



Coinbase  
548 Market Street, #23008  
San Francisco, CA 94104  
coinbase.com

January 17, 2017

*Via Electronic Submission*

Office of the Comptroller of the Currency (the "OCC")  
Washington, D.C.  
innovation@occ.treas.gov

Re: Coinbase Response to **OCC's** Special Purpose Charter White Paper

Ladies and Gentlemen:

This comment letter is submitted on behalf of Coinbase, Inc. ("Coinbase") in response to the OCC's white paper, "*Exploring Special Purpose National Bank Charters for FinTech Companies.*" Coinbase previously submitted a letter in response to the OCC's white paper on the development of its innovation framework, "Supporting Responsible Innovation in the Federal Banking System: an OCC Perspective." We are encouraged by the OCC's initiative to consider a special purpose bank charter for fintech companies and we appreciate the opportunity to contribute. Please find Coinbase's comments below.

I. Executive Summary

Our comments are summarized as follows:

- *First*, we encourage the OCC to carefully consider which innovative financial technologies and related business activities are authorized under the special purpose charter and therefore preempted from state regulation.
- *Second*, we urge the OCC to coordinate with other federal banking agencies to allow limited chartered entities to gain direct access to the U.S. payments systems, even if they are not necessarily depository institutions.
- *Third*, we encourage the OCC remain engaged with developing business involved in the growing virtual currency and blockchain technology industries in the United States.

\*

\*

\*



## II. Comments

### 1. *State Law Preemption*

The patchwork of state financial services laws among the US states requires many fintech companies to engage in extensive regulatory analysis on a state-by-state basis to determine whether a business or product line is subject to licensure in any given jurisdiction. Managing compliance and reporting obligations in dozens of differing regimes can be challenging even for established businesses.

The OCC suggests in its paper that under federal preemption statutes and regulations, state laws requiring a national bank to obtain a license to engage in activity authorized by the charter “would not apply.” We encourage the OCC to carefully consider which emerging financial technologies and businesses are likely to constitute “federally authorized activities” under the charter and would therefore benefit from apparent preemption of state licensing regimes. As one example, consider a special-purpose national bank engaged in, among other things, virtual currency business activity such as storing, transmitting, lending, or exchanging virtual currency and legal tender. It is very unclear to us whether such an entity would nevertheless require state authorization to engage in virtual currency business activity in states which promulgate special rules or otherwise interpret existing money transmission laws to cover such activity. Although Coinbase has enjoyed a productive working relationship with most state regulators, we expect the scope of federally authorized activities under the charter is likely to inform the perceived utility of the charter for many fintech firms seeking a central, federal regulator.

### 2. *Access to Payment Systems*

As we described in our prior letter, many fintech firms rely heavily on third-party banks or payment processors to process payments core to business operations. In our view, the utility of a special purpose charter depends largely on the capability of that entity to establish direct access to the Federal Reserve payments system.

To alleviate the operational risk and costs intrinsic in reliance on third-party payment processors, we encourage the OCC to explore avenues to safely facilitate direct access by special purpose entities to the Federal Reserve payments system, even if such entities are not necessarily engaged in a deposit-taking business.

### 3. *Digital Currency Treatment*

We urge the OCC to remain informed and to engage in outreach with banks and non-bank fintech businesses engaged in virtual currency activity. Virtual currency business and blockchain technologies are a fast-growing, emerging financial technology. For example, the average number of daily bitcoin transactions has tripled in the past two years while the market capitalization of bitcoin has increased from \$3 billion to approximately \$13 billion in that period.

We recommend that the OCC engage with digital currency companies to understand the risks, consumer benefits, and general uses of these emerging financial technologies.

\* \* \*



We thank the OCC for its effort to develop a special purpose bank charter for fintech companies. Coinbase is committed to working with the OCC to promote responsible innovation of digital currency and distributed ledger technology. Please do not hesitate to contact us anytime if we may be of any assistance.

Regards,

**//S//**

---

Juan Suarez  
Head Legal Counsel  
Coinbase, Inc.