Katten

CORPORATE ADVISORY

FDIC Requires Reporting of Crypto-Related Activities

April 13, 2022

Any Federal Deposit Insurance Corporation (FDIC)-supervised institution that is considering engaging in crypto-related activity must now notify the FDIC of its intent and provide all necessary information to create a dialogue with the agency about the risks related to such activity.

This requirement follows the FDIC's issuance of a financial institution letter (FIL) on April 7 to all FDIC-supervised financial institutions (namely, state-chartered banks that are not members of the Federal Reserve System) requiring notification to the agency if the institution is engaged or intends to engage in crypto-related activities. "Crypto-related activities" are defined in the FIL as "acting as crypto-asset custodians; maintaining stable coin reserves; issuing crypto and other digital assets; acting as market makers or exchange or redemption agents; participating in blockchain- and distributed ledger-based settlement or payment systems, including performing node functions; as well as related activities such as finder activities and lending."

In addition to notifying the FDIC regarding new proposed crypto-related activities, the agency also stated that any institution it supervises that is presently engaged in crypto-related activities should also promptly notify it. Specific information requested by the FDIC in connection with such notifications is set forth in the FIL.

In announcing these requirements, the FDIC noted that crypto-related activities may pose significant safety and soundness and financial stability risks and may also raise consumer protection concerns. In particular, the FDIC noted that credit, liquidity, market, pricing, and operational risks could be created by such activities, and that these issues may, either individually or collectively, present safety and soundness concerns. With respect to safety and soundness concerns, the FDIC stated that there are anti-money laundering and terrorist financing implications inherent in crypto activities. The agency also noted that the structure of crypto assets could create a disruption based on the interconnected nature of certain crypto-related activities, thereby threatening financial stability.

CONTACTS

For more information, please contact Katten's Corporate practice, or:

Christina J. Grigorian
+1.202.625.3541
christina.grigorian@katten.com

Daniel J. Davis
+1.202.625.3644
daniel.davis@katten.com

Gary DeWaal
+1.212.940.6558
gary.dewaal@katten.com

Katten katten.com

CENTURY CITY | CHARLOTTE | CHICAGO | DALLAS | LONDON | LOS ANGELES | NEW YORK | ORANGE COUNTY | SHANGHAI | WASHINGTON, DC

4/11/22