Americans for Financial Reform Education Fund

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Submitted by email: LicensingPublicComments@occ.treas.gov

Re: Application for New Bank Charter for Coinbase National Trust Company, Proposed Charter No. 25390

Dear Director Astrada:

Americans for Financial Reform Education Fund (AFREF) opposes Coinbase Global, Inc.'s proposed creation of a wholly-owned subsidiary crypto national trust bank and there are multiple reasons the Office of the Comptroller of the Currency (OCC) should reject this application.[1] Moreover, a novel crypto bank and bank charter owned by the nation's largest cryptocurrency exchange must be considered a bank holding company under federal law, the establishment of which would require Federal Reserve Board approval, as well as requiring consolidated supervision of the Coinbase Global parent and the proposed Coinbase National Trust Company subsidiary. The Federal Reserve should consider and reject this application because it fails to meet many of the statutory obligations required of bank holding companies.

AFREF is a nonpartisan and nonprofit organization formed by a coalition of more than 200 civil rights, consumer, labor, business, investor, faith-based, and civic and community groups. dedicated to advocating policies that shape a financial sector, including the chartering of financial institutions. AFREF was established in the wake of the 2008 crisis and continues to work towards a strong, stable, and ethical financial system that serves workers, communities and the real economy, and provides a foundation for advancing economic and racial justice.

The OCC is inappropriately attempting to bestow national trust bank charters upon crypto and stablecoin companies in ways that are inconsistent with the historical and statutory intent and requirements for national trust banks (see Section I). National trust bank charters are intended to permit bona fide fiduciary activities to shepherd funds with a duty of care, prudence, and best interest that is free from conflicts of interest to their customers. Coinbase intends to use the national trust bank charter for customers to hold and trade cryptocurrencies, which is a much wider scope of activities where the proposed Coinbase national trust company would not be guided by the best

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[1] Coinbase Global, Inc. "[Application to the Office of the Comptroller of the Currency to Organize Coinbase National Trust Company.]()" (Coinbase OCC Application). October 3, 2025.

interests of most retail investors and would fall very far short of the high fiduciary responsibilities of national trust banks. The OCC should reject the Coinbase national trust bank application because it does not meet the long-established, fundamental requirements of a trust charter.

Nor should the OCC facilitate the proposed Coinbase uninsured national trust bank's effort to become a member bank in the Federal Reserve system, which would confer unfair advantages and emergency public support to an uninsured crypto bank.

Furthermore, the proposed Coinbase National Trust Company would meet the statutory definition of a bank that is controlled by a nonbank company which means it must be subject to Federal Reserve determination, approval, and consolidated supervision as a bank holding company and (Section II). The Federal Reserve and the OCC should reject any consideration for Coinbase to become a bank holding company because it would impermissibly combine commerce and banking (Section II.B), it would exacerbate systemic risk to the banking industry and economy (Section III), it would fail to meet the convenience and needs of customers and communities (Section IV), and it would not address shortcomings in combatting money laundering (Section V).

The proposed crypto national trust bank would be a highly-complex and novel institution and the OCC should have provided more than 30 days for the public to submit comments. The complexity and novelty of the proposed charter, and the need for a longer comment period, are made still more pressing by the fact that a chartered Coinbase National Trust Company would likely to try to assert broad preemption of state consumer and investor protection laws, despite the inappropriateness and dubious legality of with such an argument.

For all these reasons, the OCC and the Federal Reserve should reject the Coinbase Global application to form a national trust bank.

I. Proposed Coinbase national trust bank fails to meet the high fiduciary standard demanded by statute and regulation

The OCC must reject the Coinbase charter application to form a de novo national trust bank because its activities and business model greatly exceed the narrow fiduciary banking authorities permitted under federal statute and federal banking regulations. The Congress never intended national trust banks to perform the activities included in Coinbase's business activities and identified in its charter application. Approving this national trust bank charter or any others like it for novel crypto banks would fail to uphold the federal banking law and precedent.

Coinbase proposes to use the national trust bank to hold and facilitate individual and institutional customers' cash for crypto trading and staking as well as provide financing for hedging and working capital that enable leveraged trading.[2] It also provides a platform for developers to initiate projects and issue cryptocurrencies where these digital assets can be offered and traded.[3] Further, Coinbase is

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[2] *Ibid.* at 3; Coinbase Global, Inc. Securities and Exchange Commission 10-K filing. (Coinbase 2024 10-K). Fiscal year ending December 31, 2024 at 10 to 11.
[3] Coinbase 2024 10-K at 7.

exploring using the proposed national trust bank charter to "launch other digital asset products, including payment products," which would include issuing stablecoins.[4]

These Coinbase activities and capacities are well in excess of the Congressional intent, plain reading of the statute, and federal regulations governing national trust banks that are explicitly intended to solely offer bona fide fiduciary services to their custodial customers. Trust banks are trustees of their customers' funds and the trustee relationship is the exemplar of fiduciary relationships. Trustees must exercise duties of obedience, care, loyalty, honesty, prudence, good judgment, transparency and be free of conflicts of interest to further their clients' best interests.

The courts have long recognized that the trustee fiduciary relationship is especially rigorous. The New York Court of Appeals highlighted the distinction between many ordinary business activities and those of fiduciaries in Meinhard v. Salmon:

> Many forms of conduct permissible in a workaday world for those acting at arm's length, are forbidden to those bound by fiduciary ties. A trustee is held to something stricter than the morals of the market place. Not honesty alone, but the punctilio of an honor the most sensitive, is then the standard of behavior. As to this there has developed a tradition that is unbending and inveterate.[5]

Coinbase's current relationship with its customers and the proposed activities of the national trust bank for which it is seeking a charter do not rise to the high fiduciary standard of providing a duty of care, acting in its clients' best interests, or other fiduciary duties.

A. Congress intended national trust banks to exercise only narrow fiduciary activities

The Comptroller lacks the statutory authority to approve national trust bank charters to organizations that do not perform bona fide fiduciary activities. Coinbase's business model and national trust bank charter application revolves around broad crypto investment brokerage, exchange, and clearing activities that are not permissible for national trust banks.

Congress did not intend for national bank trust charters to be used by any company that desired a special purpose bank charter. There is nothing in federal law that remotely envisions or approves the use of national trust bank charters by companies that operate crypto trading exchanges, act as crypto brokerages, provide commercial loans for leveraged trading, or that issue private stablecoin currencies, cryptocurrency securities, commodities, or other digital assets.

Trust banks were intended to provide investment services to funds held in custody as an executor or guardian. Congress granted the authority to charter and regulate national trust banks to the Federal Reserve in the early 20th century and shifted that authority to the Comptroller in 1962. The congressional intent, plain reading of the statute, and current regulations only grant the authority to grant national trust bank charters to institutions that perform these narrow fiduciary activities and only these narrow fiduciary activities.

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[4] Coinbase OCC Application at 3.

[5] Meinhard v. Salmon, 164 N.E. 545, 546 (N.Y. 1928).

The original Federal Reserve regulations governing national trust banks clearly prevent them from engaging in non-fiduciary activities. The 1937 Regulation F authorized trust banks "for the investment of funds for true fiduciary purposes" but "the operation of Common Trust Funds investment trusts for other than strictly fiduciary purposes is hereby prohibited."[6] In 1962, Federal Reserve Governor William Martin, Jr. testified that the Federal Reserve had "confined participation in common trust funds to situations where the bank was acting as a trustee, executor, administrator, or guardian for 'true fiduciary purposes.'"[7]

The Federal Reserve did not allow these trust banks to provide brokerage investment services to customers. A 1956 *Federal Reserve Bulletin* cautioned that "trust fund participation should be preceded by particularly careful determination of the bona fides of their use and purpose to avoid improper use of the common trust fund as a medium attracting individuals primarily seeking investment management of their funds."[8] A 1967 *University of Pennsylvania Law Review* commentary concluded that "The practical effect of these [Federal Reserve] rulings was to prohibit banks from offering participation in the common trust fund as a vehicle for investment."[9]

When Congress transferred national trust bank oversight from the Federal Reserve to the Comptroller it merely shifted the jurisdiction but not the statutory language or intent. The House report on the 1962 legislation that transferred trust bank authority to the Comptroller stated that the bill would make no change from "the substantive provisions of section 11(k) other than the transfer of authority, so that there is no alteration of existing law regarding national banks acting in fiduciary capacities."[10] The 1962 OCC Annual Report noted that all of the trust banks were solely "authorized to act in fiduciary capacities."[11] Congress has not even slightly altered or amended the statutory provisions that limit trust banks to narrow fiduciary responsibilities for the past half century.[12]

B. Federal statute and regulation solely prescribe narrow fiduciary activities for national trust banks

The OCC does not have the authority under statute or regulation to issue a de novo national trust bank charter to Coinbase or other crypto companies that do not narrowly exercise fiduciary responsibilities. Federal law authorizes the Comptroller to charter national trust banks "to act as

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[6] Board of Governors of the Federal Reserve System. Regulation F Trust Powers of National Banks. 2 Fed. Reg. 252. December 30, 1937 at 3441.
[7] Martin, William McC., Jr. Board of Governors, Federal Reserve System. Letter to Hon. Oren Harris. Hearing before the Subcommittee on Commerce and Finance on H.R. 8499, H.R. 9410. Committee on Interstate and Foreign Commerce. U.S. House of Representatives. 88th Congress, Second Session. June 9, 10, and 11, 1964 at 8.
[8] "Common Trust Funds." *Federal Reserve Bulletin*. Vol. 42, No. 3. March 1956 at 228.
[9] Editorial Comment. "Banks, Trusts and Investment Companies: The Commingled Investment Fund." *University of Pennsylvania Law Review*. Vol. 115, No. 8 June 1967 at 1278.
[10] Congressional Record. September 17, 1962 at 19577.
[11] Office of the Comptroller of the Currency (OCC). "100th Annual Report of the Comptroller of the Currency 1962." 1963 at 15.
[12] Pub. L. 87-722. To Place Authority Over Trust Powers of National Banks in the Comptroller of the Currency. September 28, 1962; 12 USC §92a. The congressional changes to the statute since 1962 have not amended or changed the requirements that trust banks may only act in fiduciary capacities. In 1980, the Congress added wind-down procedures to revoke national bank trust charters. Pub. L. 96-221 §704. Monetary Control Act of 1980. March 31, 1980; In 2012, the Congress removed the reference to "committee of estates of lunatics" from the law. Pub. L. 112-231. December 28, 2012.

trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, or in any other fiduciary capacity."[13] Comptroller James Saxon testified in 1963 that "There is no more carefully devised or restrictive set of laws or regulations in any field of banking, in my opinion, than that appertaining to the law of trusts, because of the special and traditional significance attached to the fiduciary relationship and existing for centuries both in the common law and the statute law of this country."[14]

The courts have ruled that the statute intends and permits only a narrow set of fiduciary authorities for national trust banks. In 1979, the Third Circuit of the United States Court of Appeals found that:

> it must have been these specially permitted fiduciary powers to which Congress intended to refer when by its recent enactment it authorized the Comptroller to restrict the operations of a national bank to those of a trust company and activities related thereto. In other words, it was the fiduciary operations carried on in the trust department of such a company or of a commercial bank to which reference must have been intended. Only by being so read does the statute have full meaningful effect and we so read it.[15]

Federal banking regulations permit national trust banks to engage only in specific enumerated activities and to do so as the fiduciary of their clients. The OCC is authorized to charter a national bank as a "special purpose bank that limits its activities to fiduciaries."[16] The regulations spell out that these fiduciary capacities and activities as:

> Trustee, executor, administrator, registrar of stocks and bonds, transfer agent, guardian, assignee, receiver, or custodian under a uniform gifts to minors act; investment adviser, if the bank receives a fee for its investment advice; any capacity in which the bank possesses investment discretion on behalf of another.[17]

The Comptroller is not authorized to approve national trust bank charters to an applicant that do not limit its activities to these specified fiduciary activities.

C. Coinbase's proposed activities greatly exceed the enumerated fiduciary activities and include activities where they will not be acting as their clients' fiduciaries

Coinbase's national trust bank charter application states that it will provide custody accounts for trading, staking, and financing for cryptocurrencies as well as the custody services necessary for customers to access these services and "other products and services" that are not specified in the

[13] 12 USC 92a(a).
[14] Hon. Saxon, James J. Comptroller of the Currency. "Common Trust Funds—Overlapping Responsibility and Conflict in Regulation." Hearing before the Subcommittee of Legal and Monetary Affairs of the Committee on Government Operations. U.S. House of Representatives. May 20, 1963 at 44.
[15] National State Bank v. Smith, 591 F.2d 223 (Jan. 15, 1979).
[16] 12 CFR §5.20(e)(1)(i). The regulation specifies that banks either limit their activities to fiduciaries "or to any other activities within the business of banking" and the use of of "or" proscribes national trust banks from exercising the core banking functions of taking deposits, paying checks, and lending money.
[17] 12 CFR §9.2(e).

application.[18] This business model is not restricted to activities where it will be acting governed by the bona fide fiduciary responsibilities of care, honesty, prudence, and best interest that is exercised free from conflicts.

1. Coinbase does not primarily offer bona fide fiduciary services

The products and services offered by Coinbase and the proposed activities in its national trust bank charter application are not actually or predominantly fiduciary in nature. Although Coinbase would provide custody services to clients through its national trust bank charter, this custody arrangement is not a fiduciary custody arrangement and it is ancillary to the primary service of crypto brokerage, exchange, and development for cryptocurrencies. The Coinbase application states that it proposes to use the trust bank charter to "enable custody clients to access staking, financing, and trading services."[19]

Coinbase is not primarily a custodian and it is certainly not a fiduciary custodian. Coinbase intends the custody arrangement to be a launching pad to offer its other, more central services unrelated to the duties fiduciary custody by a trustee. The congressional intent, historical record, legal precedent, and federal regulations identify the fiduciary role narrowly as an administrator, manager, custodian, or executor of funds for the benefit of the client. The Bank Holding Company Act identifies trust banks as those with "all or substantially all of the deposits of such institution are in trust funds and are received in a bona fide fiduciary capacity."[20] Bona fide means in good faith, which puts a heightened responsibility on trust banks to act in the best interests of their customers as prudent stewards of their funds.

Coinbase simply does not act as a fiduciary custodian and the overwhelming majority of the funds that it holds are intended for clients to invest and to trade through its platform. But Coinbase admits that crypto trading is highly-volatile and subject to tremendous financial risks.[21] A majority of crypto traders lose money on their holdings, according to a Bank for International Settlement paper.[22] A 2025 survey of over 1,000 crypto traders found that 84 percent of traders lose money in the first year and 58 percent lost *all* their money within the first year.[23] A 2023 Lending Tree survey found that just over one-fourth (28 percent) sold their crypto at a profit.[24] These losses are often concentrated among the smaller retail investors (often known as krill or minnows) while gains are largely captured by larger investors (known as whales). A 2024 Federal Reserve Bank of Philadelphia study found that large traders saw the value of their holdings go up with the crypto market, but small holders saw their holdings decline.[25] Coinbase is the biggest U.S. crypto exchange, but the vast majority of crypto traders lose money, meaning that it's unlikely that most of its clients are receiving the prudent care in their best interest that is required of a bona fide fiduciary.

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[18] Coinbase OCC Application at 3.
[19] *Ibid.*
[20] 12 USC 1841 (c)(2)(D)(i).
[21] Coinbase 2024 10-K at 5.
[22] Cornelli, Giulio et al. Bank for International Settlement. "Crypto Shocks and Retail Losses." BIS Bulletin No. 69. February 20, 2023.
[23] Miller, Liam. "Study: 84% of Retail Crypto Traders Lose Money in Their First Year." *NFTevening*. August 19, 2025.
[24] Evans, Julie Ryan. Lending Tree. "Tales from the crypto crypt: 38% of investors have lost more money than made it." January 30, 2023.
[25] Chernoff, Alan and Julapa Jagtiani. Federal Reserve Bank of Philadelphia. "Beneath the Crypto Currents: The Hidden Effect of Crypto 'Whales.'" Working Paper No. 24. August 2024.

2. *Coinbase does not provide the required investment advice for a fee necessary to manage national trust bank funds*

Trust banks are required to exercise a fiduciary duty in the management of their clients' funds. This trustee relationship gives the trust bank the authority to recommend investments to clients that furthers their interests. But even that investment guidance is specified in regulation to prevent funds in national trust banks from becoming a vehicle for investment trading activity. The regulations permit national trust banks to offer investment advice for a fee, but that generally means "portfolio advisory and management activities."[26]

The regulations state that this advice for a fee fiduciary authority excludes "client-directed investment activities."[27] Coinbase generates fees based on the volume of crypto trades,[28] not for providing investment advice. Its user agreement explicitly states that it "does not provide investment, tax, or legal advice, and you are solely responsible for determining whether any investment, investment strategy or related transaction is appropriate for you."[29]

3. *Coinbase has conflict of interest with its clients that violates fiduciary duty*

Coinbase's business model, which combines acting as an exchange, broker-dealer, and clearinghouse inherently pose conflicts of interest with customers trading on their platforms. Coinbase has an incentive to encourage clients to trade irrespective of the outcome of those investments because it earns fees based on the volume of trades.[30] The company's total revenue is "substantially dependent on the prices of crypto assets and volume of transactions conducted on our platform."[31] Coinbase's various roles as broker, exchange, and clearinghouse puts the interests of Coinbase in conflict with the interests of its customers in a way that is incompatible with the responsibilities of fiduciary duty required by a national trust bank by statute and regulation.[32]

The prohibition against conflicts of interest in providing investment advice is a bedrock principle of fiduciary relationships. The SEC has noted that "Loyalty to his trust is the first duty which a fiduciary owes to his principal, it is the general rule that a fiduciary must not put himself into a position where his own interests may come in conflict with those of his principal."[33] The Supreme

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[26] 12 USC §9.2(e); 12 USC §9.101(a).
[27] 12 CFR §9.101(b)(ii). This provision notes that providing general research on investments does not constitute advice. Nor does the provision of advice when it is "merely incidental to other services." 12 USC §9.101(a).
[28] Coinbase 2024 10-K at 7 to 8.
[29] Coinbase Global, Inc. "Coinbase User Agreements." Last updated October 27, 2025. Accessed November 2025.
[30] Coinbase 2024 10-K at 7 to 8.
[31] *Ibid.* at 5.
[32] The SEC charged Coinbase with failing to register its various securities activities in 2023 in large part because these functions created a conflict of interest with its customers, but the case was later dropped. Irrespective of whether the company is or is not required to register with the SEC, these multiple business functions create conflicts of interest that are inconsistent with a fiduciary relationship. Securities and Exchange Commission. [Press release]. "SEC charges Coinbase for operating as an unregistered securities exchange, broker, and clearing agency." Press Release No. 2023-102. June 6, 2023; Harty, Declan. "Coinbase says SEC agrees to toss lawsuit, signaling end of crypto battle." *PoliticoPro.* February 21, 2025.
[33] SEC. In the Matter of: Arleen W. Hughes doing business as E.W. Hughes & Company. Release No. 4048. February 18, 1948 at 6.

Court has recognized the congressional intent of requiring the "'delicate fiduciary nature of an investment advisory relationship'" for trust banks and that fiduciaries have "an affirmative duty of 'utmost good faith, and full and fair disclosure of all material facts'" that requires investment advisors provide unconflicted and disinterested advice.[34]

D. The OCC cannot bestow national trust bank charters on entities that do not provide fiduciary care such as Coinbase

The OCC is only authorized to grant national bank charters to institutions that primarily will exercise fiduciary activities for their customers. The OCC's efforts to broaden the national trust bank charter to create a loophole from the Bank Holding Company Act and other federal banking laws to allow crypto businesses to effectively become banks is inappropriate and not grounded in federal law or regulation. This applies to all crypto firms from vertically integrated exchanges like Coinbase, to custody brokerages like several trust charters that have already been approved to the stablecoin issuers which are likely to be applying in large numbers.

Congress has not given the OCC authority to create novel crypto banks under federal law. But the OCC has nonetheless granted national bank charters to several crypto businesses merely by attesting by proclamation that their broad activities are actually limited to fiduciary authorities. The OCC regulations allow it to consider applications for national trust charters "to organize a special-purpose national bank limited to fiduciary powers."[35]

The OCC stated that it approved the national trust charter of Anchorage Trust because it "solely performs the functions and activities that may be performed by a trust company" and that "all of Anchorage Trust's core services, activities, and functions are fiduciary in nature."[36] But the approval lists bank activities that are predominantly non-fiduciary in nature. While holding funds for crypto trading is custodial, it is not of a fiduciary custodial nature because it is not acting in the prudent, unconflicted, best interests of clients. The other Anchorage activities of on-chain governance services, staking, trading, and transaction settlement are not fiduciary activities.[37] The OCC is obligated by statute and regulation to demonstrate that the activities of the proposed national trust bank are fiduciary in nature in order to grant this charter.

Similarly the OCC approved national trust bank charters for the crypto firm Paxos even though its activities were overwhelmingly of a non-fiduciary nature including managing stablecoin reserves, providing payments, crypto brokerage trading services, crypto exchange services, and more.[38] The OCC approved Prego's application despite its providing non-fiduciary activities for platform tokens, commodities tokens, crypto-collectibles such as memecoins and non-fungible tokens, stablecoins, client-to-client trading, client-to-client lending, staking services, and more.[39]

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[34] SEC v. Capital Gains Research Bureau, Inc., 375 U.S. 180 (1963).
[35] 12 CFR §9.3(c).
[36] OCC. "Application by Anchorage Trust Company, Sioux Falls, South Dakota to Convert to a National Trust Bank." (Anchorage OCC Application). 2020-WE-Conversion-317667/ 2020-WE-Waiver-317826. January 13, 2021 at 2 and at note 5 at 2.
[37] *Ibid*. at 3.
[38] OCC. "Application to charter Paxos National Trust, New York, New York." (Paxos OCC Application). OCC Control Number: 2020-NE-Charter-318305. April 23, 2021 at 1 to 2.
[39] OCC. "Application by Protego Trust Company, Seattle, Washington, to Convert to a National

The OCC has justified this extra-statutory approval of novel crypto national trust bank charters on the basis of a 2021 interpretive letter that distorted federal laws and regulations. It changed the consideration of national trust bank charters to allow "activities permissible for a state trust bank or company even if those state authorized activities are not necessarily considered fiduciary in nature."[40] Further the interpretive letter asserts that "the absence of other textual and statutory guidance" allows broad interpretation to permit activities authorized by state but not federal law or regulation.[41]

But this letter attempts to rewrite OCC regulations and policy without the required formal notice and comment rulemaking under the Administrative Procedures Act,[42] and it is inconsistent with statute with robust textual history and longstanding and settled jurisprudence. The letter is an improper basis for issuing charters, and should be rescinded. Indeed, President Trump has ordered all agencies to rescind all "regulations that are based on anything other than the best reading of the underlying statutory authority or prohibition."[43]

The OCC lacks authority to grant novel crypto national bank trust charters to Coinbase or other crypto companies.

II. Proposed Coinbase national trust bank should be considered and rejected under the Bank Holding Company Act

The OCC must consider — and reject — the proposed creation of the novel de novo Coinbase national trust charter under the Bank Holding Company Act. The proposed institution fulfills the definition of a bank under the Bank Holding Company Act and thus must meet its critical considerations. The Act requires banking regulators to reject applications that impermissibly combine banking and commerce, pose risks to the stability of the banking or financial system, fail to further the convenience and needs of communities, and fail to effectively combat money laundering.[44] The Coinbase application for a national trust bank fails to meet required standards in multiple areas.

The OCC must reject this novel crypto bank charter application because it is unsupported by federal banking statute and establishes an unprecedented new class of banks with many bank powers but far less regulatory oversight. Approving this application effectively creates a new special purpose nonbank bank charter for the crypto industry by distorting the statutory obligations of national trust banks and creates a broad and unlawful carveout from the Bank Holding Company Act.[45] It would

Trust Bank." (Protego OCC Application). OCC Control Numbers: 2020-HQ-Conversion-318271/ 2021-HQ-Waiver-319182. February 4, 2021 at 2.

40 OCC. "OCC Chief Counsel's Interpretation on National Trust Banks." Interpretive Letter No. 1176. January 2021 at 1.

41 *Ibid.* at 2.

42 5 USC §§551 to 559.

43 Executive Order No. 14219. "Ensuring Lawful Governance and Implementing the President's 'Department of Government Efficiency' Deregulatory Initiative." 90 Fed. Reg. 36. February 25, 2025 at 10583.

44 12 USC §1842.

45 The OCC cannot consider the Coinbase application for a national trust bank under the U.S. Genius Act provisions that direct the Comptroller to develop regulations to evaluate applications for uninsured bank charters, pursuant to the National Banking Act for federal qualified stablecoin payment issuers because Coinbase is not a stablecoin issuer and even if it issued stablecoins, Coinbase exceeds the narrow set of authorized stablecoin related activities. Pub. L. 119-27.

create a new class of banks with many of the powers of banks (including Federal Reserve membership benefits) but without any of the commensurate consolidated oversight and supervision of non-bank parent companies and their bank subsidiaries that federal law requires for bank holding companies.

The Federal Reserve describes the importance of consolidated supervision in its bank holding company supervision manual:

> Among the principal purposes of the BHC Act is to protect the safety and soundness of corporately controlled banks. Financial trouble in one part of an organization can spread rapidly to other parts of the organization; moreover, large BHCs increasingly operate and manage their businesses on an integrated basis across corporate boundaries. Risks that cross legal entities or that are managed on a consolidated basis cannot be monitored properly through supervision directed at any one of the legal entity subsidiaries within the overall organization.[46]

The proposed creation of the Coinbase National Trust Company would create a bank under the statute that would be controlled by its Coinbase Global, Inc. parent. The Federal Reserve must consider the creation of a national trust bank controlled by a company as the creation of a new bank holding company. The OCC should reject this application and the Federal Reserve should not approve such a bank holding company because the proposed charter fails to meet the bona fide fiduciary statutory requirements of national trust banks and it also fails to meet the stringent Bank Holding Company Act requirements.

A. Coinbase's proposed national trust bank meets the definition of bank under the Bank Holding Company Act

The proposed Coinbase national trust bank would fulfill the definition of bank and be controlled by the nonbank Coinbase Global parent company and therefore the Federal Reserve should consider and have consolidated regulation of the entity under the Bank Holding Company Act. The OCC must not determine that the proposed Coinbase national trust bank — or other similar crypto trust banks are excluded from the definition of bank under the Bank Holding Company Act.

Coinbase's activity and capacity meet the definition of bank under the Bank Holding Company Act. The Bank Holding Company Act defines a bank as *either* an insured depository institution or a non-insured institution that accepts "demand deposits that the depositor may withdraw by check or similar means for payments to third parties or others" and also is "engaged in the business of making commercial loans."[47] Coinbase does not appear to be applying for deposit insurance in its application (it left the type of insurance application blank[48]), although the OCC reports that some national trust banks are insured depository institutions.[49] But the proposed Coinbase trust charter

Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act). July 18, 2025 at §2(11)(A), §2(11)(B), §5(a)(1)(A), and §5(c)(1) and §4(7).

[46] Federal Reserve System Board of Governors. Division of Supervision and Regulation. "Bank Holding Company Supervision Manual." December 31, 2024 at Section 1050.0 at 1.

[47] 12 USC §1841(c)(1).

[48] Coinbase OCC Application at 1.

[49] OCC. "Comptroller's Licensing Manual: Charters." December 2021 at 56.

activities would accept demand deposits and make commercial loans, which fulfills the definition of bank under the Bank Holding Company Act.

First, Coinbase accepts and holds demand deposits in U.S. currency (which it often denotes as fiat currency). Its application notes that it holds "customer fiat funds and digital assets."[50] Coinbase repeatedly states that it holds and manages customers cash deposits in its annual Securities and Exchange Commission filing. It states that Coinbase securely stores "customers' fiat currencies and crypto assets," holds "cash and store crypto assets on behalf of our customers," and is "subject to strict rules governing how we manage and hold customer fiat currency" under its money transmitter licenses.[51] These customer cash or fiat currency holdings that customers can withdraw or use to purchase crypto satisfy the definition of demand deposits.[52]

Moreover, crypto assets deposited for liquid staking would also satisfy the definition of demand deposits. Coinbase's staking program allows customers to deposit staked crypto assets to other blockchain platforms and collect rewards.[53] It also offers liquid staking which allows customers to "stake their assets while maintaining liquidity" by issuing synthetic assets of the same value against staked assets.[54] Liquid staking allows customers to deposit crypto assets into staking pools and immediately receive receipt tokens on a one-to-one basis into their account that can be used and maintain liquidity without withdrawing the staked assets.[55] The acceptance of customer assets for liquid staking would effectively constitute demand deposits because the accepting party provides receipt tokens into the customer's account that retain the properties of a demand deposit.

Second, Coinbase issues commercial loans. Its national trust bank application includes a specific reference to providing financing to its institutional clients.[56] Its SEC filing clarifies that these financing loans are used to fund institutional customers' hedging, leveraged trading, and working capital.[57] The annual report also states that it "originates secured commercial loans" in some states and provides "commercial loan to qualified customers secured by their fiat or crypto asset holdings, including USDC, on our platform."[58]

Finally, Coinbase would not qualify for any of the trust bank exclusions to the bank definition under the Bank Holding Company Act.[59] Trust banks are excluded from the definition of bank only if they meet all four specific criteria under the Act: they must exercise bona fide fiduciary activities, they must not take demand deposits and must not make commercial loans, they may not receive payment services or discount borrowing privileges from the Federal Reserve, and they may not have insured deposits. Coinbase's proposed national trust bank would only meet one of these criteria for

[50] Coinbase OCC Application at 3.
[51] Coinbase 2024 10-K at 7, 43, 65.
[52] Non-stablecoin crypto asset holdings would also satisfy the definition of demand deposit since under the FDIC Act which states that deposits include "the unpaid balance of money or its equivalent received or held by a bank or savings association in the usual course of business." 12 USC §1813(i)(1).
[53] Coinbase 2024 10-K at 9.; Locke, Troutman Pepper. "Ten state AGs sue Coinbase, Alleging Securities Law Violations." *Regulatory Oversight*. July 11, 2023.
[54] Coinbase Global, Inc. "Liquid Staking vs Traditional Staking vs Pool Staking: which one is right for you?" Accessed November 2025.
[55] SEC. Division of Corporate Finance. "Statement on Certain Liquid Staking Activities." August 5, 2025.
[56] Coinbase OCC Application at 3.
[57] Coinbase 2024 10-K at 10 to 11.
[58] *Ibid.* at 19 and 52.
[59] 12 USC 1841(c)(2)(D).

exclusion: its deposits *would* be uninsured, but it would not accept substantially all of its deposits for bona fide fiduciary activities (see Section I, above), it would hold demand deposits and make commercial loans, and it has applied to be a Federal Reserve member bank (see Section II.B, below).[60]

The OCC has already inappropriately excluded other crypto companies from the definition of bank. In the approvals for Anchorage, Paxos, and Prego, the OCC has stated the proposed banks "shall not engage in activities that would cause it to be a "bank" as defined in section 2(c) of the Bank Holding Company Act."[61] This construction forbids the institutions from pursuing activities that would meet the definition of bank rather than assessing whether the applicant's proposed national trust bank activities meet the definition of bank. Federal statute requires banking regulators to determine whether the charter applicants meet the definitions of bank and bank holding company, not to merely confer nonbank status through axiomatic tautology.

The Federal Reserve must consider this charter application under the Bank Holding Company Act since the proposed Coinbase National Trust Corporation clearly meets the definition of a bank and its direct parent Coinbase Global, Inc, would have control over a bank.[62] The Federal Reserve must reject the proposed application because its impermissibly combines banking and commerce, poses financial stability risks, fails to further the convenience and needs of communities, and does not effectively combat money laundering.[63]

B. Proposed Coinbase national trust bank would violate the separation of banking and commerce

The creation of national trust bank charters owned by non-banking companies breaks the long-established barrier between banking and commerce. Congress created this division between banking and other commercial businesses to prevent excessive concentrations of economic power and political influence, to prevent commercial-banking conflicts of interest, to safeguard against financial contagion, and to prevent commercial firms from accessing explicit and implicit subsidies granted large banking institutions.[64]

Coinbase Global is the largest U.S. crypto exchange and it operates not only as an exchange but also as a brokerage and clearinghouse. It provides custody services, offers crypto developers a platform to launch and issue crypto assets, partners with Circle to offer the USDC stablecoin, and offers other crypto-related services. The proposed Coinbase National Trust Company would perform many if not all of these activities.[65] Its national trust bank application delineates custody, trading,

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[60] Coinbase OCC Application at 1.
[61] Anchorage OCC Application at 5; Paxos OCC Application at 5; Protego OCC Application at 5.
[62] 12 USC 1841(a)(1) and 12 USC §1842(a)(1).
[63] 12 USC 1842.
[64] 12 USC §1843.
[65] 12 USC §24 (seventh) already prohibits national trust banks from directly underwriting or dealing in securities like cryptocurrencies and digital assets because it is an impermissible combination of commerce and banking. The Supreme Court upheld this prohibition for national trust banks in Investment Company Institute v. Camp that found that "No provision of the banking law suggests that it is improper for a national bank to pool trust assets, or to act as a managing agent for individual customers, or to purchase stock for the account of its customers. But the union of these powers gives birth to an investment fund whose activities are of a different character. […] On their face, §§16 and 21 of the

staking, financing, and the potential launch of stablecoin payment products and other products "among other products and services."[66]

The combination of commercial interests and the business of banking is prohibited by federal law to prevent companies from receiving the unique public benefits afforded to regulated banks. Coinbase appears to be seeking a federal banking charter primarily to secure the substantial benefits of a federal bank charter for its parent company, since there are no activities envisioned by the proposed Coinbase national trust bank that are not currently offered by Coinbase Global.

The federal government provides direct and implicit subsidies to chartered banks that justify increased scrutiny of de novo bank charter applications and the establishment of new bank holding companies. Banks are able to borrow from the Federal Reserve at highly-discounted rates that can be at or below 1 percent that are far cheaper than the credit terms other firms can access and this borrowing also receives significant tax subsidies that encourage excess borrowing and leverage that can further incentivize risk-taking.[67]

Coinbase has requested what is perhaps the largest public benefit by requesting that its national trust bank become a member bank in the Federal Reserve system.[68] Granting Coinbase Federal Reserve membership would provide access to Fed master accounts and the clearing, payment, and settlement services currently limited to qualified insured depository institutions.[69] This would confer tremendous business advantages to Coinbase's national trust bank and its Coinbase Global parent that are not available to other companies, including Federal Reserve guarantees for large Fedwire payments, overdraft borrowing during business hours, and settlement of instantaneous payments.[70]

Most importantly, Federal Reserve membership would give Coinbase potential access to emergency intervention (extensions of low-cost credit) in the event of a financial or economic shock.[71] If crypto prices collapsed and Coinbase Global and Coinbase National Trust Companies faced losses on their proprietary trading as well as loans to leveraged crypto traders, the national trust bank could appeal to the Federal Reserve for an emergency line of credit to backstop the companies and the exchange. This is a benefit other exchanges do not currently have, and one that would put the public on the hook for the next crypto crash.

Company-owned banks like the proposed Coinbase national trust bank charter have every incentive to make imprudent investments or loans to their commercial affiliates or parent companies that can compromise the stability of both the bank and affiliate. As former CFPB Director Rohit Chopra

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Glass-Steagall Act appear clearly to prohibit this activity by national banks." Invest. Co. Inst. V. Camp. 625 to 626 (1971).

[66] Coinbase OCC Application at 3.

[67] *See* Admati, Anat and Martin Hellwig. *The Bankers' New Clothes: What's Wrong with Banking and What to Do About It*. Princeton University Press: Princeton, New Jersey. 2024 at 137 to 140.

[68] Coinbase OCC Application at 2. The OCC has required some other crypto trust banks including Anchorage and Protego to apply for membership in the Federal Reserve System. Anchorage OCC Application at 4; Protego OCC Application at 4.

[69] 12 USC §248a and §342.

[70] It is worth noting that the GENIUS Act neither requires nor forbids federally qualified stablecoin issuers from accessing the benefits of Federal Reserve membership. It states that "nothing in this Act shall be construed as expanding or contracting legal eligibility to receive services available from a Federal Reserve bank or to make deposits with a Federal Reserve bank, in each case pursuant to the Federal Reserve Act." GENIUS Act at §4(a)(13).

[71] 12 USC §347a.

noted, "to prevent conflicts of interest, anticompetitive behavior, and undue risk taking, banks are also limited to certain financial activities, rather than allowing them to engage in commercial enterprise or merely be an arm of a larger conglomerate."[72]

The concentration of economic and political power can hinder the oversight of federally supervised institutions that pose risks to customers, communities, and the economy and undermine public confidence in the impartiality of regulatory oversight. Coinbase is already a major political force, donating over $79 million in the past election, and it has close ties to the administration that have led some to suggest it is receiving less rigorous supervisory oversight.[73] The actual or perceived exercise of political favoritism in bank regulatory oversight can have substantial ramifications on the banking system and the economy. When a politically connected S&L head encouraged five Senators to persuade federal banking regulators to ease up on supervision of his collapsing thrift it eventually became known as the Keating Five scandal.[74]

Federal banking regulators should further reject this application for a novel crypto de novo national trust bank charter because it would create a precedent that could make it easier Big Tech firms to acquire their own banks. Companies like Apple, Amazon, Google, and Meta already intermediate customer transactions and payments between third parties. Meta and Amazon are already purportedly considering issuing their own stablecoins.[75] The approval of federal bank charters "would let Silicon Valley behemoths issue their own stablecoins — social media networks and ecommerce platforms could accept the functional equivalents of deposits," warned professor Hilary Allen.[76]

These combinations would concentrate tremendous economic and political power in the hands of a small number of firms that already dominate social media and electronic commerce. It would allow these firms to hold crypto and stablecoin deposits for their commercial customers, condition access to their platforms on the use of their affiliated stablecoins, more closely surveil transactions, and impose algorithmic price hikes on customers that could struggle to spend these branded stablecoins elsewhere. Moreover, if they were big enough, platforms with stablecoin bank trust charters could exercise quasi monetary policy by controlling the availability of their stablecoins and the mix of assets that filled their stablecoin reserves.

Federal banking regulators must reject the Coinbase application for a novel national trust bank charter because it would create a bank holding company that violates the separation of banking and commerce. The OCC should not allow crypto or stablecoin national trust bank charters to become Federal Reserve members with access to Fed master accounts, payments rails, and emergency rescue funding unless they are insured depository institutions.

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72 Chopra, Rohit. Director of the Consumer Financial Protection Bureau. "Prepared Remarks of CFPB Director Rohit Chopra at the Brookings Institution Event on Payments in a Digital Century." October 6, 2023.
73 Open Secrets. Coinbase Summary. Accessed November 2025; Yaffe-Bellany, David. "How the crypto industry's political spending is paying off." *New York Times*. April 12, 2025; Shen, Timmy. "Coinbase rejects Senator Murphy's claims of Trump favoritism as 'ridiculous.'" *The Block*. October 31, 2025.
74 Nowicki, Dan and Bill Muller. "John McCain gets into 'a hell of a mess' with the Keating Five scandal." *Arizona Republic*. April 2, 2018.
75 Heeb, Gina, AnnaMaria Androitis, and Josh Dawsey. "Walmart and Amazon exploring issuing their own stablecoins." *Wall Street Journal*. June 13, 2025.
76 Allen, Hilary. "Donald Trump crypto embrace is a threat to Wall Street." *Financial Times*. March 5, 2025.

III. Proposed Coinbase national trust bank would amplify systemic risk to the banking industry and the economy

The proposed creation of the Coinbase national bank trust would amplify risks to the financial system by embedding cryptocurrencies and stablecoins into the fabric of the financial system which could easily transmit contagions across the economy in times of economic stress. This risk is exacerbated by Coinbase's role in the crypto ecosystem as an exchange and broker that is dependent on steadily rising crypto values to generate trading volume and fees. Coinbase Global acknowledges that its operating results will "significantly fluctuate" because of the "highly volatile nature of crypto."[77]

The next severe crypto downturn could severely harm both Coinbase Global and Coinbase National Trust Company and the financial impacts could easily spread across the financial system. The vast majority of crypto trading volume and value is in Bitcoin and Ethereum and these two tokens have led market surges and market collapses. Coinbase acknowledges that a about half of the trading volume of its platform was concentrated in Bitcoin and Ethereum during 2023 and 2024, and this concentrated business may make it more vulnerable to shocks.[78] The next crash could be more severe than the crypto winter of 2022 because the current crypto market surge has been far greater.

Following the 2008 financial crisis, Congress added financial stability considerations to the Bank Holding Company Act that required regulators to consider a merger's potential risk to the stability of the financial and banking system.[79] The statute prohibits the Federal Reserve from approving charter applications that do not meet the financial stability consideration. The Bank Holding Company Act explicitly states that "in every case, the Board shall take into consideration the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system."[80]

The combination of the Coinbase Global centralized crypto exchange with a nationally chartered bank exacerbates the systemic risk of the crypto sector because it creates a vector for contagion that previously had not existed. Coinbase provides brokerage, trading, clearing, and settlement services, as well as financing for leveraged trading of crypto assets. These various services are distinct, segregated, and closely regulated in the equities and commodities markets. The combination of these functions makes crypto exchanges more vulnerable to shocks, increases the risk of insolvency, and heightens the likelihood that crashes will transmit contagions.[81]

Moreover, there are unique characteristics of national trust banks and Coinbase that could make it more vulnerable. Coinbase's exchange and brokerage business leaves it more vulnerable to runs and liquidity risk during downturns.[82] Its partnership with Circle's USDC stablecoin generates a significant portion of its revenues; the partnership includes hosting shared reserves on and off

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[77] Coinbase 2024 10-K at 5.
[78] *Ibid.* at 24.
[79] Dodd-Frank Wall Street Reform and Consumer Protection Act. Pub. L. 111-113 §604(d) and (f). July 21, 2010.
[80] 12 USC §1842(c)(7).
[81] Azar, Pablo D. et al. (Azar et al. FRB NY). Federal Reserve Bank of New York. "The Financial Stability Implications of Digital Assets." *Economic Policy Review*. Vol. 30, No. 2. November 2024 at 22 to 23.
[82] Stradbrooke, Steven. "Coinbase's conflation of in-house stablecoin, US dollar sparks liquidity concerns." *Coingeek*. July 1, 2022.

platform, which exposes it to interest rate risk that could further impact revenues and liquidity.[83] Exchanges are further exposed to financial risk from cyberattacks and the widespread prevalence of fraud and scams on their platforms that undermine confidence and cause customers to liquidate their accounts can contribute to instability that can affect the broader financial system. Coinbase has been subject to operational risks from fraud on its platform and cyberattacks that have harmed its users, undermined its reputation, and imposed costs on the company (see Section IV below).

A. Coinbase is especially vulnerable to bubbles, crashes, and runs that would be more likely to infect the financial system if it controlled a federally chartered bank

The extreme volatility of the crypto market creates bubbles and crashes that harm investors, lead to crypto business insolvencies, and can lead to runs on crypto assets and financial institutions. The unique structure of unregulated and unsupervised crypto trading — mostly funded by stablecoins — with round-the-clock trading, inflexible settlement, and automated smart contract execution means that during economic or market stress cascading losses can trigger fire sales that increase the risks of financial crisis and contagion across the financial system.[84]

Leveraged crypto trading poses real risks to investors and the crypto exchanges like Coinbase that finance these loans. Margin trading amplifies the profits when markets rise but also amplifies the losses when markets crash and leveraged traders must liquidate their positions to repay their creditors. Coinbase offers 10-times leverage for perpetual Bitcoin and Ethereum futures contracts and 50-times leverage on its international perpetual crypto futures trading platform.[85] At the end of June 2025, crypto traders had borrowed more than $53 billion to finance margin positions.[86]

The leverage combined with constant trading and automated liquidation contracts can create cascading downward price spirals that lead to runs at crypto exchanges. The Federal Reserve Bank of New York reported that leverage-fueled runs end up "amplifying investor's exposure to shocks to crypto asset prices and the feedback loop between leverage and crypto asset prices" and that this "reduces the ability of investors to absorb even modest adverse shocks without selling assets, cutting back on lending, or defaulting."[87]

The 2022 crypto crash erased $2 trillion dollars from the holdings of crypto investors — mostly the smaller investors that did not get out quickly — but did not infect the financial system or the broader economy because crypto was not enmeshed in the financial system.[88] Coinbase was particularly impacted because of its revenue dependence on crypto trading which evaporated and its stock price moves in tandem with the major crypto currencies that were in free fall.[89] By the summer

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[83] Coinbase 2024 10-K at 9 and 26.
[84] Frayer, Corey. Consumer Federation of America. "The Very Real Dangers of Adopting Virtual Currency." February 2025 at 4.
[85] Park, Danny. "Coinbase launches CFTC-regulated perpetual futures for US traders amid growing crypto regulatory clarity." *The Block*. July 22, 2025; Coinbase Global. "How much leverage is available and what are the position limits when trading perpetual futures?" Accessed November 2025.
[86] Icomoni. "Crypto borrowing just hit $53.09 billion. Here's what it means for your portfolio." September 11, 2025.
[87] Azar et al. FRB NY at 2 and 3.
[88] Sigalos, MacKenzie. "Why the $2 trillion crypto market crash won't kill the economy." *CNBC*. June 18, 2022.
[89] Yaffe-Bellany, David and Mike Isaac. "The humbling of Coinbase." *New York Times*. August 5, 2022.

of 2022, even before the collapse of FTX, Coinbase's revenue had fallen by more than half, its share price dropped by 75 percent, it had slashed its staff by 18 percent, and Goldman Sachs had lowered its rating to "sell."[90] Its value fell from a post-IPO peak of $76.9 billion to under $10 billion within 15 months.[91] Coinbase reported losses of $2.6 billion for 2022.[92]

Another severe crash occurred last month, when a surprise tariff announcement sparked a market dive that severely impacted the crypto market. Bitcoin prices dropped 13 percent in a day. But the so-called Alt-Coins — the most speculative tokens and memecoins — fell by 80 percent.[93] Coinbase acknowledged that highly leveraged perpetual crypto futures unraveled as crypto plummeted, leading to automatic liquidations which depressed prices further, spurring more liquidations and price declines.[94] It was the biggest one day loss in crypto history and was nineteen times larger than the FTX collapse in 2022.[95] Within a few days, the crypto market lost $380 billion.[96] Coinbase's platform interface struggled to field and place orders during the crash as customers rushed to unload plummeting crypto. Coinbase's trading page stated that there was "latency or degraded performance when transacting" during the crash, but many customers reported that they were unable to trade at all.[97]

B. Stablecoin runs could impact Coinbase and undermine financial stability

Stablecoins are critical to the crypto trading market but are vulnerable to runs that can undermine financial stability. The overwhelming majority of stablecoin transactions are used to buy or sell other cryptocurrency tokens or digital collectibles; that was the case for 88 percent of them in 2024.[98] Although the name suggests stability, stablecoins are not without risks to users or the financial system and have been subject to value depegging, volatility, runs, cyberbreaches, mismanagement of reserves, and liquidity problems that can harm customers and be transmitted to the financial system and propagate financial contagion.

Coinbase's brokerage and exchange businesses rely on stablecoins for customers to buy and sell other more volatile crypto tokens and digital assets and it has a partnership with and minority stake in the popular Circle stablecoin USDC,[99] which makes it vulnerable to stablecoin runs. Coinbase purchases USDC from Circle and sells it to customers on its platform; it held $1.2 billion in USDC at the end of 2024.[100] Its national trust bank application also states that it can use the bank to launch

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[90] La Monica, Paul R. "Crypto winter has had a chilling effect on Coinbase and Robinhood." *CNN*. June 28, 2022; Rooney, Kate. "Coinbase lays off 18% of workforce as executives prepare for recession and 'crypto winter.'" *CNBC*. June 14, 2022.
[91] Bary, Emily. "Coinbase worth less than $10 billion for the first time as 'crypto winter' continues to set in." *Marketwatch*. November 22, 2022.
[92] Schwartz, Leo. "Coinbase beats revenue estimate but still posts $2.6 billion loss for 2022 amid crypto winter." *Fortune*. February 21, 2023.
[93] Karif, Olga. "A $131 billion crypto crash has traders fearing lasting damage." *Bloomberg*. October 13, 2025.
[94] Coinbase Bytes. "Why did the crypto market drop?" October 15, 2025.
[95] Chavez-Dreyfuss, Gertrude. "After record crypto crash, a rush to hedge against another freefall." *Reuters*. October 14, 2025.
[96] "Crypto Market Value Plunges $380 Billion in Record Selloff." *AI Invest*. October 15, 2025.
[97] White, Molly. "Anatomy of a crypto meltdown." *Citation Needed Newsletter*. October 17, 2025.
[98] Yue, Frances. "Stablecoin supply is growing fast. Here's how it compares to cash." *Marketwatch*. June 11, 2025.
[99] Coinbase 2024 10-K at 9; Circle Internet Group, Inc. SEC form S-1. April1, 2025 at 147 to 148.
[100] Coinbase 2024 10-K at 31 and 103.

its own stablecoin payment products.[101] Granting a national bank charter to Coinbase would create an institution that would be vulnerable to stablecoin runs that could transmit shock to the financial system.

Stablecoins are digital currencies that have their price pegged to a specific value, typically the U.S. dollar. Most stablecoins are backed by highly-liquid, highly-stable assets like cash reserves or government securities that stabilize and maintain the price. A 2023 Bank of International Settlements study found that not a single one of 68 stablecoins — including all major stablecoins — had been able to maintain their peg parity at all times.[102] A Federal Reserve Bank of New York study found that redemptions "accelerate significantly" when stablecoin values dip below $1.[103] Since U.S. Treasuries are a major portion of stablecoin reserves, a stablecoin run could create a new vector of concentrated financial risk that could be transmitted throughout the financial system.[104] J.P. Morgan Research noted that "the effects of a massive [stablecoin] liquidation could spill over to other markets, destabilizing the traditional banking system."[105]

Stablecoin runs are not uncommon. In 2022, the algorithmic stablecoin Terra unraveled when large sophisticated investors cashed out $375 million, causing other bigger investors to flee, abandoning Terra and selling its affiliated LUNA token, which rapidly became totally valueless. A 2023 study found that "less sophisticated investors not only ran later and had larger losses, but a significant fraction of them attempted to buy into the run, hoping to 'buy the dip.'"[106]

Customers that withdraw funds from banks that hold stablecoin reserves — as Coinbase plans to do with its proposed national trust bank application — can precipitate a stablecoin run that could ignite a cascade of runs.[107] In 2023, the bank that hosted over $3 billion of Circle's USDC reserves, Silicon Valley Bank, collapsed amid a deposit run, which pulled down the USDC value and that of other stablecoins USDC collateralized, and encouraged USDC holders to flee to other stablecoins.[108]

Economics Nobel Laureate Jean Tirole warned that stablecoin runs on stablecoin issuers or banks that hold them could lead to government bailouts of uninsured stablecoins. He stated that "if it is held by retail or institutional depositors who thought it was a perfectly safe deposit, then the government will be under a lot of pressure to rescue depositors so they don't lose their money."[109] This exact thing happened at SVB. The FDIC rescued the *uninsured* SVB deposits at a cost of $18.6 billion in order to prevent the collapse from impacting the broader financial system.[110]

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[101] Coinbase OCC Application at 3.
[102] Kosse, Anneke et al. Bank of International Settlements. "Will the real stablecoin please stand up?" Working Paper No. 141. November 8, 2023.
[103] Anadu, Kenechukwu et al. Federal Reserve Bank of New York. (Anadu et al. FRB NY). "Runs and Flights to Safety: Are Stablecoins the New Money Market Funds?" Federal Reserve Bank of New York Staff Report No. 1073. April 2024 at 2.
[104] Seru, Amit. "Can markets trust stablecoins?" *Wall Street Journal*. July 28, 2025.
[105] J.P. Morgan Global Research. "What to know about stablecoins." September 4, 2025.
[106] Liu, Jiageng, Antoinette Schoar, and Igor Makarov. "Anatomy of a Run: The Terra Luna Crash." *Harvard Law School Forum on Global Governance*. May 22, 2023.
[107] Varoufakis, Yanis. "Defusing the stablecoin time bomb." *Project Syndicate*. July 2, 2025.
[108] Anadu et al. FRB NY at 3.
[109] Storbeck, Olaf. "Stablecoins could trigger taxpayer bailouts, warns Nobel economics laureate." *Financial Times*. September 1, 2025.
[110] FDIC. "Special Assessment Pursuant to Systemic Risk Determination." August 27, 2025.

The Federal Reserve and OCC should reject the proposed Coinbase national trust bank application because it would be especially vulnerable to crypto crashes and stablecoin runs that would undermine the financial viability of the institution and could propagate contagion to the financial system and the economy. Currently, the all-too-common shocks or fragility that impact the crypto market are confined to the customers and companies directly involved in crypto. But if Coinbase secured a bank charter and became a member bank at the Federal Reserve, the trust bank could apply and would likely receive emergency lines of credit to prevent the financial instability from spreading but putting the public on the hook. This would further would amplify the threat to the bank and the financial system because access to Federal Reserve emergency support would only enable excessive risk-taking.

IV. Proposed Coinbase national trust bank would fail to meet the convenience and needs of customers or communities

The proposed Coinbase national trust bank would not meet the convenience and needs of communities. It would continue to expose customers and investors to widespread fraud, it would still be exempt from critical consumer and investor protections, and as a result leave people vulnerable to losses, and it would make almost no effort to invest in communities.

The banking regulators must independently assess public interest considerations under the Bank Holding Company Act to determine whether proposed de novo charters for national trust banks and new bank holding companies deliver benefits to customers and communities. The "convenience and needs" consideration incorporates the provision of quality and equitable services to customers broadly and to lower-income and Black and Latine households and communities and other communities of color.[111] The managerial fitness and regulatory compliance consideration encompasses compliance with supervisory regulations, including consumer protection.[112] The OCC and Federal Reserve should reject Coinbase's application for a national trust bank for failing to meet these statutory requirements.

A. Proposed Coinbase national trust bank would offer lower levels of consumer protection than consumers expect and deserve from banks

The proposed Coinbase uninsured national trust bank charter would give the company the patina of federal consumer and investor protections, even as the company and the industry more broadly seek many exemptions from these critical safeguards that customers deserve. Awarding a federal banking charter would give Coinbase's operations the imprimatur of legitimacy and give customers a false sense of confidence that would leave them more vulnerable to the fraud, scams, cyber-hacks, and complex and unfair terms that cost them money, time, and their privacy.

Coinbase and other crypto industry actors have contested the degree to which a broad set of federal consumer and investor financial protections because these safeguards apply to crypto products, stablecoins, or payments made with these products, if at all. The customer funds and transactions — including cash, stablecoins, crypto tokens, and other digital assets — would not be protected by

[111] 12 USC §1816(6); 12 CFR §5.20(f)(1)(ii) and §5.20(f)(1)(iv).
[112] 12 USC §1816(4); 12 CFR §5.20(f)(1)(iii).

the Truth in Savings Act, the Electronic Funds Transfer Act, the CARD Act, or other consumer protections that customers rightly expect govern the conduct of a federally chartered bank. Nor are trading customers currently covered by the investor protection safeguards typically found in regulated securities markets, such as custody insurance, best interest or best execution standards, ongoing and timely disclosures, and other obligations that registered brokers, exchanges, and clearing agencies must meet to do business in traditional markets.

Coinbase customers are vulnerable to losses because they are not effectively covered by federal investor protections. The Oregon Attorney General's Office filed suit against Coinbase for encouraging and facilitating the sale of unregistered crypto securities that generated millions of dollars in fees but led to huge losses for retail investors from a marketplace that is risky, often manipulated, and riddled with fraud.[113]

For example, Coinbase's investor customers have lacked critical custody protections from bankruptcy and financial distress. Coinbase has acknowledged that its customer accounts lack designated bankruptcy protections and customers would be considered unsecured creditors in the event the company failed, leaving them last in line for settlements or relief to cover losses — unlike customers at registered securities brokerages.[114] Registered securities brokers provide custody insurance to customers through the Securities Investor Protection Corporation that offers $500,000 coverage to accounts at brokerages that become financially troubled.[115]

The company has not effectively implemented cybersecurity and privacy protections for its customers. Coinbase's security chief admitted that spoofed emails circulate widely and exceed the company's ability to take down and that the company has primarily focused its fraud response on industry wide best practices efforts and user education measures.[116] These breaches and cyberattacks harm customers more because Coinbase is not required to live up to the standards imposed on registered securities brokers, which must promptly report breaches and have rigorous policies to prevent and recover from unauthorized access to customer information.[117]

Coinbase customers already report widespread problems with fraud and platform functionality that cost users money. From 2011 to October 2025, consumers filed over 8,800 complaints with the CFPB over scams and problems with its cryptocurrencies, digital wallets, and payment services.[118] Two-fifths of the complaints related to account functionality (transaction and redemption problems) and one-fourth of the complaints related to fraud on the Coinbase platform.

Coinbase has failed to protect customers from persistent fraud and cyberattacks. Coinbase Global acknowledges that customers can be subject to cyberattacks and breaches.[119] These attacks are very costly for customers. In June of 2025, a single scammer posing as Coinbase customer support

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[113] Oregon Department of Justice. [Press release]. "Oregon Attorney General Rayfield sues Coinbase for promoting and selling high-risk investments." April 18, 2025.
[114] Kiernan, Paul. "Coinbase says users' crypto assets lack bankruptcy protections." *Wall Street Journal*. May 12, 2022.
[115] Securities Investor Protection Corporation. "What SIPC protects." Accessed November 2025.
[116] Naón, Camila Grigera. "Coinbase CISO talks scam prevention amid $300 million in annual losses." *Be In Crypto*. April 26, 2025.
[117] Fischer, Amanda. Better Markets. "Hacked: Why Coinbase and Other Crypto Brokers Should be Subject to SEC Rules." May 20, 2025.
[118] CFPB. Complaints Database: Coinbase. January 1, 2011 to October 30, 2025. Accessed October 2025.
[119] Coinbase 2024 10-K at 6.

defraudded customers of $4 million.[120] A 2025 analysis estimated that Coinbase users are losing $300 million annually to scams and fraud on the platform and that the company is doing little to protect users from social engineering frauds, such as phishing attacks on social media.[121]

The cyber-vulnerabilities are also exposing sensitive personal financial information of Coinbase customers. A 2021 hack stole logins and personal information from 6,000 Coinbase users and the company paid $25 million to reimburse customers.[122] In 2025, Coinbase disclosed that cybercriminals bribed call center workers to steal customer data and threatened to release the data unless they received a $20 million ransom payment.[123] Coinbase withheld information about the breach for months.[124] The data breach exposed sensitive personal information of nearly 70,000 Coinbase customers and Coinbase estimated it could cost $400 million to remedy.[125]

1. *Proposed Coinbase bank charter would mislead customers into believing accounts were covered by FDIC insurance and consumer protections*

Coinbase's proposed uninsured national trust bank would mislead customers into believing their holdings would be covered by FDIC insurance and other consumer financial protections. Bank customers have confidence in the security and consumer protection of their accounts because of the federal bank charter. The proposed Coinbase national trust bank would hold customers' cash, stablecoins, and crypto assets, but these accounts would not be protected by deposit insurance or basic Truth in Savings Act protections. This would leave customers vulnerable to losses from mismanagement, market downturns, and runs.

A Coinbase federal bank charter would give the company federal legitimacy that could effectively lead customers to believe the custody holdings were insured deposits. Many Coinbase customers hold cash in their accounts to fund the purchase of cryptocurrencies.[126] If these cash funds were held at the proposed Coinbase non-insured national trust bank, these customers are likely to believe that cash deposits in a federally chartered Coinbase bank would be covered by deposit insurance.

Coinbase is currently promoting interest-like benefits for stablecoin holders, making them seem more like savings accounts at banks. Coinbase offers 4 percent rewards on Circle's USDC stablecoins and has lobbied to protect the exchange's ability to continue offering stablecoin

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120 Richardson, Alex. "Hackers impersonate Coinbase user support to scam victims of $4,000,000 before blowing most of money on gambling: ZachXBT." *Daily Hodl*. June 23, 2025.
121 Munawa, Frederick. "Coinbase users are losing $300M annually to scam artists, analyst says." *Bitcoin.com*. February 4, 2025.
122 Coinbase 2024 10-K at 28.
123 Macheel, Tanaya. "Coinbase says hackers bribed staff to steal customer data and are demanding a $20 million ransom." *CNBC*. May 15, 2025.
124 Murphy, Margi and Emily Nicolle. "Coinbase hackers had access to customer data since January." *Bloomberg*. May 15, 2025.
125 Constantinescu, Vlad. "Data breach at Coinbase exposes information of nearly 70,000 customers." *BitDefender*. May 22, 2025.
126 The Coinbase terms of service states that cash funds held in hosted wallets *may* be held in pooled funds in insured depository institutions or liquid investments like U.S. Treasuries, but that the availability of deposit insurance is contingent on many factors. Coinbase Global. "Coinbase User Agreements." October 29, 2025 at 2.8. Accessed November 2025.

incentives.[127] It also advertises that its USDC stablecoin customers can earn up to 10.8 percent by loaning their USDC to others through its app.[128] These loans are generally over collateralized with other cryptocurrencies, so the value of the collateral exceeds the stablecoin value of the loan, but if the value of the pledged crypto crashed, it is unclear that the customer-lenders would be made whole.[129] Moreover, none of these holdings are protected by the Truth in Savings Act which requires clear, standardized disclosures of interest rates and annual percentage yields, fees, balance minimums, and account terms.[130]

Customers will also likely believe that stablecoin holdings at federally chartered banks would be covered by deposit insurance (even though the GENIUS Act defines stablecoins as non-deposits[131]). In practical terms, stablecoin holdings function as deposits and will be perceived as deposits, especially when they are in federally chartered national trust banks. *Financial Times* columnist Robert Armstrong summed it up succinctly:

> A stablecoin issuer is a bank and a stablecoin is a bank deposit. This is not complicated. If you hand me money and I invest it, and in return I give you something that is a liability for me and an asset for you, and that is redeemable by you on demand and at par, I am a bank and the thing I have handed you is a deposit. It doesn't matter if that thing also works as an intermediary in a crypto market, a token in a cross-border payment app or gets you a gumball out of a gumball machine. I'm a bank, you're a depositor, and we're in this together.[132]

Customers would be more likely to believe that stablecoins are insured deposits because of changes to the FDIC disclosure of non-insured financial products. The FDIC has proposed weakening the notification for non-FDIC insured financial products offered through national banks, including narrowing the digital deposit-taking displays of non-deposit signage, allowing notifications to expire without customer acknowledgement, and other changes that provide flexibility to banks that will reduce transparency and increase customer confusion.[133] Coinbase currently acknowledges stablecoin accounts are not savings accounts and not insured by the FDIC,[134] but the changes to the FDIC notification could make it harder for customers to see or understand whether their accounts are covered by deposit insurance. In addition to customer confusion, despite the exclusion of stablecoin holdings from deposit insurance, the likely belief that stablecoins held at federally chartered banks would be covered by deposit insurance would put tremendous pressure on banking regulators to rescue customers in the event of bank failure[135]

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[127] Wilkins, Emily. "Coinbase CEO says banks are fighting stablecoin rewards with 'boogeyman' issues." *CNBC*. September 18, 2025.
[128] Coinbase. "Earn competitive yields by loaning your USDC." Accessed November 2025.
[129] Mikulva, Jason. "Coinbase goes scorched earth to protect 'rewards.'" October 5, 2025.
[130] 12 CFR §1030.
[131] GENIUS Act at §(2)(22)(B)(ii).
[132] Armstrong, Robert. "Stablecoins are bank deposits." *Financial Times*. May 26, 2025.
[133] FDIC. Notice of Proposed Rulemaking. "FDIC Official Signs, Advertisement of Membership, False Advertising, Misrepresentation of Insured Status, and Misuse of the FDIC's Name or Logo." 90 Fed. Reg. 160. August 21, 2025 at 40767 et seq.
[134] Coinbase. "Earn competitive yields by loaning your USDC." Accessed November 2025.
[135] Storbeck, Olaf. "Stablecoins could trigger taxpayer bailouts, warns Nobel economics laureate." *Financial Times*. September 1, 2025.

B. Proposed Coinbase national trust bank fails to meet the convenience and needs of communities

Banks are institutions that should be deeply rooted in the economic fabric of communities and banking regulators should make a meaningful assessment of de novo charter applicant's prospective plans to meet the convenience and needs of communities and consumers. The OCC's national trust bank regulations require institutions to provide "fair access to financial services by helping to meet the credit needs of its entire community."[136] The OCC can and should reject national trust bank applications that fail to meet "the needs of the community to be served," as provided by statute.[137]

Coinbase's national trust bank charter plainly states that its "intended market for such products and services includes primarily business and commercial entities."[138] It answers the Community Reinvestment Act question by stating that would not be subject to the CRA as a non-insured national trust bank but that "Coinbase's products and services are designed to enable individuals and small businesses across the economic spectrum to benefit from the unique advantages presented by crypto assets."[139] This statement falls far short of the OCC requirements for de novo national trust bank charter applications, which says that a "business plan or operating plan must indicate the organizing group's knowledge of and plans for serving the community."[140]

The creation of crypto national trust bank charters like Coinbase that are heavily involved with stablecoins will accelerate the flight of insured bank deposits to stablecoins that will harm the ability of banks to provide credit to communities. Additionally, the reduction of insured bank deposits would effectively reduce the coverage and application of the Community Reinvestment Act.

Coinbase plans to issue its own stablecoin from its proposed national trust charter that would be more likely to draw funds from insured deposits because of the imprimatur of a federal banking charter. This will undermine the ability of the banking system to provide needed credit to families and firms and undermine economic growth.

The Treasury Department estimates that the recently enacted GENIUS Act would reduce total deposits by $6.6 trillion.[141] An October 2025 study estimated that even stablecoins that do not offer interest or rewards could reduce insured bank deposits by over 6 percent which, in turn, would reduce community bank small business lending by nearly $19 billion and farm lending by nearly $11 billion.[142]

Interest bearing stablecoins would draw even more deposits from insured depository institutions and further erode the capacity of banks to lend to families and firms. The GENIUS Act precluded issuers from offering interest on their stablecoins, but was silent on whether exchanges (such as Coinbase) are prohibited from paying rewards on stablecoin holdings.[143] Federal banking regulators

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136 12 CFR §5.20(f)(1)(ii)
137 12 USC §92a(i).
138 Coinbase OCC Application at 15.
139 *Ibid.* at 17.
140 12 CFR §5.20(h)(5)(i).
141 U.S. Department of the Treasury. Treasury Borrowing Advisory Committee. "Digital Money." April 30, 2025 at 12.
142 Nigrinis, Andrew Rodrigo. Legal Economics LLC. "The Lending Impact of Stablecoin Induced Deposit Outflows." October 10, 2025.
143 Willems, Adam. "The loophole turning stablecoins into a trillion-dollar fight." *Wired*. September 3, 2025.

should consider not just Coinbase's failure to create a business plan to address community needs but also its aggressive lobbying to siphon even more deposits away from insured depository institutions.

V. Proposed Coinbase national trust bank would not address shortcomings in combatting money laundering

Federal banking regulators should reject Coinbase's application for a national trust bank charter because it has failed to effectively prevent and police money laundering on its crypto platform. The OCC recognizes that trust banks may "impose unique risks, including those associated with the Bank Secrecy Act/Anti-Money Laundering" because of their typical affiliations with larger organizations and relationships with third parties.[144] The Federal Reserve is required to consider "the effectiveness of the company or companies in combatting money laundering activities" in bank holding company applications.[145]

Coinbase's crypto-oriented business is vulnerable to criminal activity, transmitting and laundering the proceeds of illicit activity, and sanctions evasion. Coinbase Global noted that:

> Many types of crypto assets have characteristics, such as the speed with which digital currency transactions can be conducted, the ability to conduct transactions without the involvement of regulated intermediaries, the ability to engage in transactions across multiple jurisdictions, the irreversible nature of certain crypto asset transactions, and encryption technology that anonymizes these transactions, that make crypto assets susceptible to use in illegal activity.[146]

Coinbase has a long history of ineffectively policing illicit activity. In 2023, Coinbase settled an anti-money laundering compliance investigation with the New York Department of Financial Services for $50 million with a commitment to invest an additional $50 million in compliance upgrades.[147] Coinbase had failed to implement know-your-customer due diligence, expeditiously review monitoring alerts that let 100,000 alerts languish, and file suspicious activity reports.[148] In 2023, the Netherlands imposed a €3.3 million fine for failing to implement anti-money laundering guardrails or reporting suspicious transactions for years.[149] In 2024, the United Kingdom fined Coinbase $4.5 million for "repeatedly breaching a requirement that prevented the firm from offering services to high-risk customers."[150]

Currently, Coinbase's lending products — which has made $1 billion in loans — allows customers to connect with lenders or borrowers on DeFi platforms that lack the full know-your-customer

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[144] OCC. "Comptroller's Licensing Manual: Charters." December 2021 at 59.
[145] 12 USC §1842(c)(6).
[146] Coinbase 2024 10-K at 56.
[147] New York Department of Financial Services. [Press release]. "Superintendent Adrienne A. Harris announces $100 million settlement with Coinbase, Inc. after DFS investigation finds significant failings in the company's compliance program." January 4, 2023.
[148] Flashner, Cory S., Edmund P. Daley, And Christopher E. D'Aliso. "Coinbase reaches $100 million settlement with NYS Department of Financial Services over anti-money laundering compliance failures." *Mintz*. January 4, 2023.
[149] "Dutch central bank fines Coinbase over €3.3 million for ignoring AML, terror financing rules." *NL Times*. January 26, 2023.
[150] Stradbrooke, Steven. "UK fines Coinbase £3.5M for 'repeated and material breaches' of financial crime controls." *Coingeek*. July 24, 2024.

protocols necessary and required to demonstrate compliance with anti-money laundering laws.[151] This violates OCC regulations for national trust banks that require them to adequately document the establishment and termination of each fiduciary account and shall maintain adequate records of all fiduciary accounts."[152]

Rather than improve its effectiveness at combatting of money laundering, Coinbase has bridled at anti-money laundering requirements. Coinbase CEO Brian Armstrong has called anti-money laundering rules "a policy failure" and said that preventing illicit finance was not worth the expense of compliance (although it has a record of non-compliance).[153] In 2024, Coinbase opposed the Treasury Department's efforts to combat money laundering through crypto mixers.[154] This August, Coinbase's chief legal officer urged Congress to roll back the Bank Secrecy Act, know-your-customer rules, and transaction monitoring — the very things New York found the company was not doing.[155] Federal banking regulators should reject Coinbase's national trust bank charter application because of persistent failures to combat money laundering and ongoing efforts to weaken the safeguards designed to prevent illicit finance and sanctions evasion.

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The OCC and Federal Reserve must reject Coinbase Global's application to form a wholly-owned national trust bank subsidiary because it fails to meet the statutory requirements for national trust banks and bank holding companies, it would impermissibly commingle commerce and banking, it would amplify risks to the financial system and the broader economy, it would not meet the convenience and needs of customers or communities, and it would not address the companies failures to combat money laundering.

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[151] Beganski, Andre. "Coinbase disrupts Bitcoin backed lending with low bar for servicing Americans." *Decrypt*. October 28, 2025.
[152] 12 CFR §9.8(a).
[153] Stradbrooke, Steven. "Coinbase scraps Turkey plans, wants to dump AML laws." *Coingeek*. December 4, 2024.
[154] Mourya, Ekta. "Coinbase suggests US Treasury reconsider crypto mixing rules, says there is a regulatory gap." *FX Street*. January 23, 2024.
[155] Grewal, Paul. Coinbase Global. "The Bank Secrecy Act is broken. Technology can fix it." August 4, 2025.