WOODSTOCK INSTITUTE

Advancing Economic Justice and Racial Equity

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Via Email: Comments.Applications@dal.frb.org

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RE: LevelField Financial, Inc., Houston, Texas to become a bank holding company by acquiring Burling Bank, Chicago, Illinois

Thank you for the opportunity to comment on the acquisition of Burling Bank by LevelField Financial. Woodstock Institute conducts research and advocates for consumer financial protection and community economic development. Our work seeks to combat structural inequities and improve the quality of life in low-income neighborhoods and communities of color. Woodstock Institute is a 52-year-old research and policy organization with a long history of regulatory advocacy dating from the 1975 Home Mortgage Disclosure Act (HMDA) and the Federal Community Reinvestment Act (CRA) two years later, to the Illinois Predatory Loan Prevention Act (PLPA) and Illinois Community Reinvestment Act in 2021.

The purposes of this correspondence are to request a 90-day extension of the public comment period and to schedule public hearings associated with the acquisition of Burling Bank by LevelField Financial so that community groups and consumer financial protection organizations can (a) better assess the risks of a crypto finance company acquiring a bank that is important to the small business ecosystem of Chicago's low- and moderate-income neighborhoods, and (b) the precedent it will set within the financial industry. While this transaction would not create the first digital asset / crypto bank, the regulatory issues surrounding violations of anti-money laundering and deficiencies in international due diligence associated with the first such institution to obtain a federal banking charter (Anchorage Digital Bank), the recent volatility of the industry, and the speculative nature of the asset underlying its financial activities should heighten both regulatory scrutiny and community concern.

Despite the supposed "virtues" of the crypto industry as extolled by a laundry list of celebrities in Super Bowl commercials, recurring scams, failures, and scandals associated with this industry raise serious concerns when it comes to the banking system and the taxpayer funded safety net that exists to protect it. LevelField Financial "aims to provide depository and lending services directly to cryptocurrency-savvy consumers." This means that an FDIC-insured bank will be using taxpayers to backstop its cryptocurrency deposit accounts and loans collateralized by a highly volatile speculative asset, the value of which is determined by a process similar to the Bored Ape NFT.

The framing of crypto finance as an inclusive marketplace is particularly appealing to segments of the population that have traditionally been excluded from the conventional banking industry -

primarily Black and Latino consumers. Crypto companies have seized on this marketing opportunity and have hired celebrities to help target these populations. An investor survey conducted by Ariel / Schwab found that one-third of Black investors believed that cryptocurrencies are safe and appropriately regulated. Unfortunately, many of the claims made by the crypto industry regarding safety and financial inclusion are misleading and, in some cases, deceptive. Despite vast amounts of resources, the industry has not evolved beyond its classification as a speculative asset. As such, to use crypto as a wealth building tool for low- and moderate-income individuals or as a sustainable foundation from which to make community investments, we would have to assume that it has an intrinsic and somewhat stable value as an asset with the likelihood of appreciating. The crypto industry's track record has shown that nothing could be further from the truth.

Woodstock Institute also has systemic concern that the regulatory environment from which to identify and mitigate the risks associated with a chartered financial institution with a primary business model tied to digital assets does not currently exist. Very recent history has shown that fluctuating-value cryptocurrencies are highly volatile and pose significant risk. Very recent history has also shown that so-called "stablecoins" are equally risky when doubts surface regarding the adequacy and stability of the reserves backing them. In addition, the industry's deceptive and predatory marketing campaigns have already done irreparable harm to low- and moderate-income investors.

The first step needed to create appropriate regulatory oversight would be for the Securities and Exchange Commission (SEC) to be the primary federal regulator of fluctuating-value cryptocurrencies. Similarly, providing services to the crypto industry should require that these clients be registered and regulated by the SEC or the Commodities Futures Trading Commission (CFTC). At the same time, the Federal Financial Institutions Examination Council (FFIEC) must protect the banking and credit union system by banning insured banks and credit unions (and their affiliates) from direct or indirect investment and lending activity based on fluctuating-value cryptocurrencies. As for stablecoins, any and all issuance and distribution of such "currency" must be from FFIEC-regulated and federally insured financial institutions, so regulators can thoroughly vet the reserves backing such stablecoins before and throughout their distribution.

We urge you to grant a 90-day extension of the public comment period and to schedule public hearings. This would provide the time needed to clarify: (1) how LevelField Financial will leverage Burling Bank's expertise in supporting, financing and investing in small businesses throughout Chicago's low- to moderate-income neighborhoods; (2) what commitment LevelField will make to not only continue Burling Bank's Community Reinvestment Act-related activities but to grow them; (3) how LevelField will shield those businesses and neighborhoods from the extreme volatility and inadequate regulatory oversight of the crypto industry and clients it aims to serve; and (4) the potential impact of this merger on the financial system more broadly. Without this additional time for engagement by the community Burling Bank is chartered to serve, and a formal commitment to appropriately address both the risks and opportunities raised in this correspondence, Woodstock Institute has no choice but to oppose this acquisition.