [REDACTED] meeting agenda and approving the new [REDACTED] Policy shortly before product launch.

Policies and written procedures governing the activities are either too brief or nonexistent. Further, bank management stated that they consider the [REDACTED] Service a non-deposit investment product, which appears to be inconsistent with the bank's internal [REDACTED] Policy, which states that [REDACTED]

[REDACTED] A documented legal permissibility analysis conducted prior to the project's implementation was not evidenced, and the bank's existing project management policies were not appropriately applied, resulting in inadequate project oversight by both the Board and senior management.

While no crypto-asset specific risk assessments were performed, the BSA/AML and OFAC Risk Assessment was updated to include crypto activities, but the additions were relatively minimal and did not address the more significant non-AML related risks. The outsourced vendor review of [REDACTED] was limited in both scope and depth, and did not assess certain key elements, such as financial analysis and operating controls, and the bank's internal review did not flag these issues. Further, management conducted an initial vendor review of [REDACTED] which included a consideration section titled "[REDACTED]" however, it does not address Unfair or Deceptive Acts or Practices under Section 5 of the Federal Trade Commission Act (UDAP), Electronic Fund Transfers (Regulation E), or FDIC Part 328 Advertisement of Membership, False Advertising, Misrepresentation of Insured Status, and Misuse of the FDIC's Name or Logo (FDIC Part 328). For example, in assessing potential risks related to Part 328, the analysis did not consider the restrictions on using the official advertising statement when advertising non-deposit products and the prohibitions against misrepresentations about deposit insurance and the misuse of the FDIC's name or logo, with respect to representations regarding Bitcoin.

Audits of the program were not performed or scheduled, and formal monitoring and activity report review processes were not established. Bank management was not familiar with all the reporting mechanisms available in [REDACTED] and did not determine what information was relevant to track to assess and control ongoing risks. Therefore, it is unknown if sufficient information was available and accessible to bank management. Also, the bank provided informal training to bank employees that included a background on Bitcoin and bank prepared FAQs; however, there was no formal training discussing the responsibilities of the bank and its employees in providing customer service for the [REDACTED] Service. Further, the bank's Complaint Policy was not updated to address the bank's responsibility or procedures for handling complaints or risks specific to the [REDACTED] Service.

The risk for customer confusion was heightened due to the [REDACTED] Service, which is a nondeposit product, that is only accessible to customers through the Bank's existing online banking and mobile application (app) platforms where FDIC-insured deposit products are also accessible. Management did not sufficiently enhance the compliance management system to identify and mitigate consumer compliance considerations related to this crypto-asset service.

In the various electronic pages presented to customers during the enrollment process, and when subsequently accessing the [REDACTED] Service or viewing the [REDACTED] through the [REDACTED] widget on the home page, some information was provided on the nature and risks related to the service, but such information was inconsistently presented, and the placement, format, and timing of such language was not always clear and conspicuous. Also, the terms and conditions or terminologies used in [REDACTED] disclosures, the online banking or mobile app screens, and bank

stated system parameters did not always align. For example, the information provided by Bank management states that there is a \$ [REDACTED] minimum purchase amount and a \$ [REDACTED] daily transaction limit. However, the terms and conditions that are provided to customers only disclose the \$ [REDACTED] buy limit per transaction.

Management developed a variety of marketing materials for the Platform, which were distributed physically at branches and through social media. These marketing materials advertise [REDACTED]. For example, one Bitcoin poster includes [REDACTED] with additional information in the fine print that Bitcoin is not FDIC insured, may lose value, and is not guaranteed by the bank. However, it did not include language that Bitcoin is not a deposit or other obligation of the institution. Also, this Bitcoin poster and a Bitcoin flyer both included the "Member FDIC" logo which contributed to a [REDACTED] of FDIC's Part 328.3(e)(2), which describes the requirements for non-deposit product advertisements. Please refer to the *Violations of Laws and Regulations* section below for additional details.

RESOURCES

The following Financial Institution Letters (FIL), along with their references and attachments, provide useful guidance to assist the Board and senior management related to considering offering crypto-related activities:

- FIL-54-2014: Filing and Documentation Procedures for State Banks Engaging, Directly or Indirectly, in Activities or Investments that are Permissible for National Banks
- FIL-16-2022: Notification of Engaging in Crypto-Related Activities
- FIL-35-2022: Advisory to FDIC-Insured Institutions Regarding Deposit Insurance and Dealings with Crypto Companies
- FIL-01-2023: Joint Statement on Crypto-Asset Risks to Banking Organizations
- FIL-29-2023: Interagency Guidance on Third-Party Relationships: Risk Management

Also, the *February 15, 1994 Interagency Statement on Retail Sales of Nondeposit Investment Products* may be a useful resource for Bank management when considering how to ensure clear and conspicuous language is provided to customers when offering nondeposit products.

VIOLATIONS OF LAWS AND REGULATIONS

Level 2/Medium Severity Apparent Violation

ADVERTISEMENT OF MEMBERSHIP - SUBPART A

The Federal Deposit Insurance Act (12 U.S.C. §§ 1818, 1819 (Tenth), 1820(c) and 1828(a)), as implemented by the Advertisement of Membership rule, 12 C.F.R. § 328.3(e), prohibits a financial institution from including the official advertising statement, or any other statement or symbol implying or suggesting the existence of Federal deposit insurance, in any advertisement

relating solely to non-deposit products and hybrid products. In mixed advertisements, a financial institution must clearly segregate the official advertising statement as provided in § 328.3(e)(4).

The bank is in apparent violation of this regulation, as multiple advertisements were developed and distributed that related solely to non-deposit products offered through the Platform, but displayed the FDIC official advertising statement. Examiners reviewed in-house advertisements developed by the bank related to the third-party crypto-asset service offered by [REDACTED] through the bank's online banking platform and mobile application provided by [REDACTED], that allowed deposit customers the option to buy, hold, and sell bitcoin. During 2022 certain advertisements for the [REDACTED] Platform (Platform) were physically displayed at branches and posted on the bank's social media channels. These advertisements each provided varying levels of detail regarding the Platform, but at a minimum, each included the bank's name and referenced bitcoin. For example, one advertisement included the bank's name in several places, the Bitcoin logo and reference to bitcoin, and additional information in the fine print that Bitcoin accounts and services are provided by [REDACTED] and that bitcoin is not FDIC insured, may lose value, and are not guaranteed by the bank. In addition, four [REDACTED] advertisements were posted to the bank's account relating solely to Bitcoin or the Platform. However, these advertisements also included an image of the FDIC official advertising statement "Member FDIC" in violation of FDIC's Part 328.3(e)(2)'s restrictions applicable to advertisements relating solely to non-deposit products.

The root cause of this violation is marketing personnel's misinterpretation of the Advertisement of Membership Rule. Although established procedures require that all advertisements be reviewed prior to publication, it is not clear whether the social media platforms are reviewed to ensure that non-deposit product advertisements are clearly disclosed. Bank management has since removed all but one of the Bitcoin advertisements on [REDACTED]

Examiners recommend that management review the remaining advertisement (if not previously removed from [REDACTED]), enhance advertising training for personnel creating and posting advertisements, and monitor activities to ensure that all advertisements, including social media postings, are reviewed prior to publication.

ACTION REQUESTED

In order to assess the implementation of the bank's [REDACTED] wind down plan, please provide this office with copies of the following records by October 31, 2023: 1) summary of key dates that termination benchmarks were completed; 2) account closure data and reconciliations reports; 3) a copy of the final [REDACTED] account closure notices provided to customers directly or posted on customer accounts; 4) copies of training material or general talking points provided bank staff on the wind down process; and, 5) information on customer complaints or inquiries received during the wind down process. After the FDIC's review of the documents, the FDIC will determine whether additional information is necessary to close this matter.

[REDACTED]
Visitation Letter

Page 6

Further, the Board should review this Letter at their next meeting and document their review in the minutes. For the [REDACTED] of False Advertising, Misrepresentation of Insured Status and Misuse of FDIC's Name or Logo regarding the advertising of the Bitcoin Service, please confirm management commitment to corrective action by providing a written response within 30 days of receipt of this Letter. The bank should retain a complete record and supporting documentation of corrective action taken for review at the next consumer compliance examination.

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). Please notify the FDIC immediately if you receive a subpoena or other legal process calling for the production of this Letter or a description of its content.

If you have any questions, please contact RMS Assistant Regional Director J. Mark Love at [REDACTED] or DCP Acting Assistant Regional Director Rafael Valle at [REDACTED]. 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/>.

Sincerely,

Kristie Elmquist

Kristie K. Elmquist
Regional Director

cc: [REDACTED]

March 18, 2024

Board of Directors



Subject: Crypto-Related Activities

Dear Members of the Board:

The FDIC acknowledges the notification provided by [REDACTED] dated July 8, 2022, regarding the Bank's engagement in a Bitcoin service through a third party, [REDACTED]

[REDACTED] and its affiliated entities (collectively [REDACTED])

The notification was 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 14, 2022, the FDIC sent a letter to the Board requesting that the Bank not expand this service until the FDIC completed its review.

On October 31, 2022, the FDIC, with participation from the [REDACTED] began a visitation to assess the safety and soundness, consumer protection, and financial stability implications of such activities. While finalizing visitation findings, on July 20, 2023, bank management notified the FDIC that [REDACTED] terminated its agreement with the Bank via a letter dated [REDACTED]. The FDIC provided supervisory feedback through the Visitation Letter dated October 6, 2023, and requested certain information and documentation in order to assess the Bank's implementation of the [REDACTED] wind down plan. On October 31, 2023, the Bank submitted the requested information and documents to the FDIC. Bank management provided clarification regarding one remaining question on February 12, 2024, verbally and with a follow up email.

The FDIC acknowledges the Bank's updated status related to this activity, and the July 14, 2022 FDIC letter to the Board is superseded by this letter as a result of the communications with the FDIC. With regard to the Bank's July 8, 2022, notification pursuant to FIL-16-22, 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). Under no circumstances shall the Bank or any of its directors, officers, or employees disclose or make public the contents of this letter, or any portion thereof, without the prior written consent of the FDIC.

If you have any questions regarding the content of this letter, please contact FDIC Senior Case Manager [REDACTED]

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/>.

Sincerely,

/s/ Kristie K. Elmquist

Kristie K. Elmquist
Regional Director

cc: [REDACTED]
FRB - Dallas



Federal Deposit Insurance Corporation
Division of Risk Management Supervision
Division of Depositor and Consumer Protection
300 South Riverside Plaza, Suite 1700, Chicago, IL 60606

Chicago Regional Office
Phone (312) 382-7500
Fax (312) 382-6901

December 13, 2022

Board of Directors
[REDACTED]

Subject: Notification of Engagement in Crypto-Related Activities

Dear Members of the Board:

The FDIC acknowledges the notification provided by [REDACTED] (the Bank) on September 28, 2022, regarding the Bank's intent to partner with the [REDACTED] to offer [REDACTED] and [REDACTED], which use blockchain technology. The notification was 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.

While the notification provides a summary of the proposed activities, implementation timeline, risk management program, and vendor due diligence process, the FDIC will need additional documentation to evaluate the safety and soundness, consumer protection, and financial stability considerations of the proposed activities. Enclosed is a request for additional information that we need to fully review the proposed activities and provide appropriate supervisory feedback to the bank. Please respond to the request no later than January 31, 2023.

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 Case Manager [REDACTED] or Senior Review Examiner [REDACTED]. Written correspondence should be addressed to my attention at the Chicago Regional Office, and sent as a PDF document through the FDIC's Secure Email portal (securemail.fdic.gov) using the following e-mail address: CHIMailRoom@FDIC.gov.

Sincerely,
Gregory P. Bottone
Regional Director

cc: [REDACTED]

ATTACHMENT

Provide each of the following for both the [REDACTED] platform and [REDACTED]

Technical

1. [REDACTED] architecture diagram.
2. Cloud architecture diagram including ethereum nodes [Execution Client Nodes and Beacon Nodes], [REDACTED] Layer2 details], Network Connectivity and Application Programming Interfaces. If any, FedRAMP certification of components.
3. Details of subscription model on [REDACTED]
4. Description of, in a cloud subscription model, how many nodes the bank will spin (how many active nodes) for a new instance/subscription and how quickly it is expandable (based on transaction load how quickly new nodes can be made active without impacting ongoing transaction).
5. Description of which entity (e.g., bank or [REDACTED] is responsible to run the execution layer/client(node)[Execution Engine or pre-merger Eth1].
6. Description of how many nodes will be involved in consensus layer/client (node)[Beacon Node or pre merger Eth2].
7. Provide the list of entity running Beacon Node that will participate in consensus.
8. Assuming this is a private, permissioned BlockChain, provide the following details:
 - <<Custom Genesis.json>> file
 - *chainId*
 - *homesteadBlock*
 - *eip150*<<block and hash>>
 - *eip155*<<block>>
 - *eip158*<<block>>
 - *byzantiumBlock*
 - *constantinopleBlock*
 - *petersburgBlock*
 - *istanbulBlock*
 - *clique*, *gasLimit*, *mixHash*
9. End to end transaction flow diagram (reflecting data and currency flows).
10. Details of logical controls, such as multifactor authentication, user access controls, user access monitoring, user access rights, and logging procedures.
11. Description of smart contracts use.
12. Detailed description of any disclosure of bank customers' personally identifiable information be disclosed to any outside party.

Operational

13. Risk Assessment.
14. Due Diligence analysis and associated documents.
15. Contracts (including any drafts that the bank is reviewing or considering).

16. Overview of the contracting process (e.g., who is/was involved in the review, analysis, and structuring).
17. Any contract analysis performed prior to execution.
18. Legal analysis of permissibility.
19. Project plan for the activity.
20. Description of how this crypto-asset activity fits into the bank's strategic plan and objectives of the board and actions that would be taken should the activity fail to achieve the objectives.
21. Implementation plan. Please include expected activity volumes, income projections used to determine whether the products are financially feasible, and any other analysis performed to support launching the products.
22. Policies and procedures that will govern the crypto-related activity, including those related to internal controls, consumer compliance, Anti-Money Laundering/Countering the Financing of Terrorism, and complaint resolution.
23. Board and committee minutes reflecting discussion, analysis, approval, and any documentation provided on the activity.
24. Organizational chart for the activity. Please include any expected staffing additions as a result of the activity, as well as support for any experience related to the activity among existing bank management or personnel.
25. Description of anticipated monitoring and/or auditing of the new activity.
26. Contingency or wind down plans.
27. Internal training materials related to the activity.
28. Insurance coverage of the activity.
29. Titling of any omnibus accounts maintained related to this product/service and records of ownership expected to be maintained.
30. Plans for the internal audit function, including the type of audits to be conducted, skillset of the auditors, and access to [REDACTED] auditors to complete the audit.

Financial

31. Bank's analysis of Securities and Exchange Commission Staff Accounting Bulletin 121 and its applicability.
32. Cost-benefit analysis for the activity.
33. Describe how the bank will segregate and identify crypto related balance sheet assets.

Customer and Disclosure

34. Customer agreements, disclosures, sample account statement, sample transaction receipt, and any other terms and conditions related to the activity (draft or proposed).
35. Description of any fees that will be charged to customers related to the activity, and how they will be calculated. Also, describe if and how fees are split amongst the bank and any third-parties involved in the activity.
36. Description of any transaction limitations imposed by [REDACTED] or the bank on the transfer amounts.
37. Disclosures expected to be provided to customers on deposit insurance.

38. Marketing materials, press releases, internal scripts, educational materials, and any other publicly-distributed information (draft or proposed). This includes screen shots/recordings of the user interface that will be made visible to customer through the bank in connection with the activity.

Other

39. For [REDACTED] structure (including ownership and membership) and governing documents (such as operating agreement, operating rules, etc.).



Federal Deposit Insurance Corporation
Division of Risk Management Supervision
Division of Depositor and Consumer Protection
300 South Riverside Plaza, Suite 1700, Chicago, IL 60606

Chicago Regional Office
Phone (312) 382-7500
Fax (312) 382-6901

May 25, 2023

Board of Directors



Subject: Additional Request for Information on [REDACTED] Implementation

Members of the Board:

On September 28, 2022, the FDIC received notification of the bank's intent to partner with the [REDACTED] to offer [REDACTED] and [REDACTED] to bank customers. The notification was provided pursuant to Financial Institution Letter (FIL)-16-2022, *Notification of Engaging in Crypto-Related Activities*. The FDIC received additional information from the bank on January 31, 2023, in response to our December 13, 2022 letter.

FDIC staff has reviewed the documents provided and determined that additional information is necessary to further evaluate the proposed activities. On March 21, 2023, the bank notified the FDIC of its intent to no longer proceed with [REDACTED]. As a result, FDIC staff will focus the review on the bank's implementation of [REDACTED].

Enclosed is a request for the additional information needed to continue the review of the proposed activities and provide appropriate feedback to the bank. A number of items previously requested were not provided in the bank's recent submission. Please follow up with the FDIC for any clarification that may assist the bank in responding to the requested items. Please provide the requested information no later than July 10, 2023.

The FDIC's February 17, 2023 letter requested that the bank not proceed with the planned activity until the FDIC completes its review and provides relevant supervisory feedback. Please notify us if there are any material changes in the planned service, the status of this project, or its planned implementation, as additional information may be requested to allow the FDIC to assess the safety and soundness, consumer protection, and financial stability implications.

This letter is confidential and may not be disclosed or made public in any manner under part 309 of the FDIC Rules and Regulations.

Board of Directors

- 2 -

May 25, 2023

If you have any questions, please contact Case Manager [REDACTED]
or [REDACTED] or Senior Review Examiner [REDACTED] or
[REDACTED]

Sincerely,
Gregory P. Bottone
Regional Director

Enclosure

cc: [REDACTED]
Federal Reserve Bank of Chicago

ATTACHMENT

Provide the following items for the [REDACTED] platform and related activities. Several items were previously requested in our letter dated December 13, 2022, as noted below.

Technical

- [REDACTED] software inventory.
- [REDACTED] infrastructure details that reflect various servers, back-ups, network connectivity, and databases.
- Detailed technical overview of interaction between bank, bank operating systems, APIs, and [REDACTED]
- Details related to storage of private and public key and related controls.
- Authentication details with respect to Auth0.
- Transaction flow diagram for intrabank transactions. The transaction flow previously provided reflects interbank transactions.
- Detailed description of the bank's role and functions related to the bank's control of the nodes.
- Detailed technical description of the consensus mechanism.
- Analysis supporting that the underlying blockchain technology is "in no way crypto-related," given that cryptography is a key feature of blockchain technology for validation of information and the use of tokens.
- Description of any upgrades or changes to existing systems to implement this activity.
- [REDACTED]

Operational

Risk Assessment

- Supporting documentation and/or written commentary for how the bank concluded on the likelihood and impact ratings of each risk, the effectiveness of each control, residual risk ratings, and overall risk rating.
- Additional analysis conducted with the risk assessment, if applicable.
- Description of the process of identifying risks included in the risk assessment.
- Expertise of staff performing the risk assessment.

Due Diligence Analysis

- All documents reviewed in the due diligence process, including but not limited to those detailed in the [REDACTED] Group Vendor Review Status Report dated May 26, 2022. *The associated due diligence documents were previously requested in our letter dated December 13, 2022.*
- All written analyses of the documents reviewed in the due diligence process, including rationale and support for the acceptable determinations on the vendor due diligence form. *Due diligence analysis was previously requested in our letter dated December 13, 2022.*

Contract and Contract Analysis

- Description of the purpose of the “Transaction Volume Fee” and “Token Deposit Fee,” including whether those fees compensate for gas fees.
- Documentation of the contract review, analysis, and assessment conducted by outside counsel and the team members of Digital Banking, Treasury Management, Commercial Banking, Legal, and Risk. *We previously requested any contract analysis performed prior to execution in our letter dated December 13, 2022.*

Legal Analysis of Permissibility

- Documentation of the legal analysis conducted to support that the activity is permissible under current laws and regulations, including 12 U.S.C. § 1831a and 12 CFR part 362. *This item was previously requested in our letter dated December 13, 2022.*

Project Plan

- Updated Project Plan and Implementation Plan.
- The Board Case Memo and Board Approval documents.

Strategic Plan

- Comprehensive discussion on the strategic goals and objectives of offering ██████████ to commercial customers, including what the bank expects to achieve with the new activity and how the platform will result in deposit growth.
- List of the target commercial customers and industries.
- Outline of specific actions the bank would take if the activity fails to achieve objectives. *This item was previously requested in our letter dated December 13, 2022.*

Policies and Procedures

- Written policies, procedures, and user guides that will govern ██████████. *We previously requested policies and procedures that will govern the crypto-related activity, including those related to internal controls, consumer compliance, AML/CFT, and complaint resolution in our letter dated December 13, 2022.*
- List of employees or third parties and their responsibilities, if not included in policies.
- Description of controls related to the program, including but not limited to controls for the admin and the reconciliation process.
- The bank’s written Cloud policy.

Accounting

- Description of balance sheet entries for transactions.
- Example general ledger entries for token creation, transfer of tokens, burning of tokens, and settlement of balances.
- Description of the accounting methods and treatment for the tokens. Explain if the bank’s external accountants have opined on the treatment.
- Explanation of how the ledger of the underlying omnibus account reconciles the ownership of deposits while customers transfer tokens amongst each other. For example, if Customer A sends \$100 in tokens to Customer B, but Customer B has not yet redeemed