



Mutual Alert

OCC Issues Interpretive Letter #1179 on Cryptocurrency

[In a November Interpretive letter](#), the OCC's Chief Counsel clarified its positions on how banks can responsibly engage in blockchain and cryptocurrency activities. Interpretive Letter #1179 clarifies letters: [#1170](#), [#1172](#), and [#1174](#), and allows banks to engage in the activities reviewed in the letters, add regulatory conditions, and reviews guidelines for risk avoidance for institutions that adopt blockchain technology and hold stablecoins.

The OCC notes that banks may provide cryptocurrency custody, hold liquid assets backing stablecoins, and use distributed ledgers. Furthermore, banks may buy or sell digital assets that will eventually be converted into fiat; and perhaps most importantly, can issue stablecoin. In light of the President's Working Group report on stablecoins which advise Congress to pursue legislation requiring stablecoin issuers to obtain a bank charter, it seems the regulators are pushing to move all stablecoin activities to existing banks.

Letter #1179 adds the condition of a supervisory non-objection as a prerequisite for engaging in activities outlined in letters #1170, #1172, and #1174. This is based on the OCC principle that an activity is "not legally permissible if the bank lacks capacity to conduct the activity in a safe and sound manner." To obtain a supervisory non-objection, institutions must demonstrate they have risk management processes in place, including, but not limited to liquidity, operational risk, and compliance risk. The OCC places emphasis on identifying risks associated with money laundering and other illicit activities as key to receiving the supervisory non-objection. The supervisory non-objection does not apply to banks already engaged in cryptocurrency activities, however it does require the grandfathered institutions notify their supervisory authority if they have not already done so. This letter clarifies that the OCC is not inclined to reverse the midnight opinions issued by Acting Comptroller Brooks in the waning days of the Trump Administration. However, it is a cautionary note and presents a vague approval process. AMB is continuing to explore the use of stable coins for mutual banks and will update our members when we have more information.

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