

# Federal Reserve Doubles Down on Oversight of Crypto Activities for Banks

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The Federal Reserve Board (the “FRB”) issued [Supervision and Regulation Letter 22-6](#) (“SR 22-6”), providing guidance for FRB-supervised banking organizations (referred to collectively herein as “FRB banks”) seeking to engage in activities related to cryptocurrency and other digital assets. The letter states that prior to engaging in crypto-asset-related activities, such FRB banks must ensure that their activities are “legally permissible” and determine whether any regulatory filings are required. SR 22-6 further states that FRB banks should notify the FRB prior to engaging in crypto-asset-related activities. Any FRB bank that is already engaged in crypto-asset-related activities should notify the FRB promptly regarding the engagement in such activities, if it has not already done so. The FRB also encourages state member banks to contact state regulators before engaging in any crypto-asset-related activity.

These requirements send a clear message to FRB banks and in fact to *all banks* that their crypto-asset related activities are considered to be risky and not to be entered into lightly.

Indeed, the FRB noted that crypto-asset-related activities may pose risks related to safety and soundness, consumer protection, and financial stability, and thus a FRB bank should have in place adequate systems, risk management, and controls to conduct such activities in a safe and sound manner and consistent with all applicable laws.

SR 22-6 is similar to guidance previously issued by the [OCC](#) and [FDIC](#); in all cases, the agencies require banks to notify regulators before engaging in any kind of digital asset activity, including custody activities. The three agencies also released a [joint statement](#) last November in which they pledged to provide greater guidance on the issue in 2022. Further, in an August 17, 2022 [speech](#), FRB Governor Bowman stated that the FRB staff is working to articulate supervisory expectations for banks on a variety of digital asset-related activities, including:

- custody of crypto-assets
- facilitation of customer purchases and sales of crypto-assets
- loans collateralized by crypto-assets, and
- issuance and distribution of stablecoins by banking organizations

Interestingly, SR 22-6 comes a few days after a group of Democratic senators sent a [letter](#) to the OCC requesting that the OCC withdraw its interpretive letters permitting national banks to engage in cryptocurrency activities and a day after Senator Toomey sent a [letter](#) to the FDIC questioning whether it is deterring banks from offering cryptocurrency services.

Although past guidance already required banks to notify regulators of crypto activity, this guidance likely could discourage additional banks from entering into crypto-related activities in the future or from adding additional crypto services. In the end, it could have the unfortunate effect of making it more difficult for cryptocurrency companies to obtain banking services.

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