



Interpretive Letter #1188

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December 9, 2025

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Office of the Comptroller of the Currency
400 7th St. SW
Washington, DC 20219

Subject: National Bank Engagement in Riskless Principal Transactions in Crypto-Assets

Dear Mr. Lybarger,

This responds to your request for confirmation that national banks may engage in riskless principal crypto-asset transactions (described below) with and on behalf of their customers. In connection with recent applications, several applicants have stated their intention to engage in riskless principal crypto-asset transactions.¹ Applicants have asserted that the activity is part of, or incidental to, the business of banking. As discussed below, conducting riskless principal crypto-asset transactions is part of the business of banking and is permissible for a national bank.

I. Background: Riskless Principal Transactions

In a riskless principal transaction, an intermediary purchases an asset from one counterparty for immediate resale to a second counterparty, the ultimate purchaser of the asset. The intermediary's purchase of the asset from the initial counterparty is conditioned on an offsetting order from the second counterparty to purchase the same asset from the intermediary. Execution of the offsetting purchase and sale occurs effectively simultaneously. The intermediary does not hold any asset in inventory in connection with a riskless principal

¹ This letter responds to the facts presented by recent applicants. There may be other instances where a national bank may hold crypto-assets as principal outside the context of the riskless principal transactions discussed in this letter. For example, a national bank may foreclose on crypto-asset collateral consistent with 12 U.S.C. § 24(Seventh). Similarly, a national bank may physically hedge customer-driven derivative transactions with a crypto-assets if it does so in compliance with the requirements of 12 C.F.R. § 7.1030. National banks may also pay network fees on blockchain networks to facilitate otherwise permissible activities and hold, as principal, amounts of crypto-assets on balance sheet necessary to pay network fees for which the bank anticipates a reasonably foreseeable need. See OCC, *Interpretive Letter No. 1186* (Nov. 17, 2025) ("IL 1186").

transaction except in rare circumstances, such as a *bona fide* settlement default (*i.e.*, a situation in which the completion or settlement of one of the transactions does not occur as expected), in which case the asset is typically sold as soon as possible.

The intermediary in a riskless principal transaction conducts itself as the legal and economic equivalent of a broker acting as agent.² Importantly, the intermediary assumes only nominal settlement, market, and credit risk, such as in the case of *bona fide* settlement default. The transaction is often thought of as “riskless” because the intermediary does not enter into the transaction without also having entered into an immediate offsetting transaction.

II. Analysis

A. Riskless Principal Transactions in Crypto-Asset Securities

Riskless principal securities transactions are permissible under 12 U.S.C. § 24(Seventh), which states:

The business of dealing in securities and stock by the association shall be limited to purchasing and selling such securities and stock without recourse, solely upon the order, and for the account of, customers, and in no case for its own account, and the association shall not underwrite any issue of securities or stock

Because a national bank engaging in riskless principal transactions is not assuming “any customer’s risk of loss or any liability as guarantor or endorser of the value of securities to its customers,” it is acting “without recourse.”³ As a riskless principal transaction in a security that has some novel features (*e.g.*, it is also a crypto-asset) is nonetheless a riskless principal transaction in a security under § 24(Seventh), riskless principal transactions with crypto-assets that are securities are clearly permissible under this same line of reasoning. Thus, the remainder of this letter will address riskless principal transactions in crypto-assets that are not securities.⁴

B. Riskless Principal Transactions in Crypto-Assets that Are Not Securities

Twelve U.S.C. § 24(Seventh) provides that national banks have the power “[t]o exercise . . . all such incidental powers as shall be necessary to carry on the business of banking” The

² See OCC, *Interpretive Letter No. 626*, Fed. Banking L. Rep. P 83,508, 1993 WL 639318, *6 (July 7, 1993) (“IL 626”); OCC, *Interpretive Letter No. 371*, Fed. Banking L. Rep. P 85, 541, 1986 WL 235911, *6 (June 13, 1986) (“IL 371”).

³ IL 371 at *5.

⁴ The prohibition against dealing in securities in 12 U.S.C. § 24(Seventh) discussed above does not extend to transactions in non-security crypto-assets.

term “business of banking” is not defined in the statute, but the Supreme Court has confirmed that it is not limited to the enumerated activities in § 24(Seventh).⁵

Twelve C.F.R. § 7.1000(c)(1) states the factors that the OCC considers when determining whether an activity is part of the business of banking:

- (i) Whether the activity is the functional equivalent to, or a logical outgrowth of, a recognized banking activity;
- (ii) Whether the activity strengthens the bank by benefiting its customers or its business;
- (iii) Whether the activity involves risks similar in nature to those already assumed by banks; and
- (iv) Whether the activity is authorized for State-chartered banks.

The weight accorded to each factor depends on the facts and circumstances of each case,⁶ and the determination is technology-neutral.⁷ As discussed below, the first three factors weigh strongly in favor of determining that riskless principal crypto-asset transactions are part of the business of banking.

1. Whether the Activity is the Functional Equivalent to, or a Logical Outgrowth of, a Recognized Banking Activity

As explained below, riskless principal crypto-asset transactions are both the functional equivalent to recognized bank brokerage activities and are a logical outgrowth of crypto-asset custody activities.

⁵ See *NationsBank of North Carolina, N.A. v. Variable Annuity Life Ins. Co.*, 513 U.S. 251, 258, n.2 (Jan. 18, 1995) (“We expressly hold that the ‘business of banking’ is not limited to the enumerated powers in § 24 Seventh and that the Comptroller therefore has discretion to authorize activities beyond those specifically enumerated.”).

⁶ 12 C.F.R. § 7.1000(c)(2).

⁷ See, e.g., *Independent Ins. Agents of America, Inc. v. Hawke*, 211 F.3d 638, 640 (D.C. Cir. 2000) (“Whether a particular banking device’s nomenclature harkens to traditional banking activities is not dispositive. Instead, the powers of national banks must be construed so as to permit the use of new ways of conducting the very old business of banking.” (*citations and quotation marks omitted*)). See also 12 C.F.R. § 7.5002(a) (“A national bank may perform, provide, or deliver through electronic means and facilities any activity, function, product, or service that it is otherwise authorized to perform, provide, or deliver . . .”).

The business of banking includes brokerage of financial investment instruments.⁸ This view reflects national banks' traditional role as financial intermediaries, rather than being solely limited to enumerated securities brokerage activities. Specifically, "[a]s part of their traditional role as financial intermediaries, banks have broad powers to buy and sell financial investment instruments as agent for customers."⁹ This is a power national banks have long exercised in a broad array of activities.¹⁰ For example, national banks broker a wide variety of financial instruments and asset classes, including futures, options, and other derivatives.¹¹ Courts have also acknowledged national banks' ability to, as agent, acquire a wide range of other assets for customers, including to "obtain[] railroad, steamship or airline tickets for . . . customers, or provide[] information helpful to . . . customers in connection with their travels."¹²

At times, however, national banks stand in as principal as a convenience to their customers, while still acting in this broker-type role. As noted above, national banks routinely act as financial intermediaries in riskless principal securities transactions.¹³ In a similar broker-type activity, national banks, as principal, borrow securities from custody customers for the bank's own account for purposes of lending those securities to third parties. Known as "securities conduit lending," the bank stands as an intermediary between its customer and a third-party borrower, against whose credit risk the customer does not wish to be exposed.¹⁴

⁸ *NationsBank*, 513 U.S. at 260 ("By providing customers with the opportunity to invest in one or more annuity options, banks are essentially offering financial investment instruments of the kind congressional authorization permits them to broker.").

⁹ OCC, *Interpretive Letter No. 499*, Fed. Banking L. Rep. P 83,090, 1990 WL 538991, *2 (Feb. 12, 1990).

¹⁰ See OCC, *Interpretive Letter No. 494*, Fed. Banking L. Rep. P 83,083, 1989 WL 534987, *19 (Dec. 20, 1989) ("IL 494") ("[T]he 'business of banking' powers clause of section 24 (Seventh) includes the power for national banks to broker financial instruments for their customers. This power grew out of historical banking practices and community expectations. It is a financial activity, a part of banks' broad function as financial intermediaries in the economy and connected with banks' power to trade as principal in many financial instruments. . . . Brokerage of financial instruments is related to several of the express powers although not reducible to them; and it has been widely recognized by Congress, courts, and commentators as a part of the business of banking.").

¹¹ See, e.g., IL 494 at *19 ("Since agricultural futures and options, like other options and futures, are financial instruments, traded in the financial markets for financial purposes, national banks are empowered under section 24 (Seventh) to buy and sell them for customers.").

¹² *Arnold Tours, Inc. v. Camp*, 472 F.2d 427, 433 (1st Cir. 1972).

¹³ See IL 626, IL 371.

¹⁴ See OCC, *Interpretive Letter No. 1026* (Apr. 27, 2005).

In a similar financial intermediation role, national banks have long acted as principal in relation to their customers' derivatives transactions.¹⁵ Closely related to riskless principal transactions, national banks may engage in perfectly-matched or portfolio-hedged customer-driven derivative transactions that are physically-settled by transitory title transfer.¹⁶ In a perfectly-matched customer-driven derivative transaction, for example, a national bank enters into a derivative with a customer and enters into another derivative with a different counterparty that offsets the economic risk of the derivative with the initial customer.¹⁷ If the derivative is physically-settled by transitory title transfer, the national bank accepts title to the asset underlying the derivative and then immediately relinquishes title to the asset to another party.¹⁸ Settlement by transitory title transfer in the context of a perfectly-matched derivative transaction is akin to a riskless principal transactions in that, in both types of transactions, (1) the bank acts as a financial intermediary for a customer,¹⁹ and (2) the bank takes ownership of an asset for a moment in time before passing the asset along to another party.²⁰

Courts have noted that “the National Bank Act did not freeze the practices of national banks in their nineteenth century forms.”²¹ The fact here that the bank would act as a financial intermediary for crypto-assets does not affect the bank's authority to act as a financial intermediary where the bank acts as a riskless principal, *i.e.*, the equivalent of a broker.

In addition, acting as a riskless principal in crypto-assets for custody customers is a logical outgrowth of the services that national banks may already provide for custody customers. National banks may buy and sell financial and non-financial assets held in custody on a

¹⁵ See 12 C.F.R. § 7.1030.

¹⁶ 12 C.F.R. § 7.1030(c)(4).

¹⁷ While portfolio-hedged transactions generally entail more complex hedging activity and may entail greater residual risk, the principle is fundamentally the same.

¹⁸ See, *e.g.*, 12 C.F.R. § 7.1030(b)(6); OCC, *Interpretive Letter No. 962* (Apr. 21, 2003) (“IL 962”) (approving customer driven, electricity derivative transactions that involve transfer of title to the underlying electricity).

¹⁹ In these transactions, the bank acts as a financial intermediary in the derivative, including through the transfer of the underlying asset via transitory title transfer.

²⁰ See IL 962 at 8 (comparing instantaneous title transfers as analogous to instantaneously acquiring and transferring debt securities in the secondary market—*i.e.*, in a riskless principal capacity). In addition, perfectly-matched derivative transactions outside the context of transitory title transfer are similar to riskless principal transactions in that, in both types of transactions, (1) the bank acts as a financial intermediary for the customer, and (2) the bank eliminates its market risk through offsetting transactions but retains credit risk. Unlike in a riskless principal transaction, however, a perfectly-matched derivative transaction entails ongoing financial obligations (for the duration of the offsetting derivatives), and attendant credit risk, rather than a single set of offsetting purchases and sales, with limited credit risk.

²¹ *M & M Leasing Corp. v. Seattle First Nat. Bank*, 563 F.2d 1377, 1382 (9th Cir. 1977), *cert. denied*, 436 U.S. 956 (1978).

customer's behalf at the direction of the customer and in a manner consistent with the customer agreement and applicable law.²² Buying and selling crypto-assets for custody customers as riskless principal at a custody customer's direction is the economic equivalent to buying and selling crypto-assets as agent for custody customers and is thus a logical outgrowth of a recognized banking activity.

2. *Whether the Activity Strengthens the Bank by Benefiting Its Customers or Its Business*

Several applicants have discussed how conducting riskless principal crypto-asset transactions would benefit their proposed bank's customers and business, including by offering additional services in a growing market. Offering riskless principal crypto-asset transactions would benefit bank customers by providing customers with more options and the ability to receive a service provided by a highly regulated bank. Customers would be able to transact crypto-assets through a regulated bank, as compared to non-regulated or less regulated options.²³ In offering riskless principal crypto-asset transactions, the bank interposes itself between customer and counterparties with whom the customer may have no relationship. This can help customers manage their exposure to unregulated crypto-asset exchanges and pseudonymous counterparties on such exchanges, as well as provide the operational capacity needed to undertake such transactions.²⁴ As discussed in the following section, national banks may also be better positioned to manage any risks related to such interactions than their customers.

²² See OCC, *Interpretive Letter No. 1170* (July 20, 2020) ("IL 1170") (affirming that banks may provide crypto-asset custody services, which may include services such as facilitating a customer's cryptocurrency and fiat currency exchange transactions, transaction settlement, trade execution, recordkeeping, valuation, tax services, reporting, or other appropriate services); *Interpretive Letter No. 1184* (May 7, 2025) ("IL 1184") (affirming that banks may buy and sell assets held in custody at a custody customer's direction and may outsource bank-permissible crypto-asset activities, including custody and execution services to third parties, subject to appropriate third-party risk management practices).

²³ The crypto-asset industry has grown substantially over the past decade. See Raphael Auer, Ulf Lewrick, and Jan Paulick, BANK FOR INTERNATIONAL SETTLEMENTS, *BIS Working Papers No 1265: DeFying gravity? An empirical analysis of cross-border Bitcoin, Ether and stablecoin flows* (May 2025) (finding that Bitcoin, Ether, Tether, and USD Coin accounted for over \$600 billion in cross-border flows in the fourth quarter of 2024 alone). To the extent that national banks offer riskless principal crypto-asset transactions, their clients would be able to conduct more of their crypto-asset business within the confines of a regulated and supervised banking market.

²⁴ Compare this to securities conduit lending, discussed in part II.B.1. See also *Merchants' Nat. Bank v. State Nat. Bank*, 77 U.S. 604, 648 (Dec. 1, 1870) ("The practice of certifying checks has grown out of the business needs of the country. They enable the holder to keep or convey the amount specified with safety. They enable persons not well acquainted to deal promptly with each other, and they avoid the delay and risks of receiving, counting, and passing from hand to hand large sums of money.").

Moreover, offering this service would also benefit the bank's business by making the bank a more attractive option for current and future customers.²⁵

3. *Whether the Activity Involves Risks Similar in Nature to Those Already Assumed by Banks*

The key differences between a riskless principal crypto-asset transaction and a riskless principal securities transaction are the underlying asset and the technology used to effect the transactions. The main risk in riskless principal transactions is counterparty credit risk (in particular, settlement risk). Likewise, the main risk in a perfectly-matched customer-driven derivative transaction that settles by transitory title transfer is credit risk. In these activities, the bank neutralizes its market risk through offsetting transactions but retains credit risk due primarily to the ongoing financial obligations of the parties to the transaction. The bank does not carry an inventory. A bank that acts as riskless principal in crypto-assets would face a similar set of risks. In the event of a settlement default, the bank would face limited market risk but would typically have in place procedures to sell the crypto-assets as soon as possible.²⁶ In instances where the bank engages in other permissible crypto-asset activities, including, for example, crypto-asset custody,²⁷ stablecoins,²⁸ and crypto-asset network fees,²⁹ it would be able to rely on the infrastructure related to these offerings, further facilitating its ability to liquidate the relevant crypto-assets. Managing counterparty credit risk is integral to the business of banking, and banks are experienced in managing this risk.

Banks could also face operational risk associated with using new technology, but these risks are the same as, and similar to, risks already assumed by national banks. As noted above, national banks are permitted to engage in certain crypto-asset activities and thus have experience settling transactions with crypto-assets on a distributed ledger. Moreover, the risk presented from settling a riskless principal crypto-asset transaction on a distributed ledger exists whether the crypto-asset is a security or a non-security, and, as noted above, acting as a riskless principal for

²⁵ By offering customers access to crypto-assets via riskless principal transactions, a bank may offer its customers “a broader range of risk management products that more effectively address their individual risk management needs, the [b]ank will have the ability to attract a broader customer base” and, in “expanding its customer base, it may diversify and reduce credit and other risks arising from its financial intermediation business.” OCC, *Interpretive Letter No. 1073*, 4 (Oct. 16, 2006).

²⁶ In certain circumstances, banks may be able to use smart contracts to further mitigate settlement risk (e.g., by implementing a contract to purchase or sell crypto-assets that executes only if the offsetting transaction also executes).

²⁷ See IL 1170 and IL 1184.

²⁸ See OCC, *Interpretive Letter No. 1174* (Jan. 4, 2021) (affirming that banks may act as nodes on a distributed ledger technology network to verify customer payments and engage in certain stablecoin activities to facilitate payment transactions on such network).

²⁹ See IL 1186.

securities transactions is a long-established permissible activity. In addition, although settling a transaction on a distributed ledger differs from settling a security transaction via book entry, the two processes are analogous in many respects.³⁰ More generally, the OCC has long maintained a technology neutral stance with regards to permissibility.³¹

4. *Whether the Activity is Authorized for State-Chartered Banks*

State banks have long engaged in riskless principal transactions with respect to securities,³² and state regulatory frameworks concerning crypto-asset activities conducted by state banks are continuing to develop.³³ None of these state regulatory frameworks expressly prohibit state banks from engaging in riskless principal crypto-asset transactions. In light of developing state regulatory frameworks with respect to crypto-asset activities, and states banks' clear authority to engage in riskless principal securities transactions, this factor does not weigh against determining that national banks may engage in riskless principal crypto-asset transactions.

III. Conclusion

Riskless principal crypto-asset transactions, as described above, are permissible under 12 U.S.C. § 24(Seventh). Different facts and circumstances could result in a different conclusion. As with any activity, a bank that conducts riskless principal crypto-asset transactions must do so in a safe and sound manner and in compliance with applicable law. The OCC will examine riskless principal crypto-asset activities as part of its ongoing supervisory process.

We trust that this is responsive to your inquiry.

Sincerely,

/s/

Adam J. Cohen
Senior Deputy Comptroller and Chief Counsel

³⁰ Both types of transactions settle by means of updating electronic ledgers. In the case of securities, that ledger is usually privately maintained. In contrast, many crypto-assets trade on public distributed ledgers.

³¹ See 12 C.F.R. Part 7, Subpart E (National Bank Electronic Activities).

³² See, e.g., 17 C.F.R. § 240.3a5-1 (exempting from the definition of “dealer” banks engaged in riskless principal transaction activities).

³³ New York, California, and Wyoming, among others, have issued detailed regulations relating to crypto-assets (e.g., 23 NYCRR 200 under the New York Financial Services Law; Cal. Fin. Code § 3101 *et seq.*; Wyo. Stat. Ann. § 34-29-101 *et seq.*; Wyo. Admin. Code 021.0002.19).