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Re: Request for Information and Comment on Digital Assets (RIN 3064-ZA25)

The Blockchain Association (the “Association”) appreciates the opportunity to share its views regarding the Federal Deposit Insurance Corporation’s (“FDIC”) request for information and comment¹ (“RFIC”) on digital assets and their current and potential intersection with the jurisdictional authority of the FDIC.

The Blockchain Association is a not-for-profit organization dedicated to improving the public policy environment for public blockchain networks to develop and prosper in the United States. The Association endeavors to educate policymakers, courts, law enforcement, and the public about decentralized networks and the need for regulatory clarity to make way for a more secure, competitive, and innovative digital marketplace. The Association is comprised of industry leaders who are committed to responsibly developing and supporting public blockchain networks fueled by cryptocurrencies. Its diverse membership reflects this dynamic market and includes cryptocurrency exchanges, projects that contribute to distributed networks, and early-stage investors that support the entire ecosystem. While the Association does not directly represent institutions that are regulated or insured by the FDIC, several members’ business models depend on affiliate institutions whose risk management frameworks are contingent upon their receipt of FDIC insurance. Additionally, some of our members have banking charters under which they are eligible to apply for FDIC insurance. Given the Association’s role in the cryptocurrency and blockchain ecosystem and its members’ interest in the role that the FDIC might play in the regulation of digital assets, the Blockchain Association is well-positioned to provide insight into the ways that the FDIC may interact with the crypto ecosystem.

As a threshold matter, it is critical that cryptocurrencies and cryptocurrency businesses have access to all the U.S. banking system’s products and services. To that point, the Blockchain Association believes that this RFIC will help the cryptocurrency and blockchain industry further assimilate into the regulatory framework of the U.S. banking system. To date, there are a number of unresolved questions with respect to the interaction of the federal banking regulators with the

¹Federal Deposit Insurance Corporation, “Request for Information and Comment on Digital Assets,” *Federal Register* Vol. 86, No. 97 (May 21, 2021): 27602, <https://www.fdic.gov/news/press-releases/2021/pr21046a.pdf>.

cryptocurrency and blockchain industry.² For example, crypto entities with federal or state banking charters are eligible for FDIC insurance, but have not been provided the regulatory clarity necessary to ascertain whether the FDIC would grant them deposit insurance should they apply. In addition, the amount of capital U.S. banks with cryptocurrency exposures will need to set aside, and how risk of different types of cryptocurrencies will be categorized, has not been settled.

The Blockchain Association applauds the FDIC's agency-driven education effort. Many within the industry have been calling for increased regulatory clarity, and this RFIC represents a good faith effort to unpack the depth and scope of the regulatory matters associated with the cryptocurrency and blockchain industry. With regulatory agencies like the FDIC taking explicit measures to educate themselves around the complexities of this industry, the Association is hopeful that the United States will be better positioned to capitalize on the many benefits that cryptocurrency and blockchain technology have to offer.

The United States' ability to capitalize on cryptocurrencies and blockchain technology is especially vital as the United States' competitors continue to leverage this technology to create more growth and efficiency in their financial markets.³ Cryptocurrencies, blockchains, and the "tokenization" of assets and value, more broadly, are driving the next major wave of innovation in the financial and technology sectors. For the U.S. to retain the benefits and status of being the world's financial leader, the federal banking system must be more responsive to the changing technological landscape by offering regulatory guidance and support for emerging technologies like cryptocurrencies and blockchain technology. In other words, it is critical that all aspects of the financial system, including the FDIC and other regulatory agencies, prepare for a digital-first future that includes cryptocurrencies and other digital assets. This RFIC is a positive step towards creating a more suitable regulatory environment for cryptocurrencies and blockchain technology tailored to the unique nature of the industry. We commend the FDIC for its forward thinking approach to regulation of this space. As the FDIC continues to evaluate cryptocurrencies and blockchain technology, the Association would like to offer itself as a resource that the FDIC can leverage, particularly as it crafts regulation to provide clarity on how the digital asset space might fit into the FDIC's regulatory framework.

² Evers-Hillstrom, Karl. "Cryptocurrency Industry Lobbies Washington for 'Regulatory Clarity.'" *The Hill*. June 9, 2021. <https://thehill.com/business-a-lobbying/business-a-lobbying/557462-cryptocurrency-industry-lobbies-washington-for>.

³ Furey, T.S. "Is the U.S. Blowing It on Blockchain?" *The National Review*, February 7, 2020, sec. Science & Tech. <https://www.nationalreview.com/2020/02/blockchain-technology-america-falling-behind-world/>.