SECTION 7
Crypto-Asset Risks

- **While limited, crypto-asset-related activities can pose novel and complex risks to the U.S. banking system that are difficult to fully assess.**
- **The FDIC, in coordination with the other federal banking agencies, has taken steps to closely monitor crypto-asset-related activities of banking organizations.**
- **In December 2023, the FDIC updated part 328 of its regulations to modernize the rules governing use of the official FDIC sign and amended the definition of "non-deposit product" to include crypto-assets.**

While limited, crypto-asset-related activities can pose novel and complex risks to the U.S. banking system that are difficult to fully assess. Some of the challenges banks may face in assessing these risks arise from the dynamic nature of crypto-assets, the crypto marketplace, and the rapid pace of innovation. Key risks associated with crypto-assets and crypto-asset sector participants include those related to fraud, legal uncertainties, misleading or inaccurate representations and disclosures, risk management practices exhibiting a lack of maturity and robustness, and platform and other operational vulnerabilities.

The FDIC, in coordination with the other federal banking agencies, has taken steps to closely monitor crypto-asset-related activities of banking organizations. In 2022, the FDIC developed processes to engage in robust supervisory discussions with banking organizations regarding proposed and existing crypto-asset-related activities, and, in 2023, provided case-specific supervisory feedback to supervised institutions engaging in or planning to engage in these activities.[89] Case-specific feedback focuses on assessing the ability of the supervised institution to perform the activity in a safe and sound manner, and in compliance with applicable laws and regulations, including consumer protection. Throughout 2023, the FDIC continued to monitor and review the level of interest and adoption of crypto-related activities by supervised institutions to inform its supervisory and policy work.

In 2023, the FDIC, in coordination with the other federal banking agencies, issued interagency statements related to crypto-assets. First, in January 2023, the FDIC, Federal Reserve, and OCC released a joint statement on crypto-asset risks to banking organizations.[90] The statement reminds banking organizations that they should ensure that crypto-asset-related activities can be performed in a safe and sound manner, are legally permissible, and comply with applicable laws and regulations, including those designed to protect consumers (such as fair lending laws and prohibitions against unfair, deceptive, or abusive acts or practices).

Second, in February 2023, the FDIC, Federal Reserve, and OCC issued a Joint Statement on Liquidity Risks to Banking Organizations Resulting from Crypto-Asset Market Vulnerabilities on the liquidity risks to banking organizations presented by certain sources of funding from crypto-asset-related entities.[91] This statement highlights key liquidity risks associated with crypto-assets and crypto-asset sector participants that banking organizations should be aware of. In particular, certain sources of funding from crypto-asset-related entities may pose heightened liquidity risks to banking organizations due to the unpredictability of the scale and timing of deposit inflows and outflows. The statement reminds banking organizations to apply existing risk management principles and provides examples of practices that

[89] On April 7, 2022, the FDIC issued FIL-16-2022, Notification of Engaging in Crypto-Related Activities, which asked supervised institutions to notify the FDIC if they are engaging in, or planning to engage in, crypto-asset-related activities.

[90] Joint Statement on Crypto-Asset Risks to Banking Organizations, January 3, 2023.

[91] Joint Statement on Liquidity Risks to Banking Organizations Resulting From Crypto-Asset Market Vulnerabilities, February 23, 2023.

could be effective. The agencies also continue to emphasize that banking organizations are neither prohibited nor discouraged from providing banking services to customers of any specific class or type, as permitted by law or regulation.

In December 2023, the FDIC updated part 328 of its regulations to modernize the rules governing use of the official FDIC sign and amended the definition of "non-deposit product" to include crypto-assets. The regulation requires the use of signs that differentiate insured deposits from non-deposit products across banking channels and disclose that certain non-deposit products are not insured by the FDIC, are not deposits, and may lose value. In addition, as noted above, the regulatory definition of non-deposit product was updated to include crypto-assets.

In 2023, the FDIC issued a number of letters demanding persons or entities cease and desist from making false or misleading representations about the existence of deposit insurance, misusing the name or logo of the FDIC, or knowingly misrepresenting the extent and manner of deposit insurance.