LevelField
Safe. Simple. Secure.

Karen Smith
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Federal Reserve Bank of Dallas
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Ms. Karen R. Smith,

Thank you for the opportunity to respond to Woodstock Institute's comment letter. We recognize Woodstock Institute's mission and recognize the vital role of a state-chartered bank to the community, including its expertise in supporting, financing, and investing in low- to moderate income neighborhoods.

The comment letter mischaracterizes the LevelField Financial business plan, and advocates against cryptocurrency ideas and products that have no relevance to the LevelField Financial application. All of the business activities proposed by LevelField Bank (post-acquisition, or the "Bank") are currently being offered by banks in the United States today, and nothing novel is proposed. There are no new precedents to be set by the approval of our application, and hence the extension of the comment period and public hearings are not warranted.

LevelField Financial is not a "crypto finance company" as described by the Woodstock Institute. LevelField Financial has no ongoing business activities and is completely dedicated to preparations for the acquisition of Burling Bank. LevelField Financial has never engaged in any business activities that could be characterized as crypto finance.

LevelField Bank will not be a "digital asset / crypto" bank as described by the Woodstock Institute. While the Bank will seek to grow by serving, among other groups, the niche of customers who have interest in the digital asset class, the Bank will be carefully managed so as not to have the risk of concentration in any particular segment. In serving the credit needs of the community the Bank will seek to maintain more than half of all assets in traditional bank products unrelated to cryptocurrency. In addition, in terms of deposits, the Bank will cap commercial customers involved in the cryptocurrency industry to no more than 15% of total deposits.

Through the inclusion of an unattributed quotation, the Woodstock Institute appears to be continuing their mischaracterization of LevelField Financial. The quote is from an article published March 1, 2024, on www.spglobal.com written by Rica Dela Cruz. The quotation is not from LevelField, but rather it was from the reporter's own words in her story. As is often the case with media articles, a longer conversation was compressed into a paraphrased soundbite that the reporter liked, but the phrase was not representative of the message of the company.

In the same paragraph of the out of context quotation, the Woodstock institute concluded 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." In addition to being written in a manner which is intentionally highly inflammatory, the conclusionary sentence has no basis in fact.

All cryptocurrency assets owned by customers for which the Bank serves as custodian will be held in safekeeping for the benefit of the customer. The Bank will not own any cryptocurrencies for the account of the Bank. Because the Bank will not hold any assets or liabilities denominated in cryptocurrencies, the Bank will have no direct exposure to fluctuations in the value of any crypto-asset. All cryptocurrencies will be the property of customers.

LevelField Financial has never suggested that the Bank will be involved in the NFT market (non-fungible tokens) in any manner whatsoever. LevelField Bank will only offer loans collateralized by crypto-assets that have been agreed by the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) to be commodities, and only bitcoin and ethereum are contemplated. As of January 29, 2025, bitcoin has a market capitalization of over two trillion dollars ($2.0 trillion), and ethereum is approximately three hundred seventy-five billion dollars ($375 billion). In both cases there are widely distributed global trading platforms with trading volumes at times exceeding one hundred billion dollars ($100 billion) in a single day. The crypto-commodity markets are liquid and highly efficient, and a simple understanding of the functioning of the trading markets easily rebuts the proposition that the price determination of a global, liquid trading market is in any way similar to that of a unique (one-off) collectible.

Woodstock Institute also uses the term "highly volatile" without providing a definition of the term. LevelField Financial does not agree that the two crypto-commodities are highly volatile, and certainly not so volatile as to limit their value as collateral for loans. Depending upon the period of reference, the volatility of the crypto-commodities has been recorded to be lower than the popular stock market indices. In fact, when compared to the price action of certain "meme stocks," the crypto-commodities appear to be far less volatile than certain publicly traded equities. Moreover, volatility alone does not forestall the effectiveness of an asset as collateral for a loan: price transparency, liquidity, and ease of sale are more important characteristics of effective collateral.

The Woodstock Institute comments upon the behavior of the cryptocurrency industry but fails to make reference to LevelField Financial or the pending application. The LevelField Financial application is aligned with the January 23, 2025, Executive Order signed by

President Trump, Strengthening American Leadership in Digital Financial Technology. The Woodstock Institute comments directly conflict with this Executive Order.

The Woodstock institute letter implies that LevelField Bank will be "a chartered financial institution with a primary business model tied to digital assets." This statement is incorrect. As mentioned above, the Bank will seek to maintain more than half of its assets in traditional products unrelated to cryptocurrency and less than 15% of total deposits will be held by commercial customers in the digital asset industry. The Bank will be carefully managed so as to avoid the risk of concentration in any particular segment.

The Woodstock Institute states that "the industry's deceptive and predatory marketing campaigns have already done irreparable harm to low- and moderate-income investors," but they provide no support whatsoever for this statement. LevelField is not aware of any research published in a peer-reviewed journal that supports such a claim.

The Woodstock Institute also provided a comment about stablecoins. LevelField Bank is not seeking to provide support for stablecoins and as such, the discussion is not relevant to the application.

In the penultimate paragraph the Woodstock Institute provided several recommendations that are not at all relevant to LevelField Financial or the pending application.

The aforementioned Presidential executive order has created a working group to examine the regulation of digital assets, and the SEC has convened a committee with a similar objective. While LevelField Financial will follow such developments with interest, the outcomes are not immediately relevant to the Bank or the application. Outside of safekeeping, LevelField Bank is only seeking to support the two crypto-commodities, bitcoin and ethereum, that have already been agreed by the SEC and CFTC to be commodities. There is no further clarity required from any of the agencies for the proposed activities of LevelField Bank.

LevelField Bank will not hold any crypto-assets on the balance sheet and will not have exposure to the price fluctuations of crypto-commodities. The Bank will operate consistent with the January 3, 2023, Joint Statement on Crypto-Asset Risks to Banking Organizations, issued by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, which states that "issuing or holding as principal crypto-assets that are issued, stored, or transferred on an open, public, and/or decentralized network, or similar system is highly likely to be inconsistent with safe and sound banking practices."

Lending by banks to customers that elect to reduce credit risk by attaching a commodity as collateral to a loan is a permissible activity. Within the crypto-commodity space, several FDIC-insured banks have already successfully provided loans with bitcoin as collateral. Prohibiting such activity would cause harm to both the banks and the community.

The recommendation on stablecoins is not relevant to LevelField Financial or the application as stablecoins are not part of the Bank business plan.

LevelField Financial believes that there is no better way to ensure safety and soundness as it relates to cryptocurrency than to bring such activities within the perimeter of a highly regulated bank setting. All customers, including those from Chicago's low- to moderate-income neighborhoods, will benefit from the regulatory oversight associated with an FDIC-insured bank and the ongoing improvements that result from regular bank examinations.

Furthermore, LevelField Bank, as part of the regulated duties to retail customers, will ensure that customers seeking to engage with any of the crypto-commodity products or services are aware of the potential risks of crypto-commodities.

LevelField Financial expects to retain all of the Burling Bank employees in LevelField Bank, and therefore the Bank will maintain expertise in supporting, financing and investing in small businesses throughout Chicago's low- to moderate-income neighborhoods.

The LevelField Bank business plan is to keep and grow the community banking business of Burling Bank, and the plan includes a substantial increase in capital compared to the capital of Burling Bank. The capital increase will enable the Bank to grow assets, including an increase in support of Chicago's low- to moderate-income neighborhoods. The Bank fully expects to meet all existing and future requirements under the Community Reinvestment Act.

The business plan for LevelField Bank does not include seeking to offer any products or services that have not already been offered in one form or another by a bank, and therefore LevelField Financial does not agree that the approval of the application will have an impact on the broader financial system.

In summary, LevelField Financial does not agree with the request for an extension of the comment period or the request for public hearings. The comments provided by the Woodstock institute were generally inaccurate, unsupported, and not germane to the LevelField Financial application.

Regards,

Gene A. Grant II
Chief Executive Officer
LevelField Financial, Inc.