



August 8, 2022

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Office of Financial Institutions Policy
US Department of the Treasury

RE: Request for Comment on Ensuring Responsible Development of Digital Assets

To Whom it May Concern,

On behalf of Chamber of Progress, a new progressive tech industry group fighting for public policies that will build a fairer, more inclusive country in which all people benefit from technological leaps, we appreciate the chance to comment on the responsible development of digital assets.

Adoption to Date and Mass Adoption

What explains the level of current adoption of digital assets? Please identify key trends and reasons why digital assets have gained popularity and increased adoption in recent years. In your responses, please address the following:

- a. Who are the users, consumers, and investors that are adopting digital assets? What is the geographic composition and demographic profile of consumers and investors in digital assets?**
- b. What businesses are adopting digital assets and for what purposes?**
- c. What are the main use cases for digital assets for consumers, investors, and businesses?**
- d. What are the implications for equitable economic growth?**

Bitcoin was introduced to the world in 2008 as a peer-to-peer (P2P) electronic cash solution created to send money without going through a financial institution.¹ The digital asset industry rapidly developed thereafter—with innovative products, exchanges and currencies designed to challenge the status quo in traditional financial services. And the American consumer has responded to this innovation: industry reports show that 20% of Americans have owned some type of digital asset.² Even though digital assets are created with specific use cases in mind, a 2022 study by the Federal Reserve showed that over 90% of Americans owning digital assets were using them primarily for investment purposes. Additionally, investors of color are keenly following the digital asset industry—our organization conducted a survey in September 2021 where we discovered that Black and Hispanic adults were more familiar with cryptocurrency than white adults.³ Recent studies show that 25% of Black investors own cryptocurrency⁴, and 24% of cryptocurrency owners identify as Hispanic.⁵ This data shows that American consumers see a bright future in digital assets redefining financial services and ushering in a new era where currency and technology meet.

¹ <https://bitcoin.org/bitcoin.pdf>

² <https://www.gemini.com/gemini-2022-state-of-crypto-global.pdf>

³ Morning Consult & Chamber of Progress Views of Cryptocurrency Survey, September 2021

⁴ https://www.arielinvestments.com/images/stories/PDF/2022-ariel-schwab-black-investor-survey-findings_4.5.22.pdf

⁵ https://go.morningconsult.com/rs/850-TAA-511/images/220120_State_of_Consumer_Banking.pdf

With more consumers exploring digital assets and their capabilities, demand has driven payment merchants like Visa and Mastercard to process digital assets as payment from buyers when making transactions. Large financial technology companies like Block⁶ and PayPal⁷ are adopting digital assets as a payment method to send to friends and family. Businesses on Main Street are also using digital assets as a means to avoid lengthy processing times and transaction fees at the bank. They rely on payment processors like BitPay and Coinbase Commerce to accept payments from customers located anywhere around the world. Interest in using digital assets as payment is not dwindling anytime soon: a recent survey conducted by Deloitte revealed that 75% of retailers plan to accept cryptocurrency or stablecoins within the next 2 years.⁸

Factors that would further facilitate mass adoption

a. Describe a set of conditions or pre-conditions that would facilitate mass adoption of digital assets in the future. To the extent possible, please cite any public data related to the responses above.

b. What developments in technology, products, services, or markets account for the current adoption of digital assets? Are there specific statutory, technology, or infrastructural developments that would facilitate further adoption?

To facilitate further adoption of digital assets, we recommend the following:

Innovative Cybersecurity Products for Digital Asset Technology

To maintain market integrity and consumer trust of digital assets, the Department of Treasury should support innovation for crypto companies developing cybersecurity products on the blockchain. Hackers stealing digital assets contributes to market instability and deters adoption of digital assets by consumers. Since digital assets are not protected by FDIC insurance, consumers are unable to recoup their losses in the event of a breach or hack. The Department of Treasury should work with other Federal agencies to promote market integrity for digital assets by enforcing Know Your Customer (KYC) and anti-money laundering (AML) regulations, along with creating safeguards against hackers. These regulations will reduce the amount of users and hackers committing cybercrimes, and consumers will be more comfortable using digital assets without fear of losing everything.

Increase Workforce Development for Top Tech Talent

The top constraining factor hindering the United States' growth in the digital asset market is the current lack of skilled blockchain professionals. The anticipated growth in the adoption of digital assets by Americans will continue to increase the demand for blockchain business solutions and hiring. It is essential to meet the demand for skilled digital asset professionals by increasing the funding and availability of blockchain-based workforce development programs.

By increasing the number of American professionals working in the blockchain industry, the United States can maintain its globally leading position with the greatest share of the global blockchain market. The 2022 global blockchain market is valued at roughly \$7 Billion, and research suggests the global blockchain market will grow to over \$163 Billion by 2029.⁹ In 2020, the United States employed more than 400,000 blockchain engineers and was expected to grow at an annual rate of 5%-10%.¹⁰

⁶ <https://cash.app/help/us/en-us/31021-sending-and-receiving-bitcoin>

⁷ <https://newsroom.paypal-corp.com/2022-06-07-PayPal-Users-Can-Now-Transfer-Send-and-Receive-Bitcoin-Ethereum-Bitcoin-Cash-and-Litecoin>

⁸ <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/technology/us-cons-merchant-getting-ready-for-crypto.pdf>

⁹ <https://www.fortunebusinessinsights.com/industry-reports/blockchain-market-100072>

¹⁰ <https://www.onetonline.org/link/summary/15-1299.07>

Establishing Public Digital Literacy Initiatives

Financial equity begins with consumer education. Charles Schwab's 2022 Black Investor Survey showed that Black investors are more than twice as likely to trust social media as an information source on investing than White investors.¹¹ Consumers are increasingly being exposed to misinformation littered throughout social media platforms, and Federal agencies should work together to disseminate factual information to potential investors, and investors of color through outreach campaigns, public-private partnerships with digital asset industry leaders and non-profit organizations.

Opportunities for Consumers, Investors, and Businesses

What are the main opportunities for consumers, investors, and businesses from digital assets? For all opportunities described, please provide data and specific use cases to date (if any). In your responses, please consider:

- a. Potential benefits of decentralized and disintermediated systems**
- b. Creation of new types of financial products and contracts**
- c. Potential for improved access to and greater ease of use of financial products**
- d. Potential opportunities for building wealth**
- e. Potential benefits of interacting with counterparties, suppliers, vendors, and customers directly**
- f. Potential for improved cross-border payments and trade finance**

A major benefit of digital asset financial products and services is that it creates competition with traditional banks and financial services, which encourages innovation that benefits **all** consumers. Digital currencies transmit funds faster than a bank wire or transfer, making the largest use case for them as cross-border payments in developing countries. These payments often tend to be remittances—international money transfers between foreign workers and their families abroad. Recently, digital currency was used to support Ukrainians at war with Russia by providing immediate needs for military equipment, training and evacuations.¹² The speed of digital currency transmission can increase the timeliness of settling payment transactions with businesses and banks.

Digital asset exchanges provide consumers exposure and access to short and long-term investments. Many exchanges create innovative products and services to enhance user experience, providing improved access to greater use of financial products. These exchanges often serve as on-ramps for beginner digital asset investors. We recommend that the Department of Treasury collaborate with these exchanges to provide education and information to the investor at points of sale to help them make informed decisions.

Impact on the Most Vulnerable

According to the FDIC's 2019 "How America Banks" survey, approximately 94.6 percent (124 million) of U.S. households had at least one bank or credit union account in 2019, while 5.4 percent (7.1 million) of households did not. And roughly 25 percent of U.S. households have a checking or savings account while also using alternative financial services. Can digital assets play a role in increasing these and other underserved Americans' access to safe, affordable, and reliable financial services, and if so, how?

a. In your responses, please describe specific ways in which digital assets can benefit the underserved and the most vulnerable vis-à-vis traditional financial products and services. Address factors such as identify verification process, costs, speed, ease of use, and access.

¹¹ https://www.arielinvestments.com/images/stories/PDF/2022-ariel-schwab-black-investor-survey-findings_4.5.22.pdf

¹² <https://www.economist.com/the-economist-explains/2022/04/05/how-is-ukraine-using-crypto-to-fund-the-war>

b. In your responses, please describe specific ways in which digital assets can pose risks to the underserved and the most vulnerable given rapidly developing and highly technical and nature of the industry. Address factors such as financial and technical literacy and accessibility.

Digital assets can play a role in increasing access to financial services with underserved Americans; however, a proper regulatory framework for the industry must be in place in order to bridge a gap to marginalized consumers. For unbanked consumers, an FDIC survey pointed out that they choose not to bank due to a lack of trust in current financial institutions.¹³ The best way to build trust amongst these consumers in the digital asset industry is to have sound regulation and adequate consumer protections so they can make decisions on product choice to the best of their abilities.

To increase technical literacy and accessibility, the Department of Treasury should expand its outreach to underserved communities through the Financial Literacy Education Commission (FLEC). FLEC recently formed a subgroup on digital asset financial education¹⁴, which could engage in partnerships with metropolitan areas and states to disseminate trustworthy and educational materials on digital assets. The Department of Treasury could also collaborate with other Federal agencies to collect data on under- and un- banked populations that use digital assets as a way to measure its current effectiveness towards increasing access to financial institutions.

Sincerely,



Janay Eyo
Director, Financial Policy
Chamber of Progress

¹³ <https://www.cnbc.com/2019/03/08/25percent-of-us-households-are-either-unbanked-or-underbanked.html>

¹⁴ <https://home.treasury.gov/news/press-releases/jy0642>