PAXOS TRUST COMPANY, N.A., CHARLES CASCARILLA

Proposal and Comment Information

Title: Proposed Third-Party Risk Management Guidance, OP-1881

Comment ID: FR-2026-0031-01-C65

Submitter Information

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Organization Type: Company

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Please see the attached comment letter from Paxos Trust Company, N.A. on the Proposed Third-Party Risk Management Guidance (Docket No. OP-1881).

November 16, 2026

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency

Secretary
Board of Governors of the Federal Reserve System

Deputy Executive Secretary
Federal Deposit Insurance Corporation

Secretary of the Board
National Credit Union Administration

Re: Proposed Third-Party Risk Management Guidance; OCC Docket ID OCC-2026-0793; Federal Reserve Docket No. OP-1881; FDIC ZRIN 3064-ZA58; NCUA Docket No. NCUA-2026-1684

Submitted via:
OCC: Regulations.gov (Docket ID OCC-2026-0793)
Federal Reserve: federalreserve.gov/apps/proposals (Docket No. OP-1881)
FDIC: comments@FDIC.gov (ZRIN 3064-ZA58)
NCUA: Regulations.gov (Docket No. NCUA-2026-1684)

To the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the National Credit Union Administration:

Paxos Trust Company, N.A. ("PTCNA"), a national trust bank chartered and supervised by the OCC, appreciates the opportunity to comment in response to the proposed guidance revising and replacing the agencies' existing interagency guidance on third-party risk management, published at 91 Fed. Reg. 58536 (Sept. 15, 2026). We provide white-labeled digital asset custody, wallet infrastructure and crypto-as-a-service technology to banks and fintech companies. Our comments are informed by our experience sitting on both sides of the third-party relationship: as a vendor to our bank and fintech partners, and as an entity that itself relies on a stack of subcontracted infrastructure and service providers to deliver those services.

I. The Final Guidance Should Preserve Its Principles-Based Approach

PTCNA supports the agencies' move from a process-driven framework to a principles-based one, and the perspective that "there is no one-size-fits-all approach to effective risk management." We encourage the agencies to carry that approach through to the final guidance and to examination practice.

The final guidance should not include a list of high-risk characteristics (footnote 15). Even an illustrative list would likely become a de facto checklist for examiners and counterparties. Banking organizations should instead be expected to explain how they assessed the magnitude and likelihood of potential harm in their relationships.

We support the view that "there are no generally applicable expected contract terms" and the proposal's clarification that the absence of a specific contractual term "would not alone be a sufficient basis for an examiner to communicate an adverse finding." In our experience as a vendor, contract negotiations have often been driven by the prior guidance's expectations rather than the risk of the specific relationship.

Examiners should also assess whether a banking organization's risk management program, governance and processes are sound, rather than re-underwriting individual relationships. That approach would be consistent with the agencies' statement that noncompliance with the guidance will not result in supervisory action, and we encourage the agencies to align their examination procedures accordingly.

II. Risk Assessment Should Reflect a Third Party's Regulatory Status and Jurisdiction

The proposal permits a banking organization to consider a third party's regulatory status as part of its risk assessment, and recognizes that supervisory and regulatory schemes "may differ materially between entity types." We agree that regulation is not a substitute for risk management (footnote 14). However, because regimes differ, the specific requirements a provider is subject to should matter, including the jurisdiction whose rules apply. A provider that is chartered, examined and subject to capital, custody and operational resilience requirements, and that can demonstrate how it meets them, presents a different risk profile than an unregulated vendor offering the same service. The final guidance should confirm that a banking organization may consider those specific requirements, and the provider's evidence of meeting them, in calibrating the depth of its due diligence and monitoring.

III. The Final Guidance Should Clarify Reliance on a Direct Provider's Subcontractor Oversight

PTCNA supports the proposal's recognition that the use of subcontractors "alone does not typically create an independent third-party relationship or create a presumption of direct banking organization oversight of any subcontractors" (Section A), and that a banking organization may oversee subcontractor risk by "assessing, confirming, and monitoring the adequacy of its third party's own third-party risk management programs" (Section B.2.v).

Digital asset custody and crypto-as-a-service arrangements typically involve a layered technology stack. A chartered custodian such as PTCNA may rely on hardware security module (HSM) providers, multi-party computation (MPC) key management vendors, validator operators and blockchain node and data providers. A bank that contracts with PTCNA for white-labeled custody services does not typically contract directly with each of these underlying providers, and independent due diligence on each one would largely duplicate work PTCNA already performs.

The final guidance should clarify what supports reasonable reliance on a direct provider's program and how examiners will evaluate that reliance. A banking organization that has assessed its provider's oversight of subcontractors should not be expected to perform separate due diligence on each underlying provider unless that assessment identifies a specific concern. That assessment should consider whether the provider's oversight is appropriate to its size, activities and risk profile. Where the provider is itself a chartered and supervised institution, the banking organization should also be able to consider that status, as described in Section II, alongside evidence of the provider's actual controls. The banking organization would remain responsible for compliance with applicable law.

IV. A Public Blockchain Network Is Not a Third-Party Relationship

Footnote 9 asks whether the guidance should apply only to third parties subject to a written agreement. The agencies have already observed that "[w]here a banking organization lacks a written agreement with a third party, or where no clear consideration underlies an activity, that activity is unlikely to constitute a third-party relationship." We support limiting the guidance to written agreements because it would give banking organizations a clear line between providers they can hold to contract terms and public networks with which they have no business relationship.

Digital asset activities involve both. PTCNA contracts with validator operators and with node and data providers for blockchain read access. These providers are part of PTCNA's own third-party risk management program, and for a banking organization that relies on PTCNA, they are subcontractors as addressed above in Section III. A public blockchain network, however, is different. Its protocol, consensus mechanism and the many validators with which neither PTCNA nor the banking organization has any arrangement cannot be assessed, contracted with or terminated in the way the guidance contemplates. The risks they present are real, but they belong in the banking organization's assessment of the underlying digital asset activity rather than its third-party risk management program.

V. Customer and Service Provider Roles in White-Labeled Arrangements

A banking organization or fintech purchasing custody services from PTCNA is a customer, including when it offers those services under its own brand. PTCNA in turn assesses the risks of any onboarding, recordkeeping or other function that the customer performs for it. The final guidance should clarify that a firm can serve in both roles within the same relationship, with each institution's oversight directed to the functions it relies on and the risks they create.

The final guidance should also confirm that, in these arrangements, the end customers of the banking organization or fintech are not third parties of that institution or of the service provider whose services it offers. The proposal defines a third-party relationship as an arrangement for activities "that support the banking organization," and end customers receive services rather than provide them. Because the 2023 guidance dropped language from its 2021 proposal stating that "third-party business arrangements generally exclude a bank's customer relationships," an express statement would resolve the resulting ambiguity. Obligations with

respect to those customers, such as customer identification and BSA/AML requirements, arise under other law and are not affected.

VI. Confirm the Scope of Rescinded Guidance

Footnote 5 asks whether additional guidance should be rescinded. We ask the agencies to consider publishing with the final guidance a complete list of the documents being replaced, including the Supplemental TPRM Resources identified in footnote 2, and to confirm that examiners will not apply superseded guidance or related examination procedures.

Conclusion

We support the agencies' move toward a principles-based, risk-tailored approach to third-party risk management. The recommendations above would help that approach work in practice for chartered digital asset infrastructure providers and the banking organizations that rely on them. We would welcome the opportunity to discuss these comments with agency staff and to provide additional detail on custody and subcontracting structures.

Respectfully submitted,



Charles Cascarilla
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