



FEDERAL DEPOSIT INSURANCE CORPORATION WASHINGTON, D.C. 20429

TRAVIS HILL
ACTING CHAIRMAN

March 24, 2025

The Honorable Dan Meuser
Chairman
Subcommittee on Oversight and Investigations
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Meuser,

Thank you for your letter dated February 20, 2025, regarding the Federal Deposit Insurance Corporation's (FDIC) regulatory and supervisory work related to the digital asset activities of supervised financial institutions.

I have long criticized the FDIC's recent approach to digital assets,¹ as the FDIC has generally been closed for business if institutions are interested in anything related to blockchain or distributed ledger technology. Upon becoming Acting Chairman two months ago, I announced that the FDIC would adopt a more open-minded approach to innovation and technology adoption issues, specifically including digital assets, and began the process of enhancing transparency and providing clarity in this area.²

The FDIC is actively working on a new direction on digital assets policy, including replacing Financial Institution Letter (FIL) 16-2022 and providing a pathway for banks to engage in digital asset- and blockchain-related activities while still adhering to safety and soundness principles. We are actively engaging with the Department of Treasury and President's Working Group on Digital Asset Markets, and expect to continue to coordinate our actions through that process.

I fully agree that banking regulators should not use "reputational risk" as a basis for supervisory criticisms. While a bank's reputation is critically important, most activities that could threaten a bank's reputation do so through traditional risk channels (*e.g.*, credit risk, market risk, etc.) that supervisors already focus on. Meanwhile, "reputational risk" has been

¹ See, *e.g.*, Travis Hill, "[Banking's Next Chapter? Remarks on Tokenization and Other Issues](#)" (March 11, 2024).

² See Press Release, Federal Deposit Insurance Corporation, "[FDIC Releases Documents Related to Supervision of Crypto-Related Activities](#)" (Feb. 5, 2025).

abused in the past, and adds no value from a safety and soundness perspective as a standalone risk. We have conducted a review of all mentions of reputational risk or similar terms in our regulations, guidance, examination manuals, and other policy documents, resulting in a lengthy inventory, with plans to eradicate this concept from our regulatory approach. We are actively working on a rulemaking to ensure supervisors do not criticize activities or actions on the basis of reputational risk, which we expect to be able to issue in the near-future.

More broadly, I strongly believe the FDIC and the banking regulators need to reform our supervisory approach to focus more on core financial risks and less on process, administration, and documentation, and to apply clear and consistent standards to supervised institutions. This work is just beginning, and will likely be a multi-year process that includes (1) a shift in tone and emphasis from leadership, (2) a shift in how we train examiners, and (3) policy changes to the CAMELS ratings and FDIC examination manual. I also strongly agree no institution should be subject to preferential or punitive treatment, though I do believe our rules and guidance should be tailored based on institutions' size and business models.

I also believe it is worth exploring ways for financial institutions to provide explanations to a customer in the event of an account closure.³ Currently, financial institutions remain subject to the limitations imposed by applicable law, including the Bank Secrecy Act's (BSA) provisions governing suspicious activity reports (SARs).⁴ To the extent Congress considers amendments to the BSA more broadly, I believe these statutory provisions may worth be revisiting.

Thank you again for your interest in these important issues, and the critical oversight you have conducted over the past several years. Adopting a more open-minded approach to innovation and improving our supervisory process remain top priorities for me, and I look forward to working with you as the FDIC continues its work in these areas. Should you have any further questions or comments, please do not hesitate to contact us.

Sincerely,



Travis Hill

³ See Travis Hill, "[Charting a New Course: Preliminary Thoughts on FDIC Policy Issues](#)" (Jan. 10, 2025) ("It is also worth reexamining the policy of requiring banks to provide adverse action notices explaining the reasons why a customer is denied a loan, while at the same time often *prohibiting* banks from providing any reason if a customer's entire account is closed. These issues, along with others in the BSA realm, warrant attention and scrutiny during the next Administration.") (emphasis in original).

⁴ See, e.g., 31 U.S.C. 5318(g)(2) (prohibiting a financial institution from (1) notifying any person involved in a transaction that was reported on a SAR that such transaction has been reported or (2) revealing "any information that would reveal that the transaction has been reported").