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United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

November 21, 2022

The Honorable Michael S. Barr
Vice Chair for Supervision
Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, DC 20551

The Honorable Martin J. Gruenberg
Acting Chairperson
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Mr. Michael J. Hsu
Acting Comptroller
Office of the Comptroller of the Currency
400 7th Street SW
Washington, DC 20219

Dear Vice Chair Barr, Acting Chair Gruenberg, and Acting Comptroller Hsu:

Following your testimony before Congress this week, as well as continued volatility in cryptocurrency markets, we write to urge your continued monitor of organizations engaged in crypto-asset related activities and ensure they meet regulatory requirements. Bank exposure to volatile crypto-assets raises significant risks to financial stability and the federal safety net. In various capacities, your agencies possess regulatory authority over SoFi Bank, National Association and bank holding companies SoFi Technologies, Inc. and Social Finance, Inc. (collectively referred to as SoFi). We are concerned that SoFi's digital asset trading activities pose risks to consumers and safety and soundness risks.

In January 2022, SoFi received approval from the Federal Reserve for the acquisition of Golden Pacific Bancorp, Inc. and a conditional approval from the Office of the Comptroller of the Currency for the creation of SoFi Bank, N.A. SoFi completed the acquisition in February 2022.¹ As part of the approval, the Federal Reserve provided SoFi with two years to divest from SoFi Digital Assets —a nonbank subsidiary that allows retail investors to buy and sell digital assets — or conform the subsidiary's impermissible digital asset activities to the law. During this conformance period, SoFi has committed not to “expand [its] impermissible activities,” except as

¹ *SoFi Receives Regulatory Approval to Become a National Bank*, SoFi Technologies, Inc. (SOFI) (Jan. 18, 2022) (<https://www.sofi.com/press/sofi-receives-regulatory-approval-become-national-bank/>); *SoFi Completes Acquisition of Golden Pacific Bancorp, Inc.*, SoFi Technologies, Inc. (Feb. 2, 2022) (<https://www.sofi.com/press/sofi-completes-acquisition-of-gpb>).

specifically authorized by law. SoFi initially agreed to these terms, but since the acquisition, SoFi Digital Assets has apparently expanded its retail digital assets operations.

Two months after receiving regulatory approval, SoFi announced a new service allowing customers of its national bank to invest part of every direct deposit into digital assets with no fees. The company publicly billed this service as “the latest expansion of SoFi’s offerings to make it simpler to get started with cryptocurrency investing.”² SoFi’s own investor protection materials, however, warn customers that at least one token listed on SoFi Digital Assets is “a crypto pump-and-dump” hazard with “no special use case or features” and that “[it] might be among the most high-risk endeavors an investor can take.”³ Troublingly, this conduct raises questions about SoFi’s compliance with commitments made in the January 2022 approvals and to meeting its ongoing obligations as a banking organization.

SoFi’s digital asset activities pose significant risks to both individual investors and safety and soundness. As we saw with the crypto meltdown this summer, where crypto-assets lost over \$1 trillion in value in a matter of weeks, contagion in the banking system was limited because of regulatory guardrails.⁴ In the event of crypto-related exposures at SoFi Digital Assets ultimately require its parent company, bank holding company, or affiliated national bank to seek emergency liquidity or other financial assistance from the Federal Reserve or FDIC, taxpayers may be on the hook. Your agencies have publicly acknowledged these types of crypto-related risks. In fact, the Fed issued guidance detailing the risks posed by crypto-asset related activities to cybersecurity, anti-money laundering and countering of financing of terrorism efforts, consumer protection, and financial stability.⁵ Similarly, the OCC called out the volatility of crypto activities and the risks of the crypto “hype-driven economy” to investors of modest means,⁶ and the FDIC issued an advisory warning of the risks to consumers when crypto companies misrepresent the availability of deposit insurance for crypto assets.⁷

Given these significant risks, it is imperative the Fed, FDIC, and OCC ensure that SoFi complies with all consumer financial protection and banking regulations. We commend you for the work that your agencies are doing to protect the public from digital asset risks.

Thank you for your prompt attention to this matter.

² *SoFi Launches No-Fee Cryptocurrency Purchases for Direct Deposit Members*, SoFi Technologies, Inc. (SOFI) (Mar. 22, 2022) (<https://investors.sofi.com/news/news-details/2022/SoFi-Launches-No-Fee-Cryptocurrency-Purchases-for-Direct-Deposit-Members/default.aspx>).

³ Brian Nibley, *Pump and Dump Schemes in Crypto: An Overview*, SoFi Technologies, Inc. (SOFI) (Nov. 5, 2021) (<https://www.sofi.com/learn/content/what-is-a-pump-and-dump-scheme-in-crypto/>).

⁴ Emily Flitter, *How Wall Street Escaped the Crypto Meltdown*, New York Times (Jul. 5, 2022) (<https://www.nytimes.com/2022/07/05/business/economy/wall-st-cryptocurrency-prices.html>).

⁵ *SR 22-6 / CA 22-6 Engagement in Crypto-Asset-Related Activities by Federal Reserve-Supervised Banking Organizations*, Federal Reserve ([Aug. 16, 2022](https://www.federalreserve.gov/supervisionreg/srletters/SR2206.htm)) (accessible at <https://www.federalreserve.gov/supervisionreg/srletters/SR2206.htm>).

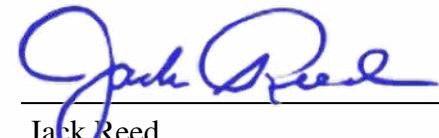
⁶ Michael J. Hsu, *Crypto: A Call to Reset and Recalibrate*, DC Blockchain Summit 2022 (May 24, 2022), (accessible at <https://www.occ.gov/news-issuances/news-releases/2022/nr-occ-2022-60.html>).

⁷ *Advisory to FDIC-Insured Institutions Regarding FDIC Deposit Insurance and Dealings with Crypto Companies*, Federal Deposit Insurance Corporation (July 29, 2022) (accessible at <https://www.fdic.gov/news/financial-institution-letters/2022/fil22035.html>).

Sincerely,



Sherrod Brown
United States Senator



Jack Reed
United States Senator



Chris Van Hollen
United States Senator



Tina Smith
United States Senator

cc: Mary C. Daly, President and CEO, Federal Reserve Bank of San Francisco