



July 12, 2021

VIA EMAIL: regs.comments@federalreserve.gov

Ann E. Misback, Secretary,
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

RE: Proposed Guidelines for Evaluating Account and Services Requests; Docket No. OP-1747 (the "Proposed Guidelines")

Our firm represents Telcoin, Inc. ("Telcoin"), a fintech company that has developed a user-owned, decentralized financial platform. Telcoin sponsored the initiative to draft Legislative Bill 649 in the Legislature of the State of Nebraska. The bill, titled the Nebraska Financial Innovation Act ("NFIA"), was officially signed into law by Gov. Pete Ricketts on May 25, 2021. It allows for the creation of digital asset depository institution banking charters in the State of Nebraska, and would be considered one of the novel charter types referenced in the Background section of the Proposed Guidelines. Being only the second state in the United States to pass this sort of charter specifically for digital assets, we feel uniquely positioned to respond to the Proposed Guidelines.

The Federal Reserve's efforts to make a more transparent and consistent approach to requests for access to accounts and services is commendable and timely. It is important to review the Proposed Guidelines with the basic understanding that most fintech companies, including Telcoin, want access to the Federal Reserve's master account systems with the goal to bring innovative solutions to customers, while still complying with regulatory agencies and other departments.

At present, the intricate oversight of the banking industry has effectively prevented the integration of innovative blockchain and digital ledger technology, thus leaving customers with digital assets unserved or underserved. The Federal Reserve's Proposed Guidelines are a welcome step in the right direction to bridge this gap.

However, the Federal Reserve's Proposed Guidelines could do more to help fintechs and states navigate this space if it specifically outlined requirements of novel charters that are seeking to meet the definition of a depository institution under section 19(b) of the Federal Reserve Act. By doing so, the Federal Reserve would essentially expediate the process of drafting or updating compliant legislation in a given state. The Proposed Guidelines are very clear on what the Federal Reserve would do to monitor and regulate these novel charters *after* receiving approval to use the Federal Reserve's accounts and systems; however, there is not sufficient clarity on *how* these novel charters can qualify in the first place.

For example, a company that qualifies for a digital asset depository institution banking charter in the State of Nebraska is already required to comply with anti-money laundering, customer identification, and beneficial ownership requirements. Additionally, a company with a digital asset depository institution banking charter must maintain unencumbered liquid assets valued, at minimum, at one hundred percent of its depository institution liabilities.

These requirements were specifically included in the Nebraska legislation to mitigate risk and protect consumers, which are both aspects of novel charters that the Federal Reserve is keenly focused in

on. Left unanswered is the question of whether any company with a digital asset depository institution banking charter can obtain access to the Federal Reserve's system.

By clarifying the threshold that a novel charter must meet, the Federal Reserve will allow states draft appropriate legislation to facilitate and compliment a compliant company's application for access to the Federal Reserve's master account systems and services. Per the Proposed Guidelines, the Federal Reserve banks retain the ability to put additional obligations or limitations on the company with the novel charter. This is an appropriate way to keep the overall risk mitigation efforts in the Federal Reserve's control.

Regulatory clarity would be a win for customers who desire an improved and innovative banking experience, for regulators to have clear direction on what a compliant novel charter is, and for fintechs seeking access to the Federal Reserve's master account systems and services.

Thank you for the opportunity to present these comments on behalf of our client. If we may provide additional background, we would be happy to do so.

Very truly yours,

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