Office of the Comptroller of the Currency

National Bank Examiners
[redacted]

November 1, 2023

[redacted]

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

Dear [redacted]:

This letter is in response to your request dated April 7, 2023, on behalf of [redacted] or supervisory non-objection pursuant to OCC Interpretive Letter #1179, dated November 18, 2021 (IL 1179) to expand the use of the existing [redacted] Application [redacted] application, a private permissioned distributed ledger technology (DLT) to facilitate secured intraday extensions of credit ([redacted]) by [redacted]

Key Facts and Representations

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

- [redacted] will serve as the lender in [redacted] secured loans.
- [redacted] will also function as the sole triparty agent in connection with secured intraday extensions of credit.
- [redacted] will act as the sole borrower in [redacted] secured loans.
- The [redacted] secured loans are intraday advances that are margin loans and not repurchase transactions.
- Eligible collateral includes unencumbered equities in addition to unencumbered fixed income securities.
- Participation is limited to [redacted] lender and [redacted] as borrower.

[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] secured loans made to [redacted] would be made pursuant to a master liquidity facility agreement (MLFA) rather than a master repurchase agreement (MRA).
- [redacted] has been using the [redacted] technology to facilitate the execution and settlement of repurchase transactions entered into with [redacted]
- [redacted] already functions as the technology platform providing the blockchain infrastructure and book-keeping ledger for the existing [redacted] repurchase transaction activities.
- This bank has established processes to monitor compliance with affiliate transactions and other relevant laws and regulations for this activity.

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 operate the [redacted] application on the [redacted] network in a safe and sound manner:

- [redacted] has no interaction with, or reliance on, public and permissionless blockchain networks or associated crypto-assets.
- All nodes and related blockchain infrastructure have been internally developed and are owned and operated solely by [redacted]
- 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.

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 use the [redacted] application for facilitating secured loans. Management must demonstrate program effectiveness by communicating the results of end-to-end testing described in documentation supporting the proposal.

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]

[redacted]