United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

November 21, 2022

Mr. Anthony Noto
Chief Executive Officer
SoFi Technologies, Inc.
234 1st Street
San Francisco, CA 94105

Dear Mr. Noto:

We write to inquire about SoFi Technologies, Inc.'s (SoFi) progress to conform its digital asset trading activities to U.S. banking law. Over the past year, several meltdowns in the crypto market have wiped out trillions in value, including another huge crash last week. We are concerned that SoFi's continued nonbank digital asset trading activities pose risks to consumers and safety and soundness risks to your institution.

In February 2022, SoFi completed its acquisition of Golden Pacific Bancorp, a bank holding company (BHC) and its subsidiary Golden Pacific Bank, a national bank.[1] As part of that transaction, SoFi received approval from the Federal Reserve to become a BHC and elected to be treated as a financial holding company (FHC) subject to consolidated supervision by the Federal Reserve.[2] Additionally, SoFi received a conditional approval from the Office of the Comptroller of the Currency (OCC) to create a full-service national bank subsidiary insured by the Federal Deposit Insurance Corporation (FDIC).[3]

Following its conversion to a BHC, SoFi continues to operate a nonbank subsidiary called SoFi Digital Assets, an exchange for retail investors to buy and sell digital assets. In its letter dated January 18, 2022, granting approval, the Federal Reserve noted that "SoFi is currently engaged in crypto-asset related activities that the Board has not found to be permissible" for a BHC or an FHC. SoFi's most recent annual report states that these impermissible activities are conducted by SoFi Digital Assets.[4]

Under the January 18, 2022 letter, SoFi has two years to either divest SoFi Digital Assets or conform its activities to the law, with the potential for up to three one-year extensions in the

[1] *SoFi Completes Acquisition of Golden Pacific Bancorp, Inc.*, SoFi Technologies, Inc. (Feb. 2, 2022) (https://www.sofi.com/press/sofi-completes-acquisition-of-gpb).
[2] *SoFi Receives Regulatory Approval to Become a National Bank*, SoFi Technologies, Inc. (SOFI) (Jan. 18, 2022) (https://www.sofi.com/press/sofi-receives-regulatory-approval-become-national-bank/
[3] Stephen A. Lybarger, *Re: Conditional Approval to charter SoFi Interim Bank, National Association, Cottonwood Heights, Utah and for SoFi Interim Bank, National Association to merge with and into Golden Pacific Bank, National Association, Sacramento, California and engage in a change in asset composition*, Office of the Comptroller of the Currency (Jan. 18, 2022) (accessible at https://www.occ.gov/news-issuances/news-releases/2022/nr-occ-2022-4a.pdf).
[4] *Form 10-K (SoFi Technologies, Inc.)*, U.S. Securities and Exchange Commission (Mar. 1, 2022) (https://d18rn0p25nwr6d.cloudfront.net/CIK-0001818874/2533ab52-232a-47de-869b-8d771622cdee.pdf).

Federal Reserve's discretion. During this conformance period, SoFi has committed not to "expand [its] impermissible activities," except as specifically authorized by law. Specifically, SoFi has committed not to increase the "types of products and services offered" and the "established risk limits for total customer digital assets maintained in wallets that are accessible online . . . or held on balance sheet." In addition, the OCC's conditional approval restricts SoFi's national bank subsidiary from conducting "any crypto-asset activities or services" without prior regulatory approval.

We are concerned that SoFi's continued impermissible digital asset activities demonstrate a failure to take seriously its regulatory commitments and to adhere to its obligations.

First, SoFi's apparent expansion of its digital asset services raises questions about progress towards meeting conformance commitments by January 2024. Two months after receiving approval to become a BHC, SoFi announced a new service allowing customers of its national bank to invest part of every direct deposit into digital assets with no fees. The company publicly billed this service as "the latest expansion of SoFi's offerings to make it simpler to get started with cryptocurrency investing."[5]

Second, SoFi's facilitation of customer digital asset trading and holding digital assets on-balance sheet raises questions about the appropriate calculation of capital requirements. Under current capital rules, the capital treatment of these digital assets follows their accounting treatment rather than capital standards tailored to the risks of this particular asset class. While digital assets can pose the same risks as traditional financial assets, the recent market crash has highlighted concerning credit, market, liquidity, and operational risks associated with digital assets. Appropriate capital treatment is important because taxpayers could be on the hook if crypto-related exposures at SoFi Digital Assets ultimately require its parent BHC or affiliated national bank to seek emergency liquidity or other financial assistance from the Federal Reserve or FDIC.

Third, SoFi's standards for choosing which digital assets to offer its customers for trading raises investor protection concerns. According to criteria listed on SoFi's website, the company's policy is to list assets that "align with SoFi's values, such as promoting financial inclusion and economic freedom."[6] But SoFi's own investor protection materials posted on its website warn customers that at least one token listed on SoFi Digital Assets is "a crypto pump-and-dump" hazard with "no special use case or features" and that "[it] might be among the most high-risk endeavors an investor can take."[7] At the time SoFi issued this warning, the company had been offering this asset for several months and still offers it today. Facilitating retail sales of an investment product that SoFi has identified as a fraud and susceptible to market manipulation is incompatible with fundamental principles of investor protection and safety and soundness.

---

[5] *SoFi Launches No-Fee Cryptocurrency Purchases for Direct Deposit Members*, SoFi Technologies, Inc. (SOFI) (Mar. 22, 2022) (https://investors.sofi.com/news/news-details/2022/SoFi-Launches-No-Fee-Cryptocurrency-Purchases-for-Direct-Deposit-Members/default.aspx).

[6] *What Crypto Currencies are available through SoFi?*, SoFi Technologies, Inc. (SOFI) (https://support.sofi.com/hc/en-us/articles/360061238631-What-Crypto-Currencies-are-available-through-SoFi-).

[7] Brian Nibley, *Pump and Dump Schemes in Crypto: An Overview*, SoFi Technologies, Inc. (SOFI) (Nov. 5, 2021) (https://www.sofi.com/learn/content/what-is-a-pump-and-dump-scheme-in-crypto/).

Accordingly, we ask that you reply to the following questions no later than December 8, 2022:

1. Describe SoFi's policies and procedures for:
    a. Determining which digital assets to offer and sell through SoFi Digital Assets.
    b. Ensuring that digital asset purchases and sales are conducted in compliance with applicable laws and regulations.
    c. Identifying any potential conflicts of interest and how those conflicts should be addressed.
    d. Monitoring customer complaints and their resolution.

2. How has SoFi determined the appropriate credit, market, and operational risk capital requirements for digital asset exposures, including customer digital assets and digital assets held on SoFi's balance sheet?

3. Does SoFi Digital Assets offer any securities for purchase or sale? If so, how do SoFi Digital Asset's existing registrations and licenses provide authorization to operate a platform for buying and selling those securities?

4. Describe SoFi's plan to conform its digital asset trading activities to the BHC Act and Regulation Y by January 2024. How have the policies and offerings described in questions 1-3 changed, if at all, since January 18, 2022? How does its service allowing customers to invest part of their direct deposit in digital assets meet SoFi's conformance commitments to the Federal Reserve and the OCC's restrictions on engaging in digital asset activities within the national bank?

Thank you for your attention and prompt response to these questions.

Sincerely,

Sherrod Brown
United States Senator

Jack Reed
United States Senator

Chris Van Hollen
United States Senator

Tina Smith
United States Senator

cc: Hon. Michael Barr, Vice Chair for Supervision, Board of Governors of the Federal Reserve System
Hon. Martin Gruenberg, Acting Chairman, Federal Deposit Insurance Corporation
Mr. Michael Hsu, Acting Comptroller of the Currency
Ms. Mary C. Daly, President and CEO, Federal Reserve Bank of San Francisco