



Office of the Comptroller of the Currency

National Bank Examiners
[REDACTED]

September 19, 2023

[REDACTED]

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

Dear [REDACTED]:

This letter is in response to your requests dated February 14, 2023 and March 7, 2023, on behalf of [REDACTED] for supervisory non-objection pursuant to the Office of the Comptroller of the Currency's (OCC) Interpretive Letter #1179, dated November 18, 2021 (IL 1179) for the use of [REDACTED], a private permissioned distributed ledger technology (DLT) for tokenization of interests in money market funds (MMFs), that leverages the existing [REDACTED].¹

Key Facts and Representations

The supervisory conclusions in this letter are based on the following representations made by [REDACTED] to the Supervisory Office:

- [REDACTED] is an application for the recording of rights to traditional assets on a private permissioned distributed ledger.
- [REDACTED] owns and operates all the nodes on [REDACTED]
- [REDACTED] will use [REDACTED] to facilitate processing, recording, transferring, and pledging of assets that are used as collateral between [REDACTED] participants.
- The use of [REDACTED] will initially be focused on the use of MMF shares ("MMFs") as collateral but may expand to additional asset types over time.
- [REDACTED] will be used to record the entitlement of ownership or security interests through tokenization of assets used as collateral in OTC derivative transactions.

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]

- [REDACTED] will allow institutional clients that use collateral management and transfer agency services to utilize assets as collateral through tokenization without liquidating those assets for cash.
- Tokenization does not alter the form/structure of the underlying collateral but would facilitate pledge/transfer the title of the MMF on [REDACTED].
- The MMF tokens cannot be used outside of the [REDACTED] Platform.
- [REDACTED] will serve as the system of books and records of the tokenized balances and security interests created under the smart contracts.
- [REDACTED] intends to act as [REDACTED] Application Provider [REDACTED] ([REDACTED]). [REDACTED] will also serve as [REDACTED].
- [REDACTED] as [REDACTED] will be responsible for keeping track of ownership over the assets serving as collateral on [REDACTED]

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:

- The [REDACTED] security procedures require the establishment of a secure session through a valid application programming interface (API) token and authentication through private keys.
- There is no direct access to the blockchain node by any of the custody customers or registered owners.
- Collateral tokens can only be deployed or upgraded by the [REDACTED] controlled nodes on the network.
- Private keys are held and managed internally by [REDACTED] can prevent use of corrupted or stolen private keys and generate new private keys.
- Smart contract code has been reviewed in accordance with internal cybersecurity control procedures and tested in user acceptance testing (UAT).
- The [REDACTED] ledger can be investigated, reconciled, and resolved to the same extent as transactions recorded on other internal systems used by [REDACTED] including making amendments, cancellations, and corrections.
- [REDACTED] will be responsible for all software upgrades through its existing framework.
- Any customers for whom [REDACTED] opens accounts on [REDACTED] will be subject to the bank's established onboarding processes related to recording transfers or pledges of MMFs, including related KYC procedures.

Based on the facts and representations detailed above and in the [REDACTED] request and the Supervisory Office evaluation of the controls noted above, the OCC does not object to [REDACTED] request to the use of [REDACTED] for MMF tokenization. Prior to entering into full production for

MMFs, [REDACTED] must complete the proposed pilot activities as described in the bank's letter dated March 7, 2023 and report the results to the Supervisory Office. The bank must also notify the Supervisory Office no later than 90 days before the introduction of other asset types for tokenization.

The OCC reserves the right to withdraw this non-objection at any time should it 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,

FOR

[REDACTED]
[REDACTED]
[REDACTED]

cc:

[REDACTED]
[REDACTED]

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