

Policy Proposal: Supporting Responsible Digital Asset (Cryptocurrency) Innovation

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Well-regulated digital asset (cryptocurrency) innovations can help increase access to financial services, enable more efficient public and private payment rails, and ensure the US' long-term global economic supremacy. Alternatively, failure to pass key legislation risks emboldening nefarious actors, advantaging our global adversaries, and unfairly promoting legacy banks.

Let me get right to it: do cryptocurrencies actually benefit real, everyday Americans?

They do – in ways that may not be immediately obvious.

First: a definition point. When I refer to “cryptocurrencies,” I’m including stablecoins, though I know that’s taking some liberties in the interest of convenience.

Second: let’s discuss some of the ways that digital asset / cryptocurrency innovation makes a real difference:

- The United States still has large numbers of unbanked and underbanked individuals, for a whole multitude of reasons;
 - o Specifically, there are about 5.6 million households that are unbanked and 19.0 million households that are underbanked;
 - o Hidden in those overall figures are the disproportionate rates among specific segments of the population – for example, minorities are much more likely to be unbanked with the rates for Black (10.6%), Hispanic (9.5%), and American Indian or Alaska Native (12.2%) households much higher than for White (1.9%) households;
- Traditional banks and financial service providers have been notoriously unequal in their provision of services, with immigrants, minorities, and lower-income individuals often finding it more difficult to access a branch, having reduced access to credit (e.g., to purchase a home or fund a small business), and being charged egregious fees for necessary services (e.g., international payments);
 - o One of the country’s largest consulting firms put it this way: “Among the inequities many Black and Latinx consumers in the US face, one of the most

concerning is the lack of access to necessary financial products and services;”

- What do communities do when they can’t reliably use bank accounts? They turn to alternative providers like check cashers and payday lenders, folks even more notorious for their abhorrent practices;
- Innovative, well-regulated cryptocurrency firms can help fill in the gaps:
 - o These firms can more precisely tailor their marketing and communications to address the concerns of underserved communities – a source of competitive advantage for the firm and useful education for the community;
 - o New firms are more likely to have “accessible” products – for example digital solutions that can be used during non-traditional banking hours or that incorporate best practices for suiting less digitally literate consumers;
 - o Products that are highly prized by underserved communities (e.g., instant wage access or free overdrafts) are more easily offered using digital currencies and can serve as important differentiators for innovative firms;
 - o Distribution models that better build upon existing community infrastructure may also be more easily adopted by newer, smaller firms, which are likely to be nimbler and more creative.

Have you actually seen these benefits in the real world?

I have. My private sector experience includes co-founding a large consumer remittance company; essentially helping immigrant and diaspora communities – millions of people per month – send money home for free or almost free, rather than paying up to 10% via a bank or Western Union. In that space, I’ve seen first-hand how digital currencies have allowed people in emerging markets to hold US dollars instead of volatile local currencies, how the actual movement of money has become exponentially quicker leading to savings that get passed on to consumers, and how digital assets are more easily leveraged to build complementary products, like for savings and lending.

If cryptocurrencies are so great, why do we even need to regulate them?

Like any industry, crypto has some bad actors. We don’t ban medicine because of a few rotten doctors or suspend all legal proceedings because of some corrupt lawyers, and we shouldn’t throw out crypto’s benefits just because it too is an imperfect industry. But, like medicine and law, we should regulate crypto to ensure that we’re protecting consumers/small businesses and punishing those acting poorly. Without those



regulations, the bad guys would have an unfair advantage – they don't have to pay for things like compliance or insurance, since they're bad guys – leading to the worst of all worlds: high rates of adoption (the value proposition is still compelling) concentrated in the hands of a few shady firms.

At the same time, if we're going to reap the long-term benefits of crypto, the industry itself needs a solid regulatory footing. No industry can make the kinds of investments that are necessary here without knowing that there won't be volatile swings in government behavior after they do.

And this is also something of global geostrategic importance?

Well-regulated digital asset markets can help ensure that USD-denominated stablecoins remain the global standard, extending the so-called "exorbitant privilege" into the next generation (i.e., keeping USD the "go-to" global currency). Combined with broader oversight of digital markets, we can also prevent digital assets from being used to skirt existing regulations around things like money laundering or terrorist financing. And we make sure that the next generation of innovation happens domestically, creating quality jobs, paying local taxes, and stifling our global opponents.

There are also a multitude of ways that digital assets can improve the way government and private actors transact today; with the scale of payments that pass over US payment rails every day, even small differences in costs, speed or reliability can have enormous aggregate impact.

Rep. Clarke has an F rating from Stand with Crypto – I'm proud to stand with those who believe in constructively regulating an industry that is well-suited to assisting the communities I care deeply about. The United States needs to be a land of innovation; this is an opportunity to prove that it is.



Sources include:

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