August 4, 2025

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Director for Licensing
Midsize, Trust, Credit Card, and Novel Banks
Office of the Comptroller of the Currency
400 7th St., SW
Washington, DC 20219

RE: ICBA Letter in Opposition to Ripple National Trust Bank's Charter Application (2025-Charter-342347)

Dear Director Astrada,

The Independent Community Bankers of America ("ICBA")[1] opposes Ripple Labs's application for a national trust bank charter for its proposed subsidiary, Ripple National Trust Bank ("RNTB"). Ripple Labs "provides blockchain-based payments and custody services to enterprise customers, enabling them to integrate blockchain technology and digital assets into their businesses." Ripple Labs proposes using RNTB to "conduct activities that complement Ripple's stablecoin and other payments businesses, including management of stablecoin reserves and related fiduciary services."[2]

Ripple Labs's stated goals of using stablecoins to "build the next evolution of global financial services" and to "redefin[e] the way money moves in the digital economy" are outside of the scope of the powers Congress envisioned when it created the national trust bank charter.[3] As a national trust bank, RNTB would be legally prohibited from taking deposits.[4] However, by managing Ripple Labs's stablecoin reserves (Ripple Labs is the issuer of a stablecoin called

[1] The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams. For more information, visit ICBA's website at icba.org.
[2] Ripple National Trust Bank, Interagency Charter Application (July 2, 2025), available at: https://foia-pal.occ.gov/app/ReadingRoom.aspx.
[3] *See* Ripple, "What is a Stablecoin? Types, How They Work & Regulations" (Feb. 20, 2025), available at: https://ripple.com/insights/stablecoin/.
[4] 12 U.S.C. 92a(d).

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Ripple Labs U. S. Dollar or "RLUSD") and facilitating the issuance of RLUSD, RNTB would enable Ripple Labs to offer a product that functions similarly to a demand deposit. This has the potential to drain deposits out of the banking system. For example, a recent Treasury Department report suggested that as much as $6.6 trillion might flow from deposit accounts into stablecoins if yield is offered.[5]

Although stablecoin issuers are explicitly prohibited from offering yield, ICBA remains concerned that issuers may impermissibly exploit loopholes by offering rewards or other monetary inducement, creating the same effect. If the Treasury's estimate is correct, this outflow of deposits would have a destabilizing effect on the banking system, running contrary to the OCC's mandate of "assuring the safety and soundness of … the institutions … subject to its jurisdiction."[6]

RNTB Would Functionally Accept Deposits in Violation of the National Bank Act

A national trust bank typically serves as a custodian, safeguarding assets for trust beneficiaries through services like securities custody, estate planning, or long-term wealth preservation. Unlike traditional banks offering retail banking, credit cards, or loans, trust banks cater to distinct clients with specialized financial needs, limiting direct competition.

In contrast to a typical national trust, RNTB would market a payment stablecoin to retail customers as a direct alternative to bank deposits. RLUSD can be transferred electronically, used for purchases via mobile apps, and redeemed one-to-one for U.S. dollars, closely resembling a deposit. This functional similarity is problematic, as national trust banks are legally barred from accepting deposits.[7]

Ripple Labs and RNTB appear to be replicating a bank's depository functions without obtaining a full bank charter. This circumvention raises two significant concerns. First, as a national trust bank, RNTB's customer funds lack FDIC insurance, leaving them unprotected in case of failure. Second, national trust banks are exempt from the Bank Holding Company Act's definition of a bank, meaning RNTB's parent company avoids consolidated supervision and can be owned by a commercial entity, unlike traditional bank holding companies.

The OCC should not allow stablecoin issuers to use the national trust bank charter to benefit from full-service bank-powers without full-service bank-requirements. Stablecoins like RLUSD, which function similarly to deposits by enabling transfers, purchases, and dollar redemption, differ sharply from the custodial and fiduciary roles trust banks were designed for. This

[5] Department of the Treasury, TBAC Presentation "Digital Money" (April 30, 2025), available at: https://home.treasury.gov/system/files/221/TBACCharge2Q22025.pdf.
[6] 12 C.F.R. 4.2.
[7] 12 U.S.C 92a(d).

demands stricter oversight and stronger consumer protections than those traditionally applied to trust banks.

Ripple Labs has Demonstrated a Pattern of Inadequate Compliance with Federal Laws

According to Ripple's website, its "global infrastructure serves a variety of use cases and enables on-demand cross-border payments around the world" which heightens the risk of RLUSD being used for international money laundering..[8] As such, it is critical for RNTB to implement a robust Bank Secrecy Act, Anti-Money Laundering, and Countering the Financing of Terrorism ("BSA/AML/CFT") compliance program of the highest quality.

However, recent controversies and legal actions involving Ripple Labs and its subsidiary, XRP II, suggest a pattern of inadequate BSA/AML/CFT compliance. For example, the U.S. Department of Justice alleged that Ripple Labs and XRP II failed to follow the prudent AML measures while engaging in the exchange of virtual currency and that the entities failed to establish and maintain an appropriate anti-money laundering program. The Internal Revenue Service's Criminal Investigation Division and the Financial Crimes Enforcement Network ("FinCEN") joined the investigation, eventually filing a civil enforcement action, as well. The charges eventually resulted in Ripple Labs and XRP II settling, agreeing to pay a $700,000 civil penalty.[9]

This violation stemmed from Ripple Labs' failure to adhere to FinCEN's 2013 guidance which clarified "that exchangers and administrators of virtual currencies are money transmitters (a type of [Money Services Business]) under FinCEN's regulations, and therefore are required to register with FinCEN as money service businesses."[10] In contravention to this guidance, Ripple Labs continued to engage in transactions where it engaged its cryptocurrency XRP for U.S. Dollars without registering with FinCEN, without adopting adequate policies, procedures, or controls to ensure compliance with the BSA, without designating a compliance officer, and without providing its employees with any anti-money laundering training.[11] This violation demonstrates lapses in compliance oversight and suggests Ripple Labs has not consistently operated as a compliance first organization.

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[8] Ripple Payments, "Crypto Payment Solutions: Send cross-border payments in real-time," available at: https://ripple.com/solutions/cross-border-payments/.

[9] FinCEN, "FinCEN Fines Ripple Labs Inc. in First Civil Enforcement Action Against a Virtual Currency Exchanger" (May 5, 2015), available at: https://www.fincen.gov/news/news-releases/fincen-fines-ripple-labs-inc-first-civil-enforcement-action-against-virtual.

[10] U.S. Department of Justice, United States Attorney Northern District of California, Settlement Agreement with Ripple Labs, "Attachment A: Statement of Facts and Violations" (May 5, 2015), available at: https://www.justice.gov/sites/default/files/opa/press-releases/attachments/2015/05/05/settlement_agreement.pdf.

[11] *Id.*

Unfortunately, the details of RNTB's information systems and plans to comply with BSA/AML/CFT regulations or to safeguard consumer data are not included in the public portion of its application. It is therefore difficult for the public to determine if Ripple's past AML/BSA deficiencies will be addressed in RNTB.

Apart from challenges with AML/BSA compliance, Ripple also has difficulty complying with securities laws and regulations. In December 2020, the U.S. Securities and Exchange Commission ("SEC") sued Ripple Labs, alleging it raised over $1.3 billion by selling XRP as unregistered securities, and deprived investors of information that would allow them to make informed investment decisions.[12] The United States District Court for the Southern District of New York agreed and entered a Summary Judgment Order. Following entry of the Summary Judgment Order, the SEC told the court "Ripple continued to recklessly engage in behavior that may have violated the Court's Summary Judgment Order and that was even more harmful to investors than when this case began."[13] Because of the "egregiousness of Ripple's misconduct," the SEC sought a permanent injunction and a "hefty penalty" to "ensure [that] Ripple cease[d] its illegal conduct."[14] As a result of Ripple's Securities Act violations, and ongoing behavior in disregard of a court order, the District Court permanently enjoined Ripple from violating Section 5 of the Securities Act of 1933 and imposed a civil penalty of $125 million.[15]

As demonstrated by this case, the SEC sought a permanent injunction against Ripple because its misconduct was ***reckless and likely to continue***.[16] The SEC claimed that Ripple had ***deliberately*** violated the Securities Act for eight straight years because it knew that registering institutional offerings of XRP would damage its business.[17] The SEC also suggested that Ripple's misconduct could have an impact to the financial markets as a whole. As described in the SEC's court filings, "[i]f companies can raise money with the ease that Ripple did - by simply receiving billions of units of computer code that cost little to nothing to create and then turning it into billions of dollars, without registering these transactions with the SEC and providing the requisite disclosures - the legal structure underpinning our financial markets will be jeopardized."[18] Ultimately, the District Court "granted in part the SEC's request for an injunction and a civil penalty because the Court found that 'Ripple's willingness to push the boundaries of the [Summary Judgment] Order evinces a likelihood that eventually (if it has not already) cross the line."[19]

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[12] *S.E.C. v. Ripple Labs, Inc.,* 682 F. Supp. 3d 308, 328 (S.D.N.Y. 2023).
[13] Order Denying Letter Motion to Reopen Case (ECF 980), *S.E.C. v. Ripple Labs, Inc.*, No. 1:20-cv-10832-AT-SN (S.D.N.Y. June 26, 2025).
[14] *Id.*
[15] *Id.*
[16] *Id. (emphasis added).*
[17] *Id. (emphasis added).*
[18] *Id.*
[19] *Id.*

On May 8th, 2025, the SEC and Ripple Labs signed an agreement to settle this litigation, which would have reduced Ripple's penalty to $50 million. That agreement was rejected by the United States District Court for the Southern District of New York, which held that "Not that long ago, the SEC made a compelling case that the public interest weighed heavily in favor of a permanent injunction and a substantial civil penalty" for Ripple Labs due to their violations of securities law.[20] The Court denied the parties' request to dissolve the permanent injunction and reduce the monetary penalty and held "the parties do not have the authority to agree not to be bound by a court's final judgment that a party violated an Act of Congress in such a manner that a permanent injunction and a civil penalty were necessary to prevent that party from violating the law again."[21]

Ripple Labs's history of deliberately and recklessly violating securities laws, coupled with the ongoing nature of this misconduct, in violation of court order, casts doubt on their fitness to serve as the parent company of a national trust bank. No company with the demonstrated willingness to push the boundaries of securities law that Ripple Labs has shown should be permitted to use the national trust bank charter to provide custodial services to customers or to enter the business of banking.

OCC Has Not Adhered to the Administrative Procedure Act in Expanding National Trust Powers Beyond Fiduciary Activities

In 2021, the OCC issued Interpretive Letter #1176, significantly altering eligibility criteria for national trust bank charters.[22] The letter permitted national trust banks to engage in both fiduciary activities, as defined by federal or state law, and non-fiduciary activities, such as non-fiduciary custody.[23] This shift eliminated the long-standing requirement that national trust bank charter applicants exclusively conduct fiduciary activities.

This policy change lacks statutory backing. No existing statute suggests Congress intended national trust banks to offer non-fiduciary services beyond ancillary roles or customer courtesies. Expanding the national trust charter to encompass non-fiduciary custody or activities like facilitating cross-border payments or issuing stablecoins raises a major question, necessitating explicit Congressional authorization.

At a minimum, such significant reinterpretations of statutory authority, as seen in Interpretive Letter #1176, require a transparent public notice and comment rulemaking process. Before approving new national trust bank applications, the OCC must undertake formal rulemaking, as

[20] *Id.*
[21] *Id.*
[22] OCC, "OCC Chief Counsel's Interpretation on National Trust Banks" Interpretive Letter #1176 (Jan 2021), available at: https://www.occ.gov/topics/charters-and-licensing/interpretations-and-actions/2021/int1176.pdf.
[23] *Id.*

mandated by the Administrative Procedure Act, to clearly define the scope of permissible non-fiduciary powers for national trust banks.

Higher Rates of Fraud and Cybercrime in the Crypto Industry Raise Concerns about Ripple's Bank Secrecy Act Compliance

The cryptocurrency ecosystem is fraught with significant risks related to fraud, money laundering, and cybercrime, posing substantial challenges for any institution, such as RNTB, seeking to provide custodial services for digital assets. According to the Federal Bureau of Investigation's Internet Crime Complaint Center, cryptocurrency-related fraud resulted in 149,686 complaints and $9.3 billion in losses in 2024, reflecting a 66% increase in losses from the prior year. These losses account for more than half of the total financial impact from all forms of cybercrime, including phishing, identity theft, data breaches, and online check and credit card fraud.[24] This alarming trend underscores the pervasive and growing threat within the digital asset space, particularly for institutions like RNTB that propose to custody stablecoins and other digital assets.

Separation of Banking and Commerce

ICBA has a long history of opposing lightly regulated, novel charters–including the industrial loan company ("ILC") charter–that enable commercial parent companies to blur the line between banking and commerce by owning a bank. Like ILCs, national trust banks are exempt from the definition of "bank" in the BHCA. Because of this exemption, a national trust bank would potentially be permitted to be owned by a commercial company, rather than a traditional bank holding company that is limited to engaging only in businesses that are financial in nature.[25] Such a regulatory loophole raises profound concerns about the integrity of the financial system and the potential for consumer harm.

If companies are permitted to use the national trust charter to manage the reserves of stablecoin issuers or to provide other deposit-like products such as stable value accounts, major commercial entities including large retailers and Big Tech companies could own a national trust

[24] Federal Bureau of Investigation, Internet Crime Complaint Center, "Internet Crime Report 2024," available at: https://www.ic3.gov/AnnualReport/Reports/2024_IC3Report.pdf.

[25] See Max Bonici, Stephen T. Gannon, and Kristal Rovira, Davis, Wright Tremaine LLP, "National Trust Banks – Revisited for Crypto and Payments" (November 22, 2024), available at: https://www.dwt.com/blogs/financial-services-law-advisor/2024/11/why-fintechs-should-consider-national-trust-banks ["*Provided a national trust bank doesn't meet the definition of "bank" under the Bank Holding Company Act (BHCA), a company that owns a national trust bank is not a bank holding company subject to the Federal Reserve's comprehensive regulation and supervision. That essentially means a commercial entity can own a national trust bank without the Federal Reserve's involvement for a bank or the FDIC's involvement for an ILC. National trust banks that do obtain FDIC deposit insurance can comply with additional conditions to avoid meeting the definition of "bank" under the BHCA*."]

bank like RNTB, enabling them to provide deposit-like services to their customers without being subject to the BHCA's prohibitions on non-financial activities or consolidated supervision by the Federal Reserve Board. This arrangement threatens both consumer welfare and financial stability.

Conclusion

Granting RNTB's national trust bank charter would undermine the stability of the financial system by allowing a non-traditional institution to offer deposit-like services without adequate regulatory oversight, threatening consumer protections and the integrity of the banking sector. Furthermore, the OCC must undertake formal rulemaking, as required by the Administrative Procedure Act, to clarify the scope of national trust bank powers and ensure alignment with Congressional intent, thereby safeguarding the safety and soundness of the financial system.

Please contact me at Mickey.Marshall@icba.org if you have any questions about the positions stated in this letter.

Sincerely,

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