



Office of the Comptroller of the Currency

National Bank Examiners
[REDACTED]

May 5, 2023

[REDACTED]

Subject: Request for Supervisory Non-Objection for Full Production Use of the [REDACTED] Platform

Dear [REDACTED]

This letter is in response to your letter dated July 7, 2022, on behalf of [REDACTED] requesting supervisory non-objection pursuant to OCC Interpretive Letter #1179, dated November 18, 2021 (IL 1179) to enter into full production use of a private permissioned distributed ledger technology (DLT) platform (the Platform) for correspondent banking activities.¹

Key Facts and Representations

The supervisory conclusions in this letter are based on the following representations made by [REDACTED] to the supervisory office.

- The Platform is a private permissioned distributed ledger.
- Any customers for whom [REDACTED] opens accounts on the Platform will be subject to the bank's established onboarding processes related to the opening of correspondent accounts, including related KYC procedures.
- [REDACTED] intends to use the Platform to facilitate traditional correspondent banking services.
- The Platform will allow banks that offer correspondent banking services (Settlement Banks) to:
 - record nostro account balances of participating correspondent banking customers (Participating Banks) and;

¹ The proposed activity entails the use of a distributed ledger to conduct payment activities. The activity is thus within the scope of OCC Interpretive Letter #1174, dated January 4, 2021, and is thus also within the scope of IL 1179.

[REDACTED]

- update such balances to settle payments between their Participating Bank customers using smart contracts and distributed ledger technology.
- Each Settlement Bank will effectively operate its own distinct settlement ledger on the Platform with Participant Banks that are its correspondent banking customers.
- Consistent with traditional correspondent banking, only the Settlement Bank will be authorized to credit and debit the on-platform accounts that Participant Banks maintain with them.
- The Platform will serve as the Settlement Bank's system of records with respect to balances of such on-platform nostro accounts and replace the traditional mechanism for book transfers at the Settlement Bank for transactions on the Platform.
- [REDACTED] intends to act in two capacities: as a Settlement Bank for US Dollars (USD) and, through its [REDACTED] as a Participant Bank in USD and [REDACTED]
- [REDACTED] is not a party to the transactions occurring on the Platform. It does not hold any funds, extend credit, or exercise discretion over customer onboarding or payment execution. It will not facilitate the creation, holding or transfer of stablecoins or other digital tokens, and there will be no tokenization on the Platform itself.
- The supervisory non-objection does not apply to transactions in cryptocurrencies, non-fungible tokens (NFTs), or any other types of cryptoassets.

Supervisory Office Non-Objection Decision

As set forth in IL 1179, in deciding whether to grant supervisory non-objection, the Supervisory Office evaluated the adequacy of the bank's risk measurement and management information systems and controls to enable the bank to engage in the proposed activities on a safe and sound basis. [REDACTED] demonstrated that it has the following controls in place to participate in the network in a safe and sound manner:

- Accounts are prefunded through an off-chain nostro account with the Settlement Bank, which eliminates any settlement risk.
- The [REDACTED] security procedures require the establishment of a secure session through a valid API token and authentication through private keys.
- Smart contracts can only be deployed or upgraded by the [REDACTED] controlled nodes on the network.
- Any software upgrades will be vetted by [REDACTED] through its existing framework for use of third-party software. If [REDACTED] determines that it cannot accept the upgrade, under the terms of the Platform Agreement, [REDACTED] may suspend or terminate use of the platform without penalty.

Based on the facts and representations detailed above and in the [REDACTED] request and the Supervisory Office evaluation of the controls noted above, the supervisory office does not object

to [REDACTED] request to enter into full production use of the [REDACTED] platform to facilitate correspondent banking services. This Supervisory Office non-objection is limited to the activities detailed in [REDACTED] request. Unless otherwise notified by the OCC, any additional activities involving the [REDACTED] platform, including material changes to the activities outlined in the non-objection request are subject to the IL 1179 process and would entail separate requests. The OCC reserves the right to withdraw this non-objection at any time should the OCC determine there has been a material change in the facts and circumstances represented in the request, or that applicable risk management and measurement systems become inadequate relative to the risks of the proposed activity.

If you have any questions or comments, please feel free to contact me at [REDACTED].

Sincerely,

[REDACTED]

cc:

[REDACTED]

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