

November 6, 2025

Sebastian R. Astrada
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 Sony Bank Incorporated's National Trust Bank Charter Application (2025-Charter-343503)

Dear Director Astrada,

The Independent Community Bankers of America ("ICBA")¹ strongly opposes Sony Bank's application for a national trust bank charter for its proposed subsidiary, Connectia Trust, National Association. Sony Bank proposes to use Connectia "to engage in certain specified activities involving cryptocurrency" to include "the issuance of dollar-pegged stablecoins and maintenance of corresponding reserve assets, the provision of non-fiduciary digital asset custody services, and the provision of asset management services as fiduciary to certain affiliates."²

While Connectia Trust will not take deposits or seek Federal Deposit Insurance Corporation ("FDIC") insurance, it "will engage in the business of banking and activities incidental to the business of banking permissible for a national bank."³ This approach appears designed by Sony Bank to receive the benefits of a U.S. bank charter without becoming subject to the full scope of U.S. bank regulations. For example, Connectia Trust will not be required to reinvest in low- and moderate- income communities pursuant to the Community Reinvestment Act.

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 Application of Sony Bank Incorporated to Establish a National Trust Bank and Commence Certain Activities Involving Cryptocurrency (October 6, 2025), available at: <https://www.occ.gov/topics/charters-and-licensing/digital-assets-licensing-applications/connectia-trust.pdf>.

³ *Id.*

The national trust bank charter was designed to facilitate the provision of traditional fiduciary services including personal trust and estate administration, retirement plan services, investment management and advisory activities, and corporate trust administration. It was not designed to allow entities to offer deposit-like products to consumers without being regulated in the same manner as traditional depository institutions. We urge the OCC to reject this application because it relies on an impermissible reinterpretation of the statutory powers of national trust banks and could foreseeably lead to consumer confusion and consumer harm in the event of insolvency.

Connectia Trust's Proposed Business Model Is Outside the Scope of the Trust Bank Charter

Traditionally, a national trust bank acts as a custodian who provides fiduciary services for the assets of trust beneficiaries. This may include the safekeeping of securities, estate planning services, or long-term wealth preservation. Traditional trust bank departments do not compete with commercial banks because they do not lend or offer deposit accounts to retail customers.

By contrast, Connectia Trust's proposed business model is to provide non-fiduciary custody of digital assets and to issue stablecoins to retail customers which share many features with bank deposits. Like a bank deposit, a stablecoin can be transferred to others electronically, can be spent at the point of sale through a mobile app, and, most importantly, can be redeemed one-for-one for U.S. Dollars. This close functional similarity to deposits is problematic because national trust banks are prohibited from taking deposits by statute.⁴

Connectia plans to use its national trust bank charter to impermissibly mimic the deposit taking business of a traditional bank without the requirements, restrictions, and compliance obligations that accompany a traditional national bank charter. This end run around the rules has several important implications, both for consumers and the financial system. First, because Connectia is a national trust bank, rather than a traditional bank, customer funds are not protected by Federal Deposit Insurance Corporation ("FDIC") insurance in the event of a failure.

Second, national trust banks are exempt from the definition of a bank in the Bank Holding Company Act ("BHCA").⁵ This exemption means that Sony Bank, Connectia's parent company, would not become subject to consolidated supervision at the holding company level like other bank holding companies. In addition to compromising regulators' ability to ensure that Sony can serve as a source of strength to its bank subsidiary, this loophole permits national trust banks to be owned by commercial (non-financial) parent companies, which is contrary to the longstanding principle of separating banking and commerce.

⁴ 12 U.S.C. 92a(d).

⁵ 12 U.S.C. 1841(c)(2)(D).

The OCC should not permit stablecoin issuers to mimic full-service banks using the national trust bank charter because it is simply too far afield from the custodial and fiduciary services that the charter was designed to facilitate. This is unlike the long-term safekeeping and investment of client assets that trust banks provide and it demands a more stringent level of supervision and consumer protection than is applied to trust banks.

Lack of Statutorily Required Rulemaking to Expand Trust Powers

In 2021, the OCC published Interpretive Letter #1176, which made significant policy changes regarding the eligibility requirements to receive a national trust charter.⁶ Specifically, the Interpretive Letter concluded that national trust banks are permitted to engage in “fiduciary activities as defined by federal or state law, as well as other activities that are non-fiduciary in nature, such as non-fiduciary custody.”⁷ This change eliminated the longstanding requirement that applicants for national bank trust charters engage exclusively in fiduciary activities.

This significant policy change was made without any direction from Congress and without any change to the National Bank Act. There is nothing in the existing statute to indicate that Congress intended for national trust banks to offer non-fiduciary services. To expand the national trust charter to include non-fiduciary custody and other non-custodial services like facilitating cross border payments or issuing stablecoins is a major question, which requires a Congressional delegation of authority.

At a minimum, substantive reinterpretations of a statute, such as those contained in Interpretive Letter #1176, should be enacted only after a transparent public notice and comment rulemaking process. Before deciding on any new national trust bank applications, the OCC should engage in formal rulemaking, as required by the Administrative Procedure Act, to clarify the scope of the permitted non-fiduciary powers of national trust banks.

Connectia Should Be Subject to the Bank Holding Company Act’s Definition of a Bank

The BHCA exempts any financial institution that “functions solely in a trust or fiduciary capacity” from its definition of a “bank” only if:

- (i) all or substantially all of the deposits of such institution are in trust funds and are received in a bona fide fiduciary capacity;
- (ii) no deposits of such institution which are insured by the Federal Deposit Insurance Corporation are offered or marketed by or through an affiliate of such institution;

⁶ 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>.

⁷ *Id.*

- (iii) such institution does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others or make commercial loans; and
- (iv) such institution does not—
 - (I) obtain payment or payment related services from any Federal Reserve bank, including any service referred to in section 11A of the Federal Reserve Act or
 - (II) exercise discount or borrowing privileges pursuant to section 19(b)(7) of the Federal Reserve Act.⁸

While much of Connectia’s business plan remains confidential – impairing the ability of the public to comment on its application – the public portion of the application raises legitimate questions about whether the proposed institution would qualify for the exemption from the BHCA definition of a bank. If it does not qualify for this exemption, any company that has control of Connectia must be regulated as a Bank Holding Company. Companies potentially implicated by this include Sony Bank, Connectia’s direct parent company, which would own 100% of Connectia’s stock, Sony Financial Group, the parent company of Sony Bank, and Sony Group Corporation, the former parent company of Sony Financial Group, which retains control of ~20% of its stock.

It appears clear from Connectia’s application that it does not intend to seek FDIC insurance, so factor (ii) of the exemption criteria is satisfied. Whether the other criteria can be satisfied is less clear.

Regarding factor (i), we know from Connectia’s application that it intends to provide non-fiduciary custody services for digital assets. The scope and nature of Connectia’s non-fiduciary services is not described in detail in the public portion of the application, but it raises doubts about whether “all or substantially all” of the deposits of Connectia will be received in a bona fide fiduciary capacity.

Under factor (iii), trust banks are only exempt from the BHCA definition of a bank if they do not accept deposits that the depositor may withdraw by check or similar means for payment to third parties or others. This is concerning in light of the fact that other recent applicants for the national trust bank charter have proposed allowing customers to spend directly from their trust accounts using debit cards and other similar means.

Whether or not Connectia plans to offer debit cards to allow customers to spend on demand from their stablecoin wallets is not specified in the public portion of their application. However, their stated intent to “engage in the business of banking and activities incidental to the business of banking permissible for a national bank” appears to lay the groundwork for issuing debit cards or other activities traditionally only permissible for deposit taking banks.

⁸ 12 U.S.C. 1841(c)(2)(D).

If the OCC allows national trust banks to offer their customers the ability to withdraw or spend funds held in trust or stablecoin accounts through debit cards, checks, or digital payments at the point of sale, it will be allowing these companies to subvert the prohibition on trust banks allowing their customers to “withdraw [deposits] by check or similar means for payment to third parties.” Allowing customers to immediately access and spend funds is not merely “incidental” to the business of banking – it is one of the core functions of a deposit taking bank and demands to be regulated as such.

Prohibition on Master Account Access

Factor (iv) prohibits national trust banks from obtaining payment related services from any Federal Reserve bank and borrowing at the discount window if they wish to remain exempt from the BHCA definition of a bank. Applying for and obtaining a Federal Reserve Master Account would enable a national trust bank to obtain payment services from the Federal Reserve and directly connect with the Federal Reserve’s payment system. Because of this, if Connectia, or any other national trust bank, obtains Master Account access, it no longer qualifies as exempt from the BHCA definition of a bank and any entity with control over it must be regulated as a Bank Holding Company.

In Connectia’s case, it is not clear whether Sony Group Corporation would have control of Connectia. Connectia would be a fully owned subsidiary of Sony Bank, which is in turn a fully owned subsidiary of Sony Financial Group. Sony Financial Group was formerly a fully owned subsidiary of Sony Group Corporation, but it was spun off earlier this year.⁹ However, Sony Group Corporation retains a ~20% ownership stake in Sony Financial Group. Under the BHCA, a company has control of a bank if:

- A.** the company directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 per centum or more of any class of voting securities of the bank or company;
- B.** the company controls in any manner the election of a majority of the directors or trustees of the bank or company; or
- C.** the Board determines, after notice and opportunity for hearing, that the company directly or indirectly exercises a controlling influence over the management or policies of the bank or company.¹⁰

While it is clear that Sony Group Corporation would not control more than 25% of Connectia’s voting stock, its significant remaining economic ownership, coupled with the shared branding between Sony, Sony Bank, and Sony Financial Group warrants further investigation of whether

⁹ See Sony Investor Relations, “Regarding the Partial Spin-off of the Financial Services Business” https://www.sony.com/en/SonyInfo/IR/library/SFG_pso/.

¹⁰ 12 U.S.C. 1841(a)(2).

a controlling influence exists.

If it is established that Sony Group Corporation has control of Connectia and that Connectia does not qualify for an exemption of the BHCA definition of a bank, then Sony Group Corporation should be regulated as a Bank Holding Company or a Financial Holding Company. This would prohibit Sony Group Corporation from engaging in businesses that are not financial in nature or otherwise taking steps to reduce its control of Sony Financial Group including divestiture and reducing influence over the board.

In our view, it appears likely that Connectia's proposed activities will cause it to be ineligible for the BHCA trust exemption: its non-fiduciary custody activities undermine factor (i), and any master account would breach factor (iv). Sony Group Corporation's ~20% stake and shared branding, and board participation likely confer controlling influence. Thus, Connectia must be deemed a bank, subjecting Sony to bank holding company regulation, divestiture, and restrictions on non-financial activities to prevent regulatory arbitrage and protect the separation of banking and commerce in the United States.

Regulatory Arbitrage by Connectia would Undermine the Community Reinvestment Act ("CRA")

Congress enacted the CRA to address a history of underinvestment in low- and moderate-income ("LMI") areas by banks. The statute creates a "continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered."¹¹ In practice, this means preventing banks from collecting deposits in LMI areas without reinvesting in those areas in the form of loans to LMI borrowers and small businesses.

Because national trust banks do not take deposits, they are not subject to the CRA. However, Connectia's proposed business model runs afoul of the intent of the statute. There is nothing to prevent Connectia from targeting LMI areas as a source of funds to issue stablecoins and no commensurate obligation to reinvest those funds back into the community.

Instead of lending to consumers and small businesses, Connectia will be able to siphon funds out of LMI neighborhoods and channel them into Treasury Securities or crypto assets. As a stablecoin issuer, Connectia will keep any interest it earns from these investments without providing any benefit – either in the form of interest or credit access – to the customers that it borrows from.

¹¹ 12 U.S.C. 2901.

In offering a stablecoin product to consumers that is a deposit in everything but name, Connectia is able to circumvent not only Federal Reserve Supervision at the holding company level, but also the consumer protection laws that require banks to meet the credit needs of the communities where they do business. The OCC should not facilitate this regulatory arbitrage and subversion of Congressional intent.

The three core activities of a bank are taking deposits, making loans, and facilitating payments. Connectia is functionally a deposit taking entity that provides payment services. It will not engage in general lending, but by purchasing Treasury securities, it will be a creditor to the United States government. It must be defined as a bank – which means becoming subject to bank regulations, including the CRA.

Procedural Deficiencies Prevent Meaningful Public Scrutiny and Feedback

A fundamental flaw in Connectia’s application is the lack of transparency in its public filing, which frustrates meaningful public comment and undermines the OCC’s own commitment to an open charter approval process. Under the OCC’s regulations, charter applicants must provide notice of the application and invite public comment for at least 30 days.¹² This process is meaningless if the public cannot evaluate the full scope of the proposed institution’s planned business activities. Yet the public portion of Connectia’s application omits critical details about the scale, mechanics, and risk profile of its stablecoin issuance, reserve management, and non-fiduciary custody services.

For example, the application does not disclose the projected volume of stablecoin issuance or the composition and liquidity of reserve assets, the operational mechanics of redemption—whether instantaneous, subject to fees, or gated during stress events, the extent to which non-fiduciary custody will dominate the business mix, making it impossible to assess compliance with BHCA, or any contingency plans for reserve shortfalls, cyber events, or runs on the stablecoin.

Without full disclosure, the public cannot verify that Connectia’s activities remain within statutory bounds or pose no systemic risk. The agency should require Sony Bank to publish a complete, unredacted business plan—or at minimum, a detailed summary addressing the above gaps—before making a decision on the application. Approving an application under a veil of secrecy would set a dangerous precedent for future charters and erode trust in the OCC’s oversight.

¹² 12 C.F.R. 5.8.

The OCC is Not Equipped to Resolve Connectia in the Event of an Insolvency

Even if the legal, BHCA, and CRA objections outlined above could be overcome, the application fails on the independent ground that Connectia would be unresolvable under the OCC's receivership framework. If approved, Connectia will be an uninsured national trust bank holding stablecoin reserves (presumably primarily short-term Treasury securities, although it is hard to be certain given the material deficiencies and lack of transparency in the applicant's compliance with notice and comment requirements) and providing non-fiduciary custody of digital assets at potentially massive scale. The OCC has not appointed a receiver for an uninsured national bank since the FDIC's creation in 1933, and its receivership regulations were designed for traditional trust companies holding segregated securities—not for a deposit-like stablecoin issuer intertwined with volatile crypto markets and complex blockchain infrastructure.¹³

Connectia's business plan contemplates issuing dollar-pegged stablecoins to retail customers while maintaining 1:1 reserves in Treasury securities and cash equivalents. If Connectia achieves even modest market penetration, it could rapidly amass tens of billions in reserve assets—dwarfing the asset size of any national trust bank the OCC has ever resolved. A stress event (e.g., a stablecoin run triggered by reserve transparency concerns, a Treasury market disruption, or a cyber breach) could force mass redemptions requiring instantaneous liquidation of Treasury positions, dislocating price, and spread contagion by reducing confidence in other stablecoin issuers and the broader crypto custody market.

As receiver, the OCC would need to maintain operational continuity to preserve asset values and prevent market disruption. This is a fundamentally different challenge than winding down a traditional trust company with segregated securities custody.

In addition, the inherent complexity of crypto asset custody further complicates any effort by the OCC to resolve Connectia in the event of a failure. Typically, “[d]igital asset trading platforms ... hold stablecoins for their customers in non-segregated omnibus custodial wallets and reflect trades on internal records (off-chain).”¹⁴ These omnibus wallets use multi-party computation cryptographic systems that split signing authority across multiple components. In a receivership, accurately determining individual client balances would depend entirely on Connectia's internal accounting records being complete, current, and immediately accessible. Any discrepancy, corruption, or delay in these records, which could be caused by operational failures or a cyber incident, would leave the receiver unable to establish ownership claims.

Moreover, transferring control of the underlying cryptographic infrastructure would require the simultaneous, coordinated handover of multiple key shards, signing modules, and supporting

¹³ See 81 Fed. Reg. 92594, available at: <https://www.govinfo.gov/content/pkg/FR-2016-12-20/pdf/2016-30666.pdf>.

¹⁴ President's Working Group on Financial Markets, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, “Report on Stablecoins” (Nov. 2021), available at: https://home.treasury.gov/system/files/136/StableCoinReport_Nov1_508.pdf.

systems. The OCC has never executed such a transfer from a failed institution and lacks the specialized expertise, tools, and protocols to do so reliably. A single failure in key reassembly or system migration could result in permanent loss of access to billions in customer assets, triggering widespread financial harm and legal liability.

Conclusion

In conclusion, the ICBA strongly urges the OCC to deny Sony Bank's application for a national trust bank charter for Connectia Trust, National Association. Connectia's proposed stablecoin issuance and non-fiduciary digital asset custody services exceed the traditional fiduciary scope of trust banks, mimicking demand deposits in violation of statutory prohibitions and Interpretive Letter #1176's overreach without required rulemaking. Moreover, Connectia fails the BHCA trust exemption: stablecoins enable third-party payments (breaching factor (iii)), non-fiduciary activities undermine factor (i), and any Federal Reserve master account would violate factor (iv).

The OCC's untested receivership framework is wholly unequipped to resolve an uninsured, systemically significant stablecoin issuer like Connectia risking permanent customer losses and market contagion.

Approval would erode the separation of banking and commerce, expose consumers to the risk of loss due to the lack of FDIC insurance, and disadvantage community banks through regulatory arbitrage. The OCC must reject this application to uphold statutory intent, ensure consumer protection, and preserve a level playing field in the dual banking system.

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

Sincerely,



Mickey Marshall
Vice President and Regulatory Counsel