



May 3, 2024

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Subject: Request for Supervisory Non-Objection Pursuant to Interpretive Letter No. 1179 for Commercialization of [REDACTED]

Dear [REDACTED]

This letter responds to correspondence received by the Office of the Comptroller of the Currency (OCC) on December 21, 2023, from [REDACTED], requesting the OCC's supervisory non-objection pursuant to OCC Interpretive Letter 1179, dated November 18, 2021. The bank requested Examiner-in-Charge (EIC) non-objection for the commercialization of [REDACTED]
[REDACTED]

The supervisory conclusions in this letter are based on the representations made by [REDACTED] to the supervisory office and examiners via various meetings and documents submitted in the above-referenced request. These representations include that these cross-border transactions will occur only between [REDACTED] and [REDACTED] branches, marketed only to wholesale customers currently with an initial limit per transaction of \$2 million, and a liquidity pool of \$200 million. Transactions will be conducted via a permissioned ledger with the bank controlling all the nodes and the tokens, and clients will not be able to hold any tokens or transfer them outside of [REDACTED]. In addition, these transactions currently are limited only to USD currency. *(Please see Appendix A below for a more detailed list).*

Supervisory Office Non-Objection Decision

As set forth in Interpretive Letter 1179,¹ 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.

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 (Jan. 4, 2021). In Interpretive Letter 1179, the OCC stated that banks that seek to engage in activities within the scope of Interpretive Letter 1174 should request and receive a supervisory non-objection before commencing the activities.

[REDACTED]

The EIC has no supervisory objection to [REDACTED]'s request to commercialize [REDACTED], based on the facts and circumstances detailed in the bank's request. 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. While examiners plan to monitor these activities via ongoing supervision, any material changes would require a notification to the OCC for determination if an additional non-objection would be required. At a minimum the bank should engage the OCC for the following activities/changes:

- 1) Addition of new branches in the transaction flows.
- 2) Permanent increases to currently established per client and/or liquidity pool limits.
- 3) Expansion of activities to retail customers.
- 4) Expansion of activities to additional currencies.
- 5) Expansion of activities beyond internal transfers where a client could initiate a transaction from a different financial institution to settle into [REDACTED] accounts or vice versa.
- 6) Any other material changes to the program that may impact clients, bank systems, and regulatory liquidity requirements.

This letter does not require a response. If you have any questions, please contact [REDACTED]
[REDACTED]

Sincerely,

[REDACTED]
[REDACTED]
[REDACTED]

cc: [REDACTED]
[REDACTED]

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Appendix A

- [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- All transactions involving DLT will occur through a private permissioned ledger.
- [REDACTED] owns and controls all the nodes underlying the private permissioned ledger.
- [REDACTED] will be the sole issuer of the tokenized deposits.
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- Initial client limit per transaction is \$2 million and the liquidity pool is set for an initial amount of \$200 million.