



James P. Sheesley,

Assistant Executive Secretary

RE: RIN 3064-ZA25

Dear Mr. Sheesley

We write in regard to the Federal Deposit Insurance Corporation's (FDIC's) Request for Information and Comment on Digital Assets (RIN 3064-ZA25). We appreciate your interest in potential use cases for digital assets.

In that regard, we have listed below the products and services which are currently being risk assessed for potential implementation by First Foundations Bank (FFB) which, as a member of the FDIC, is an Insured Depository Institution (IDI).

Please see below both the questions posed by the FDIC and responses from FFB.

Questions Regarding Current and Potential Use Cases

1. In addition to the broad categories of digital assets and related activities described above, are there any additional or alternative categories or subcategories that IDIs are engaged in or exploring? **No, FFB's exploration of digital assets is the same as is described above.**

2. What, if any, activities or use cases related to digital assets are IDIs currently engaging in or considering? Please explain, including the nature and scope of the activity. More specifically:

a. What, if any, types of specific products or services related to digital assets are IDIs currently offering or considering offering to consumers?

First Foundations Bank is in the process of entering into a third-party service provider relationship with NYDIG and NYDIG Trust to allow FFB customers with a deposit account the ability to buy and sell Bitcoin. NYDIG holds two licenses issued by the state of NY: first, as a limited purpose trust company and, second the Digital Currency Business License "Bit-License" issued by New York Department of Financial Services (NYDFS).

b. To what extent are IDIs engaging in or considering engaging in activities or providing services related to digital assets that are custodial in nature, and what are the scope of those activities? To what extent are such IDIs engaging in or considering secondary lending?

NYDIG Trust will be the custodian and FFB will not be the custodian.

c. To what extent are IDIs engaging in or considering activities or providing services related to digital assets that have direct balance sheet impacts?

Fees generated by Bitcoin purchases and sales by FFB customers through NYDIG will be shared with FFB. FFB will pay NYDIG a fee of 1% of the average total of the Bitcoin held by FFB customers with NYDIG Trust. It provides FFB the ability to attract and retain customer relationships while generating non-interest fee income.

d. To what extent are IDIs engaging in or considering activities related to digital assets for other purposes, such as to facilitate internal operations?

None

3. In terms of the marketplace, where do IDIs see the greatest demand for digital asset related services, and who are the largest drivers for such services?

The target market for FFB will be retail customers who want access to Bitcoin.

Questions Regarding Risk and Compliance Management

4. To what extent are IDIs' existing risk and compliance management frameworks designed to identify, measure, monitor, and control risks associated with the various digital asset use cases? Do some use cases more easily align with existing risk and compliance management frameworks compared to others? Do, or would, some use cases result in IDIs' developing entirely new or materially different risk and compliance management frameworks?

With regard to bitcoin purchases by FFB customers, the digital use cases being explored by FFB fit within our existing risk management framework and specific controls are being developed within the framework to manage these specific risks.

FFB is taking a risk based approach by implementing this new product in three phases and with a roadmap for control enhancements created by compliance as part of the new product approval process.



Finally, the ability to buy and sell Bitcoin is only being offered to FFB customers who have a traditional banking relationship with FFB.

5. What unique or particular risks are challenging to measure, monitor, and control for the various digital asset use cases? What unique controls or processes are or could be implemented to address such risks?

New monitoring rules are being developed to monitor BSA/AML and OFAC compliance and the BSA/AML and OFAC controls of NYDIG have undergone rigorous examination by state and federal regulators. Additionally, NYDIG and FFB will meet regularly regarding any changes in BSA/AML or OFAC risks.

Existing systems, disclosures and processes which protect consumers are being reviewed and where necessary enhanced to manage the unique risks associated with providing a new product to a broader spectrum of consumers.

6. What unique benefits to operations do IDIs consider as they analyze various digital asset use cases?

The use case(s) by FFB do not impact operations, but do coincide with a long planned upgrade in the IDI's core operating system.

7. How are IDIs integrating, or how would IDIs integrate, operations related to digital assets with legacy banking systems?

The ability to buy and sell bitcoin will only be available to customers who have a traditional banking relationship and who have been incorporated in the existing risk rating framework.

The value of digital assets, fees and other account details will update daily. Financial reporting to and from NYDIG and NYDIG Trust will be aligned with FFB's regular FDIC reporting requirements. Digital assets will not be held by FFB as NYDIG Trust will be the custodian.

8. Please identify any potential benefits, and any unique risks, of particular digital asset product offerings or services to IDI customers.

The growth of the digital asset market (now over \$2 Trillion) is evidence of consumer demand. Proving consumers access to digital assets through a trusted financial institution in a secure process that includes the same level of privacy, data security and transparency they expect from a traditional bank is a valuable benefit.

Many of the well-publicized risks of holding digital assets, like hacking or inadvertently transferring to an incorrect address, are not present in this product offering because of NYDIG Trusts' role as custodian.



The bank is keenly aware of the potential for fraud and consumer dissatisfaction is working both internally and with service providers to prepare for these issues.

9. How are IDIs integrating these new technologies into their existing cybersecurity functions?

The buying and selling of Bitcoin from NYDIG by FFB customers will be subject to all of the customer privacy and information security requirements applied to all FFB customers.

The processes are aligned through the online platform. The cybersecurity controls for both FFB and NYDIG were reviewed as part of the product risk assessment. NYDIG uses the highest standard of security including cryptographic keys and cold storage.

The security protocols and audits for NYDIG are being reviewed by FFB and the latest independent cybersecurity audit of NYDIG included penetration (PEN) testing with no issues found.

Questions Regarding Supervision and Activities

10. Are there any unique aspects of digital asset activities that the FDIC should take into account from a supervisory perspective?

BSA/AML and OFAC requirements are well established. While some Bitcoin transactions can be conducted anonymously or pseudo-anonymously, the Bitcoin transactions processed through FFB will be recorded and monitored by FFB.

With regard to consumer protections associated with traditional banking products, extending these additional protections will benefit consumers in the long run, but exactly what disclosures will look like and how specific types of disputes will be handled is truly unique. We are developing clear disclosures and writing scripts for any foreseeable issues but ask for patience as we encounter new and unforeseen consumer concerns.

11. Are there any areas in which the FDIC should clarify or expand existing supervisory guidance to address digital asset activities?

We very much appreciate the risk based approach the FDIC is taking while still allowing IDI's to offer new products and services similar to traditional banking products.

We would welcome and are willing to follow any supervisory guidance which the FDIC issues. We view this process as an opportunity to work with federal regulators to identify and assess potential risks and develop appropriate guidance.

12. In what ways, if any, does custody of digital assets differ from custody of traditional assets?

Custody of a digital asset creates unique challenges. Because a digital asset can be moved internationally with a few keystrokes, it is important to develop appropriate protocols to ensure these assets are not removed from custody. Secondly, because these assets are accessible through digital platforms, the risks associated with cybersecurity are heightened. Volatility and a lack of market history, but also the technology around cold storage and cryptography is very unique, which is one reason FFB chose to partner with NYDIG.

13. FDIC's Part 362 application procedures may apply to certain digital asset activities or investments. Is additional clarity needed? Would any changes to FDIC's regulations or the related application filing procedures be helpful in addressing uncertainty surrounding the permissibility of particular types of digital asset-related activity, in order to support IDIs considering or engaging in such activities?

Yes, the more prescriptive the better. This is an emerging new asset class and new application procedures are appropriate.

Questions Regarding Deposit Insurance and Resolution

14. Are there any steps the FDIC should consider to ensure customers can distinguish between uninsured digital asset products on the one hand, and insured deposits on the other?

Clear disclosures should be required to distinguish insured deposits. Additionally, consumers deserve clarity regarding fees, execution price of the asset and other details associated with similar asset classes.

FFB is making these disclosures clear as part of the product we will be offering. An industry wide standard should be set by the FDIC and would be followed by FFB.

15. Are there distinctions or similarities between fiat-backed stablecoins and stored value products where the underlying funds are held at IDIs and for which pass-through deposit insurance may be available?

FFB will not be offering a product using stablecoins and does not wish to offer an opinion.

16. If the FDIC were to encounter any of the digital assets use cases in the resolution process or in a receivership capacity, what complexities might be encountered in valuing, marketing, transferring, operating, or resolving the digital asset activity? What actions should be considered to overcome the complexities?

Accessing any digital currency holdings by the institution being put into receivership is a significant challenge. FDIC should consider policies for IBIs, so that digital currency holdings can be identified and accessed immediately, specifically the public and private keys to any digital currency wallet.



To the extent the digital currencies are held by custodians, the custodial arrangements could clearly provide for the Receiver to assume control and ultimately transferability of the digital asset. However, this provision for digital currencies is not different than any other asset held by a third party custodian. Once the FDIC can access any holdings, valuing, marketing and resolving any position should be relatively straight forward, as many OTC exchanges exist and offer purchase/sale contracts of most cryptocurrencies.

Further, the FDIC exploring the potential for resolving these issues through smart contracts is encourage by FFB.

Additional Considerations

17. Comments are invited to address any other digital asset-related information stakeholders seek to bring to the FDIC's attention. Comments are also welcome about the digital asset-related activities of uninsured banks and nonbanks.

Industry wide regulations create a level playing field. Banks have a duty of care and by encouraging IDIs to offer these products, applying safe and sound risk management principles, benefits both the IDI's and consumers.