Office of the Comptroller of the Currency

National Bank Examiners
[redacted]

August 2, 2023

[redacted]

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

[redacted]

This letter responds to correspondence received by the Office of the Comptroller of the Currency (OCC) on June 14, 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 planned participation as an Issuing and Paying Agent in the issuance of a digitally native [redacted] into [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 not host any of the Distributed Ledger Technology components and there will be no direct automated connectivity from [redacted] to the [redacted].
- Bank's accounting policy in conjunction with [redacted] reviewed the initiative as it relates to safeguarding of digital assets where an entity is required to recognize a liability on its balance sheet for its safeguarding obligation. The potential liability being due to the timing difference between debiting the cash wallet in the [redacted] and crediting the legacy participant account; this timing difference is expected to be minutes. Because the security token would not hold any value until it went to the dealer, the value assigned to the safeguarding liability would be zero. Based on this information, it was determined that the impact to the bank's financial statements is insignificant.
- [redacted] and there has been significant oversight from [redacted] to ensure financial, non-financial, and reputation risk to [redacted] has been reviewed and nothing material has been identified.

[redacted]

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. [redacted] demonstrated that it has the following controls in place to participate in the transactions in a safe and sound manner:

- The existing experienced issuance team will be processing the transactions via the [redacted] user interface.
- All processing will be completed under strict maker/checker controls.
- Participant Acceptance Tests (PAT) were performed by stakeholders, including [redacted] in the pre-production environment. Four PATs have been completed with no significant issues identified.

The EIC has no supervisory objection to [redacted] participation as an Issuing and Paying Agent in the issuance of a digitally native [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. This supervisory non-objection applies specifically to the limited number of proposed issuances to occur over the next 12 to 18 months, with pre-selected clients. Should [redacted] decide to expand or change the activities, [redacted] should notify the OCC in order to determine whether the changes warrant a separate supervisory non-objection.

Sincerely,

[redacted]

cc [redacted]

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[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]