

**CERTIFIED  
COPY**

STATE OF CONNECTICUT  
DEPARTMENT OF BANKING

----- )  
IN THE MATTER OF: )  
THE APPLICATION OF THE ORGANIZERS )  
OF BANKING CIRCLE US, )  
STAMFORD, CONNECTICUT )  
----- )

PUBLIC HEARING  
HELD VIA TELECONFERENCE AND IN PERSON  
HEARING ROOM B  
450 Columbus Avenue, Hartford, Connecticut 06103

HELD BEFORE:  
JORGE L. PEREZ, BANKING COMMISSIONER

COURT REPORTER: JESSICA NOBLE, CSR 402

A P P E A R A N C E S

VIA TELECONFERENCE, FOR THE APPLICANT:

ANDERS LA COUR

MARY DENT

GORDON WERKEMA

KJELD OLSON

JESPER JOHANSEN

GILBERT SCHWARTZ

VIA TELECONFERENCE, FOR FS VECTOR:

DAVID COTNEY

TREVOR TANIFUM

JASPER SNEFF NANNI

DEPARTMENT OF BANKING STAFF:

MATTHEW SAUNIG, FINANCIAL INSTITUTIONS DIVISION ATTORNEY

ERIN SULLIVAN, ASSOCIATE FINANCIAL EXAMINER

MARY ELLEN O'NEILL, DIRECTOR OF FINANCIAL INSTITUTIONS

DIVISION

AMY LaCHANCE, BANKING DEPARTMENT MANAGER

MARYANN STRATTON, PARALEGAL

TINA DAIGLE, PARALEGAL

EMILY BOCHMAN, PARALEGAL

1 (On the record at 2:04 p.m.)

2 COMMISSIONER PEREZ: Good afternoon. My  
3 name is Jorge L. Perez. I am the banking commissioner of  
4 the state of Connecticut. The banking commissioner is  
5 authorized by law to render a final decision in this  
6 hearing.

7 I will be assisted this morning by Mary  
8 Ellen O'Neill, director of financial institutions division;  
9 Matt Saunig, financial institutions division attorney; Erin  
10 Sullivan, associate financial examiner; Amy LaChance,  
11 banking department manager; and Maryann Stratton, paralegal.

12 At this time I would ask my other members of  
13 the Department of Banking represented at this hearing who  
14 have been assigned to work on or assist in this proceeding  
15 to identify him or herself.

16 MS. BOCHMAN: Emily Bochman, paralegal.

17 MS. DAIGLE: Tina Daigle, paralegal.

18 COMMISSIONER PEREZ: The hearing is being  
19 held in person and via Microsoft Teams and is being recorded  
20 for the sake of clarity for the record. I ask that anyone  
21 not speaking at a given time mute themselves. I will now turn  
22 it over to Attorney Saunig, who will read the rest of the  
23 opening statement. Attorney?

24 ATTORNEY SAUNIG: Thank you, Commissioner.

25 This hearing has been called in order to

1 consider the application filed by the organizers of Banking  
2 Circle US to organize an uninsured bank pursuant to Section  
3 36a-70 of the Connecticut General Statutes.

4 This section provides that the banking  
5 commissioner acting alone is the approving authority for an  
6 uninsured bank. This is a hearing conducted in accordance  
7 with Chapter 54 of the Connecticut General Statutes, the  
8 Uniform Administrative Procedure Act, and Sections 36a-1-19  
9 through 36a-1-57 of the regulations of Connecticut state  
10 agencies setting forth a procedure to be followed by persons  
11 filing applications in contested cases. Both the statutes  
12 and regulations are available here in the room and online if  
13 anyone should wish to consult them.

14 The purpose of this hearing to provide an  
15 opportunity to introduce all evidence that is relevant,  
16 material, and not unduly repetitious concerning the matters  
17 that the banking commissioner must consider before  
18 determining whether or not to approve the application and to  
19 issue a temporary certificate authorizing the completion of  
20 the organization of this proposed bank.

21 The organizers have requested confidential  
22 treatment of various documents related to their application,  
23 including sections of the feasibility study required by  
24 statute that analyze and discuss these documents. It has  
25 been determined that these documents will be held

1 confidential pursuant to Sections 1-2-10 and 36a-21 of the  
2 Connecticut General Statutes. In addition, it has been  
3 determined to be appropriate to enter these documents under  
4 seal.

5 This meeting may also go into an executive  
6 session pursuant to Section 1-225(f) and 1-210(b) of the  
7 Connecticut General Statutes should the circumstances  
8 warrant. All witnesses will be sworn in. Members of the  
9 public will be allowed to participate toward the end of the  
10 hearing. However, I request that remarks be kept brief and  
11 any extended comments be submitted in writing.

12 Pursuant to Subsection D of Section 4-177 of  
13 the Connecticut General Statutes and Section 36a-1-34, which  
14 defines the record in a contested case, I would like to  
15 enter into the record as exhibits, unless there's objection,  
16 the following documents: Exhibit 1, nonconfidential  
17 portions of the application dated October 30, 2020;  
18 Exhibit 2, copy of the Department of Banking news bulletin  
19 Number 2958; Exhibit 3, copy of the letter to the organizers  
20 with the order for feasibility study dated November 13,  
21 2020, and corresponding letter to the feasibility preparer  
22 of the same date; Exhibit 4, nonconfidential sections of the  
23 independent feasibility study prepared by FS Vector dated  
24 May 28, 2021; Exhibit 5, copy of the order for hearing and  
25 letter to the organizers dated June 2, 2021; Exhibit 6, copy

1 of the Department of Banking news bulletin number 2989;  
2 Exhibit 7, copy of public notice in the Stamford Advocate  
3 for June 3, 2021, June 4, 2021, and June 7, 2021; Exhibit 8,  
4 copy of the amended order for hearing changing the location  
5 of the hearing dated June 15, 2021; Exhibit 9, copy of the  
6 Department of Banking news bulletin number 2990; and  
7 Exhibit 10, email confirmation for and copy of the public  
8 notice for special meeting.

9           Additionally, as previously mentioned,  
10 unless there are any objections, I'd like to enter into the  
11 record the following documents under seal that have been  
12 determined to be confidential: Exhibits E1A and E1B,  
13 confidential portions of the application dated October 30,  
14 2020; and Exhibit E2, confidential sections of the  
15 feasibility study dated May 28, 2021.

16           Now I'll turn it back over to Commissioner  
17 Perez.

18           COMMISSIONER PEREZ: Thank you, Matt.

19           I will now ask the organizers to identify  
20 themselves, get sworn in by the court reporter, and offer  
21 any additional statements, testimony, or evidence relevant  
22 to this matter. Swear them in.

23           ATTORNEY SAUNIG: Excuse me. If everybody  
24 could raise their right hands.

25           (Witnesses sworn.)

1                   COMMISSIONER PEREZ: I have read the  
2 reports, and I'm comfortable with what they say. My one  
3 question was, there's a section there that was a  
4 recommendation about --

5                   ATTORNEY SAUNIG: They need to make their  
6 presentations.

7                   COMMISSIONER PEREZ: So I would now like to  
8 ask for any testimony by the presenters.

9                   Can they hear me or --

10                  MR. LA COUR: Thank you, Mr. Commissioner.

11                  My name is Anders la Cour. I'm the director  
12 of Banking Circle US Holding, Inc., which is the entity  
13 applying to the State of Connecticut Department of Banking  
14 to establish Connecticut state-chartered commercial bank,  
15 Banking Circle US. I'm also one of first directors of  
16 Banking Circle US.

17                  So, first, let me thank you and the staff  
18 for giving us the opportunity to present our business plan  
19 here today and allowing us to participate remotely during a  
20 time where travel is restricted and challenging. I'll now  
21 give a bit of background on the participants on our side and  
22 then present Banking Circle US in further detail.

23                  So joining me on the call as proposed  
24 independent directors of Banking Circle US are Mary Dent and  
25 Gordon Werkema, both of whom bring extensive banking

1 experience to the Banking Circle US board. Mary is an  
2 experienced corporate board member with a deep expertise in  
3 financial services. She's served previously as the CEO of  
4 Green Dot Bank and as general counsel of Silicon Valley  
5 Bank. Mary has global expertise and extensive experience  
6 with leadership at companies of all stages and sizes and in  
7 particular, with nontraditional bank business models,  
8 domestic payments, financial technology companies, and  
9 intercompany affiliate governance and oversight.

10 Gordon holds director and advisory roles  
11 where he supported executive leadership in areas of  
12 experience strategy, risk, audit, finance, governance, cyber  
13 security, and payments as well as technology, operations,  
14 and leadership development. He previously served as the  
15 chief operating officer and national product director of the  
16 Federal Reserve Bank of Chicago as well as other federal  
17 reserve roles, just as he directed groundbreaking federal  
18 reserve and brought payment industry to define and implement  
19 safer and faster payments in the United States.

20 Kjeld Olson, who is sitting here next to me,  
21 is the proposed CEO of Banking Circle US. Kjeld has  
22 30 years of experience in the financial services sector with  
23 particular focus on international transactions, operations,  
24 and managements. His operations and payment background has  
25 enabled Kjeld to design, build, and operate the Banking



1 Circle payment platform in Europe, and Kjeld joined us as  
2 the fifth employee on the journey we've been on so far.  
3 Kjeld has also previously advised and led contributions to  
4 the safer payment systems in Europe as well as other payment  
5 systems on behalf of the Danish government and authority  
6 stakeholders.

7           Joining here today on the session we also  
8 have our in-house legal counsel, Jesper Johansen, as well as  
9 our U.S. legal expert and advisor, Gilbert Schwartz, who is  
10 assisting us with the Banking Circle US application and  
11 establishment process.

12           In terms of my background, I'm a lawyer and  
13 the cofounder of Banking Circle, which was founded in Europe  
14 in 2013 and launched in 2015 and have served as CEO since  
15 day one. I bring to the Banking Circle US board and  
16 business the entirety of that expertise, growing a financial  
17 institution from zero to a very successful business now  
18 owned by EQT Partners; and I very much look forward to  
19 working with Mary, Gordon, and Kjeld to make Banking Circle  
20 US successful as well.

21           I'll now turn to first some more background  
22 on who Banking Circle is; second, what we're doing in the  
23 U.S. and why; and third, how we plan to achieve it and when.  
24 So who is Banking Circle? Banking Circle is a fully clouded  
25 scalable financial infrastructure provider building the

1 first and only real-time clearing cell network globally.  
2 Our mission is to build proprietary access to all of the  
3 world's major currencies on one platform and create a  
4 financial ecosystem that cuts out the time and cost of  
5 cross-border payments, enabling a new way for financial  
6 institutions and corporates to serve as our end merchants.

7 In five years since its launch, the business  
8 in Europe has reached 60 million in bank transfers settled  
9 on behalf of payment companies, banks, and marketplaces  
10 equating to \$180 billion and with a client base of more than  
11 150 financial institutions and large marketplaces, including  
12 Stripe and (unintelligible).

13 Banking Circle in Europe delivers access to  
14 12 local clearance schemes through a combination of direct  
15 clearing and partner banks, enabling cross-border payments  
16 of 25 currencies. We will also build partnerships with  
17 banks globally, enabling the payout capability clients need  
18 in geographies and currencies where we do not currently  
19 offer local currency.

20 So what are we doing in the U.S. and why?  
21 We will launch Banking Circle US in Stamford, Connecticut,  
22 in 2021, which will focus on providing domestic cross-border  
23 payments, FX, and deposit accounts to U.S. and foreign banks  
24 and payments of businesses. Establishing a bank rather than  
25 opening a branch office is preferred given the nature of

1 Banking Circle US's business plan.

2 Financial institutions and other large  
3 corporate customers often have higher regards for  
4 freestanding well-capitalized bank over a branch or a  
5 foreign bank, and Banking Circle US wants to have the most  
6 robust U.S. presence. The Connecticut charter matches very  
7 well with Banking Circle US business case, and Banking  
8 Circle US is set to deliver faster cost-efficient payments  
9 and banking services to financial technology service  
10 providers. That could be banks, larger transaction  
11 companies, including payment providers, card acquirers, and  
12 marketplaces and all the covered customers they serve.

13 So the opportunity in the U.S. in this  
14 market is very significant both in terms of B2B flow and C2B  
15 flow. We believe the bank will provide benefits for the  
16 public and the local community in the form of increased  
17 employment and well-paid jobs, improved payment services,  
18 and recognition of Connecticut as a leader in fostering  
19 improved banking services to the economy.

20 Our goal is deliver direct access to the  
21 U.S. clearing to be one of only a very few banks that are  
22 able to deliver real-time payments at the lowest possible  
23 closing cost between the major clearings globally. So how  
24 will we attempt to achieve the business plan and when? The  
25 local organization will be established in Stamford,

1 Connecticut, with 10, 15 AFTs initially, growing to 60 by  
2 2024. We have engaged a recruitment firm and begun  
3 recruitment efforts. We'll start interviews with business  
4 candidates during the next month, and we also retained a  
5 real estate broker and are now looking for space in  
6 Stamford. The best properties are planned to be inspected  
7 and assessed and selection made during July.

8 We are aiming for an office location that's  
9 in walking distance from the train station. It could be  
10 Harbor Point or a similar area. We are creating a senior  
11 team to let Banking Circle US operations together with Kjeld  
12 and the positions we are hiring for include chief financial  
13 officer, chief operating officer, chief compliance officer,  
14 chief risk officer, and an internal auditor. Our product  
15 plan aims to have office and organization in place in Q4.

16 In summary, we believe that, one, Banking  
17 Circle US has presented a robust and realistic business  
18 plan; two, the proposed directors and officers bring very  
19 extensive, highly relevant experience to the bank; and  
20 three, Banking Circle US will contribute positively to  
21 Connecticut and serve the public interest. It's our  
22 understanding that the independent consultant appointed by  
23 the Connecticut Department of Banking to assist the Banking  
24 Circle US business plan, FS Vector, who you'll hear from  
25 later in this hearing, has reached similar conclusions.

1                   We have had a good and constructive dialogue  
2 with Connecticut Department of Banking already from the  
3 beginning of our discussions in 2019. We're very  
4 appreciative of the guidance we have received from the  
5 department and the staff. They have been excellent to work  
6 with. Mr. Commissioner should be very proud of the  
7 professionalism and openness.

8                   With that, I complete my introduction to  
9 Banking Circle US and I hand back the microphone to you,  
10 Mr. Commissioner. Thank you.

11                   COMMISSIONER PEREZ: Thank you. I thank you  
12 for the comments about the staff. That's very much  
13 appreciated and something that I do agree with also.

14                   Any other of your presenters want to say  
15 anything else before I ask the one question I do have? Like  
16 I stated before, I did read the report, and the one area  
17 that I would like a little more clarification for the record  
18 is the report recommended that the area of compliance be  
19 strengthened up a little bit more. Can you add a little bit  
20 more to that content, how you reacted to it? Because I know  
21 you responded to it, but I want it for the record.

22                   MR. OLSON: Can you repeat your question,  
23 please?

24                   COMMISSIONER PEREZ: In the feasibility  
25 study, there was a section that discussed the compliance

1 area and there was some recommendation to consider  
2 strengthening up that area a little bit more. I know you  
3 responded to staff questions on that. I was wondering if  
4 there's anything that you can add to that on the record.

5 MR. OLSON: To answer the question from the  
6 commissioner, the area of compliance has the highest  
7 priority within our organization. We have an aim to be the  
8 best in class. We want to produce transparent payments, and  
9 that's why we will hire experienced and sophisticated AML  
10 professionals to undertake these duties in the organization.

11 At the same time, we have a very  
12 sophisticated payment monitoring system that we are  
13 currently also used in our sister company in Europe and we  
14 will use the same system, which is based on advanced  
15 technology, such as machine learning, so I think that in  
16 combination will give us a very strong and very high  
17 priority on -- in this area.

18 MR. LA COUR: I think if I can add to that,  
19 the comment has been duly noted, so we definitely take that  
20 into consideration. And as Kjeld also alluded to, AML is  
21 something that we, in the sister company in Europe, has  
22 invested a lot in. It's also something that over time we  
23 expect to be able to have an add-on as an additional project  
24 to enhance the offering towards the banks that are our  
25 clients. With that in mind, I think we both use the

1 available technology, but also take into consideration the  
2 comments noted by in the report and staff up on the  
3 (unintelligible).

4 COMMISSIONER PEREZ: Thank you for the  
5 response.

6 I will now open it for any public comment or  
7 any public testimony. Is there any?

8 ATTORNEY SAUNIG: And just in terms of  
9 process on this, for the record, there's no one from the  
10 public physically in the hearing room. And I don't see that  
11 anyone has dialed in, but anyone who is joining us via Teams  
12 who wishes to participate, we ask that you raise your hand  
13 at this time.

14 COMMISSIONER PEREZ: Or if they can't figure  
15 out how to they raise their hand, wave or something.

16 ATTORNEY SAUNIG: For the record, I see that  
17 no one is indicating that they have a public comment at this  
18 point in the hearing.

19 COMMISSIONER PEREZ: Well, seeing that  
20 there's no public comment at this point in the hearing, at  
21 this point I would like to ask if there -- I would like to  
22 ask presentations be made from the feasibility study  
23 preparer if there's any comments, remarks they would like to  
24 make.

25 ATTORNEY SAUNIG: And, again, if you could

1 please, if you're going to be presenting, raise your right  
2 hand and get sworn in.

3 (Witnesses sworn.)

4 ATTORNEY SAUNIG: If you could state your  
5 name for the record.

6 MR. COTNEY: David Cotney.

7 MR. TANIFUM: Trevor Tanifum.

8 MR. NANNI: Jasper Sneff Nanni.

9 ATTORNEY SAUNIG: Okay. You can begin.

10 MR. COTNEY: Well, thank you. And thank  
11 you, Commissioner Perez. Thank you for the opportunity to  
12 testify at today's hearing on the application by Banking  
13 Circle US for an uninsured Connecticut charter.

14 My name is David Cotney, and I am a senior  
15 advisor at FS Vector, a consulting firm that focuses on  
16 advising Fintech firms, including banks in the Fintech  
17 space. We're going to move through the slides quickly. We  
18 can go right into the introductions.

19 I was formerly commissioner of banks in the  
20 Commonwealth of Massachusetts for six years and spent a  
21 total of 26 years at the Massachusetts Division of Banks.  
22 It's a pleasure obviously to see you here again today,  
23 Commissioner, and to be here with your staff.

24 I am here today with two of my colleagues,  
25 who also worked on the feasibility study of Banking Circle



1 on behalf of the banking department. I will let them  
2 introduce themselves to you.

3 MR. TANIFUM: It's a pleasure to be here  
4 with you, Commissioner Perez. My name is Trevor Tanifum. I  
5 am a principal with FS Vector. I am a lawyer by training.  
6 I studied at the George Washington University Law School,  
7 and it was my privilege to help support the work completed  
8 in this feasibility study.

9 MR. NANNI: My name is a Jasper Sneff Nanni.  
10 Hello, Commissioner and staff. It's a pleasure to be here  
11 with you today. I am also a principal at FS Vector, where I  
12 have worked for the last year, and previously worked in the  
13 financial markets advisory group at BlackRock and before  
14 that, at Promontory Financial Group, a consulting firm  
15 specializing in compliance and risk management for financial  
16 firms. And I have an undergraduate degree from Princeton  
17 University.

18 MR. COTNEY: Thank you both. So we're going  
19 to go into the next side. You obviously, Matt Saunig, ran  
20 through the background and the legal basis for the  
21 application and noted that FS Vector submitted its  
22 feasibility study to the department on May 28th. We relied  
23 upon the application that was submitted to the department.  
24 That includes both the public portion as well as the  
25 materials that were labeled confidential. We had the

1 opportunity to review all of the information, including the  
2 financials. We requested additional information, and we had  
3 the opportunity to interview many of the folks that are on  
4 the call today from Banking Circle.

5           And we -- as well, we relied on our own  
6 knowledge and experience working with clients in the Fintech  
7 space. That includes both banks and nonbanks. Importantly,  
8 I just want to note this presentation summarizes our  
9 findings from the public report that we submitted. As was  
10 noted, we did submit a parallel report containing  
11 confidential information.

12           And following this presentation, we are  
13 happy to answer your questions. To the extent that a  
14 question requires a reference to any confidential  
15 information, we will let you know and we can either respond  
16 in writing or if -- or go into an executive session at your  
17 discretion.

18           So on to the next side, the executive  
19 summary, as noted here, we conclude that Banking Circle US  
20 has made a strong case to demonstrate the feasibility of its  
21 model here in the U.S. market. Certainly every de novo  
22 applicant faces risks, and that is true of this applicant.  
23 In addition to the risks that I will note here, there are  
24 certainly macroeconomic factors as we emerge from the  
25 pandemic and the economic shocks that were caused by COVID,

1 but in terms of the risks to the viability of the Banking  
2 Circle application, those include new competitors and new  
3 kinds of competitors who go into these that are entering  
4 into the U.S. cross-border market, pressures from the  
5 disruptions that are going on in the payments landscape.  
6 That includes what could be faster-than-anticipated adoption  
7 of central bank digital currencies, or CBDCs, and then, of  
8 course, just the uncertainty of building the new client  
9 base. There will be competition from existing  
10 intermediaries in the correspondent banking space as well as  
11 other banks and nontraditional service providers entering  
12 the space, but Banking Circle plans to differentiate itself  
13 in a number of ways that includes lower costs, faster  
14 processing times, and greater transparency.

15           There's been a lot, of course, written about  
16 the U.S. payments market and how it has fallen behind other  
17 parts of the world, and certainly there have been efforts to  
18 address those, and Banking Circle wants to tackle several of  
19 those shortcomings in the U.S. market. Overall, in  
20 preparing the independent financial projections, as stated  
21 earlier, we believe that they have demonstrated that the  
22 business model is both viable and meets the statutory  
23 factors in Connecticut law.

24           So now we're going to jump into some of the  
25 findings. Our report makes a number of recommendations, and

1 we just want to briefly highlight those for you. I will  
2 start out and hand it over to my colleague Trevor, but the  
3 first issue has to do with the Federal Reserve master  
4 account. This is clearly a crucial part of the business  
5 plan, and then without it, they would be reliant upon a  
6 partnership with a bank in the U.S. That, of course, really  
7 would defeat the intended purpose of the application, so our  
8 recommendation is -- and this is our only recommendation to  
9 you, Commissioner. The rest of the recommendations are to  
10 the applicant or to the business plan. Our recommendation  
11 to you would be that if you are inclined to approve the  
12 application that you may want to include a condition --  
13 condition the approval on their obtaining approval from the  
14 Federal Reserve for a master account.

15 And now I'll turn it over to Trevor.

16 MR. TANIFUM: Thank you very much, David.

17 Staying on the same slide, the observation  
18 related to sufficiency of staffing surrounds the impact of  
19 technological solutions on the number of compliance and  
20 BSA/AML personnel. To summarize the very many words in that  
21 box, we recommended to the bank to consider adding  
22 additional staff because in our experience, technological  
23 solutions often require more human intervention and support  
24 than anticipated, particularly early after implementation  
25 when there might still be false positives or calibrations of

1 certain systems. And as you heard earlier, Commissioner,  
2 the bank is committed to addressing this observation.

3 We could move to the next slide. From the  
4 top, where you see COVID-19 recovery, this observation  
5 relates to the economic effect of COVID-19 on the payments  
6 markets. With many industries being heavily disrupted, we  
7 noted that the bank may want to focus its early efforts on  
8 those industries that have been disrupted the least or that  
9 may have been disrupted but are likely to recover quickly  
10 and strongly. And we noted the wholesale e-commerce market  
11 as an example of such an industry.

12 Next, regarding new entrants into the  
13 cross-border payments market, straightforwardly this is a  
14 market-oriented observation with a market-oriented  
15 recommendation. The cross-border payments market is ripe  
16 for disruption, and the Banking Circle team are one of many  
17 that are aware of this. So our recommendation here is for  
18 them to continue to seek opportunities to differentiate  
19 themselves from other market entrants. And we, again,  
20 provided an example or two of how they may do so.

21 Regarding customers becoming competitors,  
22 like the previous observation, this is around the payments  
23 market getting smaller. So in the previous slide, that was  
24 the market getting smaller because of new entrants; and  
25 here, this is the market getting smaller because prospective

1 customers might be exiting the market and reentering as  
2 competitors. One way this is being encouraged is by the  
3 granting of access to the payments rails by the Fed.  
4 Ongoing discussions are happening about this.

5 About a month ago, the Federal Reserve Bank  
6 invited comment on proposed guidelines about how the Fed  
7 should think about access to accounts. And our  
8 recommendation here is similar to the previous page, where  
9 we suggest the bank continues to think around opportunities  
10 to innovate and provide long-term value and seek to become a  
11 payments -- not just a payments processor, but also more of  
12 a business partner.

13 Still on that same slide, regarding central  
14 bank digital currencies, again, we are here highlighting the  
15 introduction of central bank digital currencies and the  
16 potential they have to impact Banking Circle's target  
17 market. We would note here that when this study was  
18 finalized, the Bank for International Settlements had stated  
19 that 86 percent of central banks were very likely to issue  
20 central bank digital currencies.

21 Since then, China has created a CBDC; and  
22 the U.S. federal government, though no particular agency has  
23 come out and stated it officially, several federal officials  
24 and Congresspeople have noted that conversations around  
25 CBDCs are occurring at the highest level. So, again, here

1 our recommendation, Commissioner, is for the bank to remain  
2 vigilant and not be caught with a platform that cannot  
3 accommodate such an emerging technology.

4 I think that concludes my portion of the  
5 slide, and I'll hand this page over to Jasper.

6 MR. NANNI: Great. Thank you very much,  
7 Trevor.

8 So here you see our summary of the economic  
9 viability section of the feasibility study. Our analysis  
10 determined that the bank's proposed starting capital levels  
11 and business model are economically viable and meet the  
12 statutory requirements under Connecticut law.

13 We further identified that the controlling  
14 entities for the bank are contractually committed to  
15 maintaining sufficient capital levels. So in assessing the  
16 economic viability of the bank, we evaluated the proposed  
17 starting capital level and then the bank's revenue and  
18 expense projections and also prepared an independent set of  
19 revenue and expense projections, which, again, found that  
20 the business model was wholly feasible.

21 There is one recommendation that we included  
22 here, which is a result of the sensitivities that we  
23 identified through our sensitivity testing that we performed  
24 on the independent financial model, which is that the bank  
25 should disproportionately target customers at the higher end

1 of its addressable market to ensure that there is a high  
2 volume of cross-border payments, and this is a result of the  
3 sensitivity testing that we performed on the noninterest  
4 revenue.

5 And we can move to the next slide, which  
6 includes just an illustration of this primary driver of the  
7 bank's profitability, which is noninterest revenue from wire  
8 fees and foreign exchange fees. And what we've done here is  
9 just decomposed the underlying assumptions that drive the  
10 volume of wire fees and the volume of FX fees, and these are  
11 some of the underlying assumptions that we applied shocks to  
12 in the sensitivity testing of the independent financial  
13 projections.

14 So if you look at items A, B, and C, you'll  
15 see this is just the number of clients onboarded, how many  
16 payments are made per client per month, and the net fees per  
17 transaction, which the product of these is the wire fees  
18 earned by the bank.

19 And then separately, if you look at items A,  
20 B, D, E, and F -- so that's the clients onboarded, payments  
21 per client per month, the average size of each transaction,  
22 and what portion of those transactions require foreign  
23 exchange and what is the margin that's charged on those  
24 foreign exchange transactions, that leaves us with the  
25 foreign exchange fees.



1           So in shocking the independent financial  
2 assumptions, we also -- we applied shocks to the transaction  
3 account, so that's item B. We applied shocks to the  
4 transaction size, so that's item D. And we also applied a  
5 set of shocks to the FX share of payments. So that is item  
6 E. And in all cases found that the model was robust to the  
7 sensitivity shocks.

8           I think that summarizes the analysis of the  
9 economic viability of the business plan. So moving on to  
10 the next page, I will turn it back over to David to discuss  
11 the statutory factors.

12           MR. COTNEY: Thank you, Jasper.

13           So under Connecticut law, Commissioner, as  
14 you well know, you're required to make affirmative  
15 determination that the applicant meets certain statutory  
16 factors; and our analysis is -- was that the applicant meets  
17 these, the first being that the interest of the public will  
18 be served to advantage by the establishment of the proposed  
19 Connecticut bank, a very traditional standard when granting  
20 a charter. Although this is not a traditional community  
21 bank model, which would have a geographic -- you know, a  
22 concentrated geographic market, we believe that the interest  
23 of the public will be served.

24           The population of the market includes  
25 potentially thousands of commercial customers and then

1 potentially millions of customers of those. It is likely to  
2 increase the availability and the quality of payment  
3 services. It would have a beneficial impact on financial  
4 institutions who use those services, and those could include  
5 community financial institutions and that the needs --  
6 convenience and needs of that market certainly will be  
7 served by faster and lower-cost services.

8           Secondly, the proposed bank has to show  
9 reasonable promise of successful operation. And as you just  
10 heard from Jasper, we have conducted a financial analysis  
11 that shows that they have a likelihood of success. They  
12 have an API base product that is faster, less expensive, and  
13 more transparent. They have what we believe to be  
14 reasonable assumptions built into the business plan, and we  
15 found they will achieve profitability and maintain adequate  
16 capital during their de novo period, even after running the  
17 shock scenarios and adjusting some of the base case  
18 assumptions.

19           And then finally, the proposed directors and  
20 officers must possess the capacity, character, and  
21 experience for the duties for which they will be charged.  
22 You heard from the organizers in terms of the level of their  
23 experience, which is considerable. That experience is  
24 extensive in financial services as well as bank supervision.  
25 They appear to have the character and capacity to serve as

1 directors, and the proposed CEO has over 30 years'  
2 experience, including his current role as the chief  
3 operating officer of the affiliate Banking Circle SA.

4 So that concludes our presentation,  
5 Commissioner. We would be happy to answer any questions you  
6 might have.

7 COMMISSIONER PEREZ: I don't have any. I  
8 read the report. I agree with its conclusion so far. I  
9 don't know -- staff don't have anything else that they would  
10 like to clarify, so therefore, at this point, I would like  
11 to give the public a chance again to ask any questions.

12 Anybody from the public that has any  
13 questions?

14 ATTORNEY SAUNIG: And, again, for the  
15 record, there's no one in the hearing room and no one dialed  
16 in. If there's anyone who is on Teams who wishes to comment  
17 at this time, we ask that you raise your hand or otherwise  
18 indicate.

19 Seeing none for the record, Commissioner.

20 COMMISSIONER PEREZ: Seeing none for the  
21 record, at this point we will give the organizers a chance  
22 to respond to any of those questions, but there's none, so  
23 there's no need for that. So then I'll open up in general.  
24 Anybody from staff, from the public, anyone has any  
25 questions that they would like to ask or need to respond?

1                   Seeing none, before we close, let me state  
2                   that in order to grant a temporary certificate of authority,  
3                   pursuant to Section 36a-70, there are several things I must  
4                   consider and factors I must take into account. Those are,  
5                   A, the population of the area to be served by the proposed  
6                   bank; B, the competitive effects of the proposed bank on the  
7                   availability and quality of services in the market area to  
8                   be served; C, the likely impact of the proposed bank on  
9                   other financial institutions in the market area to be  
10                  served; and D, convenience and needs of the market area to  
11                  be served.

12                  In addition, before temporary certificate of  
13                  authority can be issued, I must determine that the interest  
14                  of the public will be served to the advantage by the  
15                  establishment of the proposed bank; the proposed bank shows  
16                  reasonable promise of successful operation; and C, the  
17                  proposed directors possess the capacity, character,  
18                  experience for the duties and responsibility for which they  
19                  will be charged.

20                  I will consider the application and  
21                  supporting documentation in light of that information  
22                  presented today and render my decision in writing as soon as  
23                  possible and practical. This concludes the hearing portion  
24                  of the proceeding. Thank you everybody for your  
25                  participation, and I wish you all a good rest of your day.

1 **Hearing is over.**

2 **(Off the record at 2:48 p.m.)**

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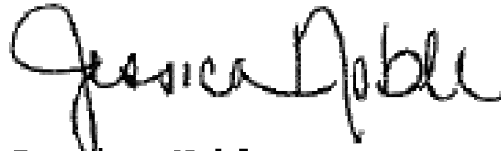
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CERTIFICATE FOR REMOTE HEARING

I hereby certify that the foregoing 29 pages are a complete and accurate computer-aided transcription of my original stenotype notes taken of the hearing held by remote access in re: the application of the organizers of Banking Circle US, Stamford, Connecticut, which was held remotely before JORGE L. PEREZ, BANKING COMMISSIONER, on June 24, 2021.

IN WITNESS THEREOF, I have hereunto set my hand and affixed my seal this 12th day of July, 2021.



Jessica Noble  
Notary Public  
CT License No. 402

My Commission expires: September 30, 2021