

[REDACTED]

From: Christopher Bosco [REDACTED]
Sent: Thursday, September 19, 2024 12:06 AM
To: Comments
Subject: [EXTERNAL MESSAGE] July 31, 2024 - Bank-Fintech Arrangements Involving Banking Products and Services Distributed to Consumers and Businesses; Comment Request (RIN 3064-ZA43)

[REDACTED]

[REDACTED]

Dear FDIC:

This letter responds to the July 25, 2024 request for information and comment made jointly by the Office of the Comptroller of the Currency, ("OCC"), Board of Governors of the Federal Reserve System ("Board"), and Federal Deposit Insurance Corporation ("FDIC"), (collectively, "the agencies") regarding bank-fintech arrangements. I am an end-user who has been faced with severe financial hardships due to no fault of my own, but, in fact, due to a lack of oversight and regulation of a Bank-Fintech arrangement. I've had my credit score take a plummeting dive of close to 300 points because I couldn't meet my financial obligations with creditors, I had to fight being evicted from my home, ration out food to ensure I wouldn't starve, which thanks to my local food banks, didn't happen even though it was very close some weeks. All this while attempting to recover from a very necessary shoulder repair surgery, with my plan during recovery being to use the funds I had saved in my Yotta account to cover my expenses until I was able to return to work.

Here is an overview of what occurred and how not only myself but so many end-users were affected:

On May 7th, Yotta was notified that Lineage Bank, member FDIC, halted ACH processing for all Synapse Brokerage accounts, and that Evolve Bank & Trust, member FDIC, would begin to process ACH transactions on behalf of Synapse Brokerage. Yotta customers hold accounts with Synapse Brokerage.

On the evening of May 11th, Yotta was notified by Evolve that they never agreed to take on ACH processing and would be halting all payment processing that they are involved with, effective immediately.

These events have left Synapse Brokerage without an ACH processor, and Evolve's decision to freeze cards is causing all card transactions to fail.

All Yotta customer's funds in the Synapse Brokerage Program are swept (deposited) into accounts at a network of member FDIC banks. Funds held in these accounts, we were told are eligible for FDIC insurance.

All programs that work with Synapse are impacted by this. ACH transfers and card transactions will not go through until banks restore their services. Well, the banks never restored their services

5/20/2024:

SynapseFi, Evolve Bank & Trust and Lineage Bank are meeting with a mediator today in order to try and come to a mutual resolution regarding their disagreements so that payment processing can be restored.

5/23/2024:

There is an important court hearing tomorrow at 11:00AM ET regarding SynapseFi where resolutions about payment processing are expected to be discussed.

5/29/2024:

The Chapter 11 Trustee is expected to release a status update no later than Thursday, June 6 by 6:00 PT on their progress, not on May 30th as we were first told by the US Trustee on the case.

5/30/2024:

Pending in app withdrawals have been canceled to help bank partners better facilitate access to funds.

Yotta previously reported that the Chapter 11 Trustee would be giving an update today, however, Yotta was notified that the first update will occur on June 6th and then weekly thereafter.

6/6/2024:

The Trustee filed an initial status report in the SynapseFi bankruptcy case today outlining the steps they have taken since being appointed the Trustee on this case. The report stated "Since the appointment, the Trustee and proposed counsel have been working around the clock to investigate the events that led to the reconciliation issues and freezing of end user accounts and identify a path to unfreezing customer accounts as soon as possible."

The Trustee proposed multiple potential paths forward in the report. There is a court hearing tomorrow at 1:30 PM PT where the Trustee's report and proposed initial recommendations will be discussed.

6/14/2024:

The Trustee filed an additional status report yesterday and a hearing regarding the status report was held today. The Trustee reported that reconciliation efforts amongst all partner

banks continue and the Trustee hopes significant progress will be made in the next two weeks. Neither the Trustee nor the Judge in the case believe they have jurisdiction to compel any of the partner banks to distribute funds in a particular manner and are working with government agencies to try and do so.

7/9/2024:

During a US Senate Banking Committee hearing today, the Chairman of the Committee, Senator Sherrod Brown asked Jerome Powell, Chair of the Federal Reserve of the United States, about the ongoing Synapse case and what the Fed is doing to help impacted end users gain access to their funds. During his response Mr. Powell declared that the Fed is "strongly encouraging Evolve to do whatever it can to make money available to those depositors". Mr. Powell also highlighted recent enforcement actions taken by the Fed against Evolve. Senator Brown emphasized that they will continue to monitor the situation and urged the Fed to use its supervisory authority to help end users get access to their funds.

8/19/2024:

AMG National Trust initiated the first batch of ACH disbursements for those who, according to the final Synapse Trial Balance Report, have funds with AMG and provided them with payment instructions.

9/4/2024:

An additional hearing in the SynapseFi bankruptcy case was held on Friday where the Trustee discussed their most recent status report.

Evolve Bank has stated that they expect its reconciliation to take 8 weeks from August 23 when their data collection was completed.

To date the following distributions have been made for FBO funds of end users of all fintech companies:

AMG National Trust: \$109,270,681

Lineage Bank: \$49,200,617

Evolve Bank & Trust: \$0

9/13/2024:

An additional hearing in the SynapseFi bankruptcy case was held today where the Trustee discussed their most recent status report.

Evolve Bank stated that they expect its reconciliation to be complete by October 18.

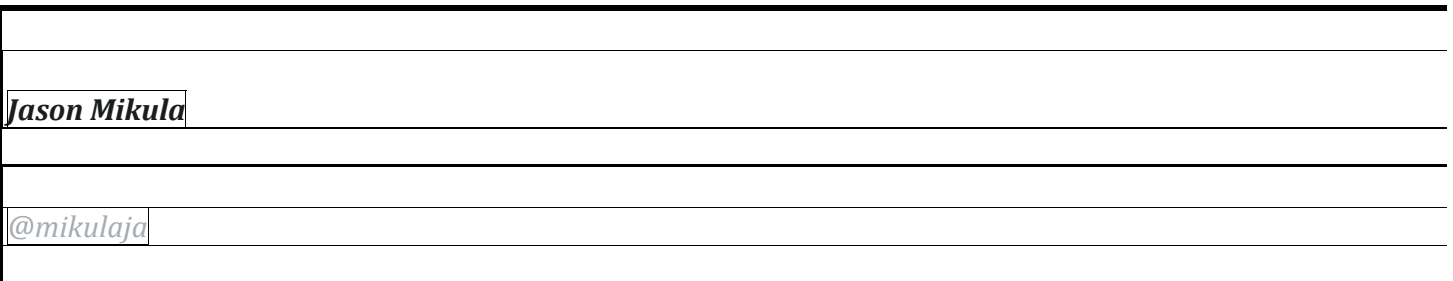
As of the date I'm writing this reply to your RFI, I have yet to receive any of my funds.

I can only assume that if the end-users were large financial institutions, we would have already been bailed out by our government, but alas, we are just everyday hard working taxpayers, and history has shown that financial institutions get preferential treatment over the citizens that funded the institutions in the first place.

Even though I've been irreparably damaged financially by my use of Yotta, I do believe the Fintech-Bank relationships are the way of the future. They allow smaller community-based banks to stay competitive while providing a fundamental necessity in areas of this country that larger banks won't even consider using resources to evaluate the profitability of having a branch in. Community Banks have a lot of competition these days with not only the larger banks, but credit unions, and even non-bank lenders such as payday loan companies. The benefits aren't just for the community banks either, financial institutions of all sizes experience benefits including, being able to offer a diversity of products and services which protects these institutions from negative effects of economic changes that would otherwise lead to the government having to bail them out once more.

I feel in this particular situation in which I have been affected, there should have been, and have been many opportunities for government intervention to help the end-users.

Now it seems there might have been some illegal activity on the part of the Banks in this Bank-Fintech relationship. Here is a summary of those allegations from @mikulaja on X(twitter):



Neobank Yotta accuses troubled Evolve Bank & Trust of "brutal theft," "grotesque misconduct" in an explosive new lawsuit: In the suit filed last week in US District Court in Northern California, Yotta makes allegations that echo those of Synapse cofounder and former CEO Sankaet Pathak that Evolve knowingly and inappropriately took end user funds. The 29-page complaint makes a number of stunning accusations against Evolve Bank and its parent company, including: -that Evolve conspired with Synapse "to simply take" end user funds, "in violation of responsible banking practices and basic morality," resulting in a shortfall of between \$65 million - \$96 million (amount per the ongoing bankruptcy case) -that Evolve debited more than \$25 million from customer funds held in FBO accounts that it should not have, including to pay itself so-called "account analysis charges" and for fees owed to payment processor TabaPay by Evolve and/or Synapse -that Evolve and Synapse misappropriated almost \$50 million due to errors and

incompetence in the migration of Mercury's program away from Synapse to working directly with Evolve, meaning that, according to the suit, "[i]n effect, Evolve transferred Yotta end user funds to Mercury end users when it forced Yotta end users to absorb the shortfall in Mercury customer funds" -that Evolve knew about these issues and shortfalls but worked to conceal the problems and "lied" to Yotta Yotta's suit accuses Evolve of fraud, conspiracy to commit fraud, and negligence, among other causes of action, and seeks nominal, compensatory, liquidated, statutory, and punitive damages of an unspecified amount.

I hope that this event between the banks and fintech will shed some light on where and how the federal government needs to take action against as well as prevent these malice opportunistic companies from robbing the hard working people of this country and to protect its citizens by creating failsafes for unthinkable events in the future. Regulating and modernizing your supervision of this ever growing environment that is the Bank-Fintech relationship will be crucial for the strengthening and growth of our economy which is more important than ever as we see our competitors around the world starting to outperform us. Just remember that if the everyday people who will be the clients of this new environment and responsible for its success through patronage, feel we aren't going to be protected by our government, we, in fact, won't put our hard-earned money into the hands of these institutional relationships. It will be important for us to know that we will be protected against loss that is not our fault but that of the business we are investing in just as we are when we open an account at a bank that is FDIC insured.

Thank you for your careful consideration of this letter and due diligence in doing what is right for the people of these United States.

Christopher Bosco
Veteran USMC
Alumnus Columbia University in the City of New York

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