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FACT SHEET: White House Releases First-Ever Comprehensive Framework for Responsible Development of Digital Assets

Following the President's Executive Order, New Reports Outline Recommendations to Protect Consumers, Investors, Businesses, Financial Stability, National Security, and the Environment

The digital assets market has grown significantly in recent years. Millions of people globally, including 16% of adult Americans, have purchased digital assets—which reached a market capitalization of \$3 trillion globally last November. Digital assets present potential opportunities to reinforce U.S. leadership in the global financial system and remain at the technological frontier. But they also pose real risks as evidenced by recent events in crypto markets. The May crash of a so-called stablecoin and the subsequent wave of insolvencies wiped out over \$600 billion of investor and consumer funds.

President Biden's March 9 Executive Order (EO) on Ensuring Responsible Development of Digital Assets outlined the first whole-of-government approach to addressing the risks and harnessing the potential benefits of digital assets and their underlying technology. Over the past six months, agencies across the government have worked together to develop frameworks and policy recommendations that advance the six key priorities identified in the EO: consumer and investor protection; promoting financial stability; countering illicit finance; U.S. leadership in the global financial system and economic competitiveness; financial inclusion; and responsible innovation.

The nine reports submitted to the President to date, consistent with the EO's deadlines, reflect the input and expertise of diverse stakeholders across government, industry, academia, and civil society. Together, they articulate a clear framework for responsible digital asset development and pave the way for further action at home and abroad. The reports call on agencies to

promote innovation by kickstarting private-sector research and development and helping cutting-edge U.S. firms find footholds in global markets. At the same time, they call for measures to mitigate the downside risks, like increased enforcement of existing laws and the creation of commonsense efficiency standards for cryptocurrency mining. Recognizing the potential benefits and risks of a U.S. Central Bank Digital Currency (CBDC), the reports encourage the Federal Reserve to continue its ongoing CBDC research, experimentation, and evaluation and call for the creation of a Treasury-led interagency working group to support the Federal Reserve's efforts.

Protecting Consumers, Investors, and Businesses

Digital assets pose meaningful risks for consumers, investors, and businesses. Prices of these assets can be highly volatile: the current global market capitalization of cryptocurrencies is approximately one-third of its November 2021 peak. Still sellers commonly mislead consumers about digital assets' features and expected returns, and non-compliance with applicable laws and regulations remains widespread. One study [found](#) that almost a quarter of digital coin offerings had disclosure or transparency problems—like plagiarized documents or false promises of guaranteed returns. Outright fraud, scams, and theft in digital asset markets are on the rise: according to FBI statistics, reported monetary losses from digital asset scams were nearly 600 percent higher in 2021 than the year before.

Since taking office, the Biden-Harris Administration and independent regulators have worked to protect consumers and ensure fair play in digital assets markets by [issuing guidance](#), [increasing enforcement resources](#), and [aggressively pursuing fraudulent actors](#). As outlined in the reports released today, the Administration plans to take the following additional steps:

- The reports encourage regulators like the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC), consistent with their mandates, to **aggressively pursue investigations and enforcement actions against unlawful practices in the digital assets space.**
- The reports encourage Consumer Financial Protection Bureau (CFPB) and Federal Trade Commission (FTC), as appropriate, to **redouble their**

efforts to monitor consumer complaints and to enforce against unfair, deceptive, or abusive practices.

- The reports encourage agencies to issue guidance and rules to **address current and emergent risks** in the digital asset ecosystem. Regulatory and law enforcement agencies are also urged to **collaborate** to address acute digital assets risks facing consumers, investors, and businesses. In addition, agencies are encouraged to **share data on consumer complaints** regarding digital assets—ensuring each agency’s activities are maximally effective.
- The Financial Literacy Education Commission (FLEC) will **lead public-awareness efforts to help consumers understand the risks involved with digital assets**, identify common fraudulent practices, and learn how to report misconduct.

Promoting Access to Safe, Affordable Financial Services

Today, traditional finance leaves too many behind. Roughly 7 million Americans have no bank account. Another 24 million rely on costly nonbank services, like check cashing and money orders, for everyday needs. And for those who do use banks, paying with traditional financial infrastructure can be costly and slow—particularly for cross-border payments.

The digital economy should work for all Americans. That means developing financial services that are secure, reliable, affordable, and accessible to all. To make payments more efficient, the Federal Reserve has planned the 2023 launch of FedNow—an instantaneous, 24/7 interbank clearing system that will further advance nationwide infrastructure for instant payments alongside The Clearinghouse’s Real Time Payments system. Some digital assets could help facilitate faster payments and make financial services more accessible, but more work is needed to ensure they truly benefit underserved consumers and do not lead to predatory financial practices.

To promote safe and affordable financial services for all, the Administration plans to take the following steps:

- Agencies will encourage the adoption of instant payment systems, like FedNow, by **supporting the development and use of innovative**

technologies by payment providers to increase access to instant payments, and **using instant payment systems for their own transactions** where appropriate – for example, in the context of distribution of disaster, emergency or other government-to-consumer payments.

- The President will also consider agency recommendations to **create a federal framework to regulate nonbank payment providers**.
- Agencies will prioritize efforts to improve the efficiency of cross-border payments by working to **align global payments practices, regulations, and supervision protocols, while exploring new multilateral platforms** that integrate instant payment systems.
- The National Science Foundation (NSF) will **back research in technical and socio-technical disciplines and behavioral economics to ensure that digital asset ecosystems are designed to be usable, inclusive, equitable, and accessible** by all.

Fostering Financial Stability

Digital assets and the mainstream financial system are becoming increasingly intertwined, creating channels for turmoil to have spillover effects. Stablecoins, in particular, could create disruptive runs if not paired with appropriate regulation. The potential for instability was illustrated in May 2022 by the crash of the so-called stablecoin TerraUSD and the subsequent wave of insolvencies that erased nearly \$600 billion in wealth. In October, the Financial Stability Oversight Council (FSOC) will publish a report discussing digital assets' financial-stability risks, identifying related regulatory gaps, and making additional recommendations to foster financial stability.

The Biden-Harris Administration has long recognized the need for regulation to address digital assets' stability risks. For example, in 2021, the President's Working Group on Financial Markets recommended steps for Congress and regulators to make stablecoins safer. Building on this work, the Administration plans to take the additional following steps:

- The Treasury will **work with financial institutions to bolster their capacity to identify and mitigate cyber vulnerabilities** by sharing information and promoting a wide range of data sets and analytical tools.
- The Treasury will work with other agencies to **identify, track, and analyze emerging strategic risks** that relate to digital asset markets. It will also collaborate on identifying such risks with U.S. allies, including through international organizations like the Organization for Economic Co-operation and Development (OECD) and the Financial Stability Board (FSB).

Advancing Responsible Innovation

U.S. companies lead the world in innovation. Digital asset firms are no exception. As of 2022, the United States is home to roughly half of the world's 100 most valuable financial technology companies, many of which trade in digital asset services.

The U.S. government has long played a critical role in priming responsible private-sector innovation. It sponsors cutting-edge research, helps firms compete globally, assists them with compliance, and works with them to mitigate harmful side-effects of technological advancement.

In keeping with this tradition, the Administration plans to take the following steps to foster responsible digital asset innovation:

- The Office of Science and Technology Policy (OSTP) and NSF will **develop a Digital Assets Research and Development Agenda** to kickstart fundamental research on topics such as next-generation cryptography, transaction programmability, cybersecurity and privacy protections, and ways to mitigate the environmental impacts of digital assets. It will also continue to support research that translates technological breakthroughs into market-ready products. Additionally, NSF will **back social-sciences and education research that develops methods of informing, educating, and training diverse groups of stakeholders** on safe and responsible digital asset use.
- The Treasury and financial regulators are encouraged to, as appropriate, **provide innovative U.S. firms developing new financial technologies**

with regulatory guidance, best-practices sharing, and technical assistance through things like tech sprints and Innovation Hours.

- The Department of Energy, the Environmental Protection Agency, and other agencies will consider further **tracking digital assets' environmental impacts; developing performance standards as appropriate; and providing local authorities with the tools, resources, and expertise** to mitigate environmental harms. Powering crypto-assets can take a large amount of electricity—which can emit greenhouse gases, strain electricity grids, and harm some local communities with noise and water pollution. Opportunities exist to align the development of digital assets with transitioning to a net-zero emissions economy and improving environmental justice.
- The Department of Commerce will examine **establishing a standing forum to convene federal agencies, industry, academics, and civil society to exchange knowledge and ideas that could inform federal regulation, standards, coordinating activities, technical assistance, and research support**.

Reinforcing Our Global Financial Leadership and Competitiveness

Today, global standard-setting bodies are establishing policies, guidance, and regulatory recommendations for digital assets. The United States is working actively with its partners to set out these policies in line with our goals and values, while also reinforcing the United States' role in the global financial system. Similarly, the United States has a valuable opportunity to partner with countries still developing their digital assets ecosystems, helping to ensure that countries' financial, legal, and technological infrastructures respect core values including data privacy, financial stability, and human rights.

To reinforce U.S. financial leadership and uphold U.S. values in global digital asset markets, the Administration will take the following steps outlined in the framework for international engagement released by the Treasury Department earlier this summer:

- U.S. agencies will **leverage U.S. positions in international organizations to message U.S. values related to digital assets**. U.S.

agencies will also **continue and expand their leadership roles on digital assets work at international organizations and standard-setting bodies**—such as the G7, G20, OECD, FSB, Financial Action Task Force (FATF), and the International Organization for Standardization. Agencies will promote standards, regulations, and frameworks that reflect values like data privacy, free and efficient markets, financial stability, consumer protection, robust law enforcement, and environmental sustainability.

- The State Department, the Department of Justice (DOJ), and other U.S. enforcement agencies will **increase collaboration with—and assistance to—partner agencies in foreign countries** through global enforcement bodies like the Egmont Group, bilateral information sharing, and capacity building.
- The State Department, Treasury, USAID, and other agencies will **explore further technical assistance to developing countries building out digital asset infrastructure and services**. As appropriate, this assistance may include technical assistance on legal and regulatory frameworks, evidence-gathering and knowledge-sharing on the impacts, risks, and opportunities of digital assets.
- The Department of Commerce will **help cutting-edge U.S. financial technology and digital asset firms find a foothold in global markets for their products**.

Fighting Illicit Finance

The United States has been a leader in applying its anti-money laundering and countering the financing of terrorism (AML/CFT) framework in the digital asset ecosystem. It has published relevant guidance, engaged in regular public-private dialogue, used its enforcement tools, and led in setting international AML/CFT standards. While our efforts have strengthened the U.S. financial system, digital assets— some of which are pseudonymous and can be transferred without a financial intermediary —have been exploited by bad actors to launder illicit proceeds, to finance terrorism and the proliferation of weapons of mass destruction, and to conduct a wide array of other crimes. For example, digital assets have facilitated the rise of ransomware cybercriminals; narcotics sales and money laundering for drug

trafficking organizations; and the funding of activities of rogue regimes, as was the case in the recent thefts by the Democratic People's Republic of Korea (DPRK)- affiliated Lazarus Group.

It is in the national interest to mitigate these risks through regulation, oversight, law enforcement action, and the use of other United States Government authorities. To fight the illicit use of digital assets more effectively, the Administration plans to take the following steps:

- The President will evaluate whether to call upon Congress to **amend the Bank Secrecy Act (BSA), anti-tip-off statutes, and laws against unlicensed money transmitting to apply explicitly to digital asset service providers**—including digital asset exchanges and nonfungible token (NFT) platforms. He will also consider urging Congress to **raise the penalties for unlicensed money transmitting** to match the penalties for similar crimes under other money-laundering statutes and to **amend relevant federal statutes** to let the Department of Justice prosecute digital asset crimes in any jurisdiction where a victim of those crimes is found.
- The United States will **continue to monitor the development of the digital assets sector and its associated illicit financing risks**, to identify any gaps in our legal, regulatory, and supervisory regimes. As part of this effort, **Treasury will complete an illicit finance risk assessment on decentralized finance** by the end of February 2023 and an assessment on non-fungible tokens by July 2023.
- Relevant departments and agencies will **continue to expose and disrupt illicit actors and address the abuse of digital assets**. Such actions will hold cybercriminals and other malign actors responsible for their illicit activity and identify nodes in the ecosystem that pose national security risks.
- Treasury will **enhance dialogue with the private sector** to ensure that firms understand existing obligations and illicit financing risks associated with digital assets, share information, and encourage the use of emerging technologies to comply with obligations. This will be supported by a Request for Comment published to the Federal Register for input on several items related to AML/CFT.

Informing the above recommendations, the Treasury, DOJ/FBI, DHS, and NSF drafted risk assessments to provide the Administration with a comprehensive view of digital assets' illicit-finance risks. The CFPB, an independent agency, also voluntarily provided information to the Administration as to risks arising from digital assets. The risks that agencies highlight include, but are not limited to, money laundering; terrorist financing; hacks that result in losses of funds; and fragilities, common practices, and fast-changing technology that may present vulnerabilities for misuse.

Exploring a U.S. Central Bank Digital Currency (CBDC)

A U.S. CBDC – a digital form of the U.S. dollar – has the potential to offer significant benefits. It could enable a payment system that is more efficient, provides a foundation for further technological innovation, facilitates faster cross-border transactions, and is environmentally sustainable. It could promote financial inclusion and equity by enabling access for a broad set of consumers. In addition, it could foster economic growth and stability, protect against cyber and operational risks, safeguard the privacy of sensitive data, and minimize risks of illicit financial transactions. A potential U.S. CBDC could also help preserve U.S. global financial leadership, and support the effectiveness of sanctions. But a CBDC could also have unintended consequences, including runs to CBDC in times of stress.

Recognizing the possibility of a U.S. CBDC, the Administration **has developed Policy Objectives for a U.S. CBDC System**, which reflect the federal government's priorities for a potential U.S. CBDC. These objectives flesh out the goals outlined for a CBDC in the E.O. A U.S. CBDC system, if implemented, should protect consumers, promote economic growth, improve payment systems, provide interoperability with other platforms, advance financial inclusion, protect national security, respect human rights, and align with democratic values. But further research and development on the technology that would support a U.S. CBDC is needed. The Administration encourages the Federal Reserve to continue its ongoing CBDC research, experimentation, and evaluation. To support the Federal Reserve's efforts and to advance other work on a potential U.S. CBDC, the Treasury will lead an interagency working group to **consider the potential implications of a U.S. CBDC, leverage cross-government technical expertise, and share information with partners**. The leadership of the

Federal Reserve, the National Economic Council, the National Security Council, the Office of Science and Technology Policy, and the Treasury Department will meet regularly to discuss the working group's progress and share updates on and share updates on CDBC and other payments innovations.