



Office of the Comptroller of the Currency

National Bank Examiners
[REDACTED]
[REDACTED]

November 21, 2024

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

Subject: **Request for Supervisory Non-Objection for Operation and Use of the [REDACTED] Application on the [REDACTED] Platform**

Dear [REDACTED]

This letter is in response to your request dated September 5, 2024, on behalf of [REDACTED] [REDACTED] for supervisory non-objection pursuant to OCC Interpretive Letter #1179, dated November 18, 2021 (IL 1179) for the operation and use of the [REDACTED] Application on the [REDACTED] platform to facilitate intraday foreign exchange (FX) transactions.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] intends to operate the [REDACTED] Application to facilitate intraday FX transactions using [REDACTED] an internally developed and operated private, permissioned blockchain-based platform.
- [REDACTED] uses [REDACTED] to process, record, and transfer traditional assets, and facilitate funds transfers among deposit accounts held at [REDACTED]
[REDACTED]
- [REDACTED] has no interaction with, or reliance on, public and permissionless blockchain networks or associated crypto-assets.

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] has been using the [REDACTED] technology to facilitate the execution and settlement of transactions entered into with [REDACTED], and has received supervisory non-objections to facilitate other activities.²
- Transactions will be executed initially with [REDACTED] Each will act as a trading counterparty in the intraday FX transactions.
- Management intends to introduce additional architectural and functional capabilities including the use of other bank branch and subsidiary legal entities and currencies, respectively, following the bank's enterprise change management processes where necessary.
- The [REDACTED] Application and intraday FX transactions on the [REDACTED] Application will be held to the same governance, risk management standards, and compliance obligations as business-as-usual FX transactions.
- Each client transaction will be documented under an International Swaps and Derivatives Association, Inc. Master Agreement (ISDA) or equivalent agreement.

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 enterprise risk governance processes to facilitate the proposed activities in a safe and sound manner. [REDACTED] demonstrated that it has the following governance framework components in place to operate the [REDACTED] Application and the [REDACTED] platform in a safe and sound manner:

- Firmwide [REDACTED] policy, standard, and procedures, which the bank followed to identify the risks and mitigating controls for the intraday FX transactions on the [REDACTED] Application;
- Risk and policy standards consistent with its traditional FX products;
- A satisfactory governance framework with appropriate risk management and compliance standards consistent with business-as-usual FX transactions;
- Onboarding processes and know your customer procedures for clients prior to gaining access and transacting on the [REDACTED] Application; and
- Appropriate technology and cybersecurity controls to operate and use the [REDACTED] Application in conformance with firmwide standards.

Additionally, management conducted reviews of the bank's risk measurement and management information systems and controls and determined that additional measures were required as follows:

- Integration of the [REDACTED] Application with existing systems to ensure timely and complete trade and risk management, and legal and regulatory reporting;

[REDACTED]
[REDACTED]
[REDACTED]

- Reconciliation checks verifying risk capture completeness as required for other systems operating within the bank's Markets function;
- Drafting and execution of [REDACTED] Applications Terms governing use of the [REDACTED] Application in connection with intraday FX transactions with clients; and
- Completion of end-to-end testing to demonstrate operational capabilities.

Based on the facts and representations detailed in the [REDACTED] request and the Supervisory Office's evaluation of the governance framework noted above, the Supervisory Office does not object to the operation and use of the [REDACTED] Application to facilitate intraday FX transactions. Management must demonstrate program effectiveness by communicating completion of the above requirements as described in its proposal before entering into full production use of the [REDACTED] Application.

This Supervisory Office non-objection is limited to the activities detailed in [REDACTED]'s request. Unless otherwise notified by the OCC, any additional activities involving the use of a private permissioned distributed ledger technology platform for the [REDACTED] Application, 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]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

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