



April 27, 2026

Board of Governors of the Federal Reserve System  
Attn: Ann E. Misback, Secretary of the Board  
20th Street and Constitution Avenue NW  
Washington, DC 20551

**Re: Comment on Board of Governors of the Federal Reserve System Notice of Proposed Rulemaking Regarding the Prohibition on Use of Reputation Risk or Other Supervisory Tools to Encourage or Compel Banking Organizations to Engage in Politicized or Unlawful Discrimination**

Dear Federal Reserve Board of Governors:

We write on behalf of the Blockchain Association in response to the Board of Governors of the Federal Reserve System's ("Board's") February 2026 Notice of Proposed Rulemaking soliciting public comment on the codification of the removal of reputation risk from the Board's supervisory programs.

The Blockchain Association and its members appreciate the Board's leadership in implementing the Administration's vision as outlined in Executive Order 14331, "Guaranteeing Fair Banking for All Americans,"<sup>1</sup> and strongly support the Board's proposal to codify the removal of reputation risk as a supervisory factor.<sup>2</sup> Codifying this practice is essential to ensure the Board does not encourage or compel Board-supervised banking organizations to condition the provision of banking or other financial services to an individual or business based on their political or religious beliefs, associations, speech, or conduct, or based on involvement in politically disfavored but lawful business activities perceived to present reputation risk.

**I. Reputation Risk as Politicized Supervision**

Reputation risk—namely, the potential that negative publicity regarding a banking organization's business practices, whether true or not, will cause a decline in the banking organization's customer base, costly litigation, or revenue reductions—is inherently subjective and difficult to assess using consistent supervisory criteria. As currently understood, it allows regulators to account for perception-based risks that are not directly tied to measurable financial exposure.

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<sup>1</sup> Exec. Order No. 14331, *Guaranteeing Fair Banking for All Americans*, 90 Fed. Reg. 38,925 (Aug. 12, 2025), <https://www.whitehouse.gov/presidential-actions/2025/08/guaranteeing-fair-banking-for-all-americans/>.

<sup>2</sup> Bd. of Governors of the Fed. Reserve Sys., Press Release, *Federal Reserve Board Announces That Reputational Risk Will No Longer Be a Component of Examination Programs in Its Supervision of Banks* (June 23, 2025), <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20250623a.htm>.

Notably, reputational concerns may be triggered even where underlying allegations are unsubstantiated, further underscoring the ambiguity of the concept.<sup>3</sup>

Although consideration of reputation risk has existed in various forms throughout the history of the United States, it became more formally embedded in federal bank supervision in the 1990s. Before then, bank supervision traditionally focused on credit risk, market risk, liquidity risk, and other material risks to a depository institution's financial soundness.<sup>4</sup> Without notice-and-comment rulemaking, bank regulators clarified that reputation risk should be considered in the CAMELS (Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity) rating system under the asset quality and management prongs.<sup>5</sup> The incorporation of reputation risk occurred without formal notice-and-comment rulemaking, and unlike traditional risk categories, it lacks clear definitional boundaries, measurable indicators, and standardized application.

Although various banking regulators relied on reputation risk to pursue enforcement agendas before, it reached a new peak under the Obama Administration in an operation referred to as "Chokepoint 1.0."<sup>6</sup> During Chokepoint 1.0, bank regulators, alongside the Department of Justice, exerted a pressure campaign on financial institutions to end their relationships with "risky" industries through a combination of unofficial guidance and direct pressure.<sup>7</sup> This method was successful, and reports of "debanking" among payday lenders,<sup>8</sup> firearm manufacturers,<sup>9</sup> and other disfavored—yet fully legal—industries emerged. These industries did not engage in economically risky activity, but instead operated in lawful sectors that were viewed as unsavory. Regulators relied on reputation risk to pursue debanking because there was no other legitimate reason to pursue these aims.<sup>10</sup>

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<sup>3</sup> Julie Andersen Hill, *Regulating Bank Reputation Risk*, 54 Geo. L. Rev. 523 (2020).

<sup>4</sup> Bd. of Governors of the Fed. Reserve Sys., Div. of Banking Supervision & Regulation, SR 95-51 (SUP), *Rating the Adequacy of Risk Management Processes and Internal Controls at State Member Banks and Bank Holding Companies*, attach. B, *Federal Reserve Guidelines for Rating Risk Management at State Member Banks and Bank Holding Companies* (Nov. 14, 1995), <https://www.federalreserve.gov/supervisionreg/srletters/SR9551.pdf>.

<sup>5</sup> Uniform Financial Institutions Rating System, 61 Fed. Reg. 67,021, 67,027 (Dec. 19, 1996),

<https://www.federalregister.gov/documents/1996/12/19/96-32174/uniform-financial-institutions-rating-system>.

<sup>6</sup> Staff of H. Comm. on Oversight and Gov't Reform, 113th Cong., *The Department of Justice's "Operation Choke Point": Illegally Choking Off Legitimate Businesses?* (May 29, 2014), <https://web.archive.org/web/20141206072928/http://oversight.house.gov/wp-content/uploads/2014/05/Staff-Report-Operation-Choke-Point1.pdf>.

<sup>7</sup> Alan Zibel & Brent Kendall, *Probe Turns Up Heat on Banks*, Wall St. J., Aug. 8, 2013, <https://www.wsj.com/articles/SB10001424127887323838204578654411043000772>.

<sup>8</sup> Danielle A. Douglas, *Banks to Payday Lenders: Quit the Business or We'll Close Your Account*, Wash. Post, Apr. 11, 2014,

[https://www.washingtonpost.com/business/economy/banks-to-payday-lenders-quit-the-business-or-well-close-your-account/2014/04/11/afd34976-c0c6-11e3-bcec-b71ee10e9bc3\\_story.html](https://www.washingtonpost.com/business/economy/banks-to-payday-lenders-quit-the-business-or-well-close-your-account/2014/04/11/afd34976-c0c6-11e3-bcec-b71ee10e9bc3_story.html).

<sup>9</sup> Chuck Ross, *Audio Tapes Reveal How Federal Regulators Shut Down Gun Store Owner's Bank Accounts*, Daily Caller (Jan. 14, 2015),

<https://dailycaller.com/2015/01/14/audio-tapes-reveal-how-federal-regulators-shut-down-gun-store-owners-bank-accounts/>.

<sup>10</sup> Off. of Inspector Gen., Fed. Deposit Ins. Corp., Report No. AUD-15-008, *The FDIC's Role in Operation Choke Point and Supervisory Approach to Institutions that Conducted Business with Merchants Associated with High-Risk Activities* (Sept. 2015), <https://www.fdicoinc.gov/sites/default/files/reports/2022-08/15-008AUD.pdf>.

The federal government weaponized the same debanking practices to target the digital asset industry during the Biden Administration in “Operation Chokepoint 2.0.”<sup>11</sup> In January 2023, the Board and other prudential regulators issued a statement urging financial institutions to be alert for customers with ties to the blockchain ecosystem.<sup>12</sup> In the coming weeks, numerous banks began to deny services to the industry.<sup>13</sup> It is difficult to determine the scope of debanking, but Coinbase alone identified over 20 instances of the FDIC telling banks to cease offering digital asset services.<sup>14</sup> Along with the numerous “regulation by enforcement” tactics that agencies employed against the digital asset industry, the widespread practice of debanking contributed to the hostile environment for blockchain innovators in the United States.

Moreover, reputation risk is not merely difficult to apply consistently; it is superfluous as a standalone supervisory category. The legitimate safety-and-soundness concerns it purports to capture are already addressed by objective, well-established risk categories: credit risk, market risk, liquidity risk, operational risk, and legal risk. Reputation risk adds no independent analytical value to this framework. Its only practical effect has been to provide regulators with a standardless basis for pursuing supervisory agendas untethered from documented financial harm or legal violation. Removing it does not create a gap in the supervisory toolkit; it closes a loophole.

## **II. Harm to the Digital Asset Industry**

Access to banking is essential for individuals and businesses to meaningfully participate in the U.S. economy. Without a bank account, individuals cannot receive a paycheck, pay rent, or build credit. The same goes for businesses, which cannot make payroll, pay taxes, or serve customers without access to bank accounts. In the modern economy, denying access to banking is tantamount to economic ostracization.

The Blockchain Association’s members rely on the same foundational financial infrastructure as any other technology company. They have found themselves denied accounts, subjected to abrupt closures with little to no explanation, and blacklisted by major financial institutions acting not on the basis of any individual wrongdoing, but on the basis of industry classification alone.<sup>15</sup> But the harms of debanking extend beyond the balance sheets of individual businesses. Employees of companies even tangentially related to the digital asset space have had their bank

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<sup>11</sup> *Coincidence or Coordinated? The Administration's Attack on the Digital Asset Ecosystem: Hearing Before the Subcomm. on Digital Assets, Fin. Tech., and Inclusion of the H. Comm. on Fin. Servs.*, 118th Cong. (Mar. 9, 2023).

<sup>12</sup> Fed. Deposit Ins. Corp., Financial Institution Letter FIL-1-2023, *Joint Statement on Crypto-Asset Risks to Banking Organizations* (Jan. 3, 2023), <https://www.fdic.gov/news/inactive-financial-institution-letters/2023/fil23001.html>.

<sup>13</sup> Katie Haun, *How U.S. Regulators Are Choking Crypto*, Wall St. J. (Mar. 27, 2023),

<https://www.wsj.com/articles/us-regulators-choke-point-for-crypto-blockchain-occ-framework-backdoor-fdic-banks-warn-ing-8b426152>.

<sup>14</sup> Paul Grewal (@iampaulgrewal), X (Nov. 1, 2024, 3:30 PM), <https://x.com/iampaulgrewal/status/1852433095468667120>.

<sup>15</sup> *OCC Releases Preliminary Findings from Its Review of Large Banks' Debanking Activities*, News Release No. 2025-123, Off. of the Comptroller of the Currency (Dec. 10, 2025),

<https://www.occ.gov/news-issuances/news-releases/2025/nr-occ-2025-123.html>.

accounts frozen indefinitely. This has tangible consequences for individual Americans and their families, some of whom lost access to their financial lifelines overnight solely for their professional relationship to a politically disfavored industry.<sup>16</sup>

When blockchain innovators cannot access banking services, they cannot hire American engineers, pay American taxes, or build products that serve American consumers. If the United States intends to remain the leader of technological and financial innovation, our financial system cannot discriminate against innovators simply because of the field they occupy. If not, the digital asset economy will move offshore, into less-regulated markets.

The systemic debanking of those involved in the blockchain ecosystem did not happen in a vacuum. It was the direct result of pressure from the Board and other prudential regulators that prohibited or discouraged financial institutions from offering services to those in the digital asset industry.

The impact of Operation Chokepoint 2.0 on the digital asset industry illustrates a broader structural vulnerability that is not unique to any single industry or political moment. Reputation risk is only as neutral as the administration wielding it. The same mechanism used against the digital asset industry under the Biden Administration could be turned against any other lawful business sector under any future administration. Codifying its removal is a durable, administration-neutral protection for any American business operating lawfully within our financial system.

### **III. Recommendation**

The Blockchain Association strongly encourages the Board to move expeditiously to finalize and codify the removal of reputation risk from its supervisory framework. The Board should also align its final rule with parallel rulemakings finalized by the OCC and FDIC where practical. Fragmented standards across prudential regulators create interpretive gaps that undermine the very consistency this rule is meant to establish—and that fragmentation can itself become a vector for continued politicization. A standard harmonized across federal departments and agencies would provide regulated entities with the clarity and predictability they are owed. Ensuring that supervision is grounded in objective, consistent, and measurable standards is essential to preserving the safety and soundness of the financial system and maintaining confidence in the impartiality of the regulatory process.

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<sup>16</sup> Katherine Minarik, Em Westerhold and Robert Hackett, *Wait — The Bank Froze Your Life Savings? Debanking Exposed*, web3 with a16z crypto (June 11, 2025), <https://a16zcrypto.com/posts/podcast/debanking-exposed/>.

#### **IV. Conclusion**

Regulation is meant to uphold the integrity of our financial system, not to pick winners and losers based on the political winds of the day. Regulated entities are entitled to objective, consistent standards. Reputation risk provides neither.

The Blockchain Association appreciates the opportunity to submit this comment and welcomes further discussion with the Board and any interested parties.

Respectfully submitted,

The Blockchain Association

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