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Subject: Ensuring Responsible Development of Digital Assets; Request for Comment (87 FR 40881; Document Number 2022-14588)

To Whom It May Concern:

The Stellar Development Foundation ("SDF") submits this letter for consideration by the U.S. Department of Treasury with respect to its July 8, 2022, notice and request for comment (RFC)[1] pursuant to Executive Order 14067 (issued on March 9, 2022, and entitled "Ensuring Responsible Development of Digital Assets").[2] The RFC covers a number of specific topics and invites general input on the use and regulation of digital assets.

SDF appreciates that the Department of Treasury is carefully studying and regulating this emerging and complex field, as part of an inter-agency process. The term "digital assets" is broadly defined by Executive Order 14067 and captures a wide range of tokens, technologies, services, and projects – including stablecoins and central bank digital currencies.[3] While many of those digital assets will serve different purposes and use cases and have different policy pros and cons, a significant commonality is that they are all likely to co-exist, overlap, and in some cases inter-operate in the years ahead. SDF believes that the federal regulatory framework and any future rulemakings should reflect this core precept.

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[1] U.S. Treasury Department, *Ensuring Responsible Development of Digital Assets; Request for Comment*, 87 FR 40881 (July 8, 2022), https://www.federalregister.gov/documents/2022/07/08/2022-14588/ensuring-responsible-development-of-digital-assets-request-for-comment#addresses (hereinafter, the "RFC").
[2] Executive Office of the President, *Ensuring Responsible Development of Digital Assets*, 87 FR 14143 (Mar. 14, 2022), https://www.federalregister.gov/documents/2022/03/14/2022-05471/ensuring-responsible-development-of-digital-assets (hereinafter, the "Order" or "Executive Order").
[3] Executive Order at Sec. 9(c)-(d).

Specifically, this letter addresses three key points:

(1) Central Bank Digital Currencies (CBDCs), dollar-denominated stablecoins, and other digital assets and cryptocurrencies do and will co-exist, which has significant policy and practical implications;

(2) financial inclusion is a complex and entrenched problem that merits both public sector and private sector solutions, including through lower transaction fees, greater interoperability, and accessible documentation and customer service; and

(3) it would be useful for the federal government to regularly collect more granular data on digital asset usage, in tandem with pre-existing consumer surveys.

We hope this material is useful for the Department's ongoing efforts.

Stellar Development Foundation

By way of background, SDF is a US-based nonstock, nonprofit organization that supports the development and growth of the Stellar network ("Stellar") and the "Stellar ecosystem" – the individuals, developers, and businesses who build on or interact with Stellar. Stellar is an open-source network that connects the world's financial infrastructure. Founded in 2014, SDF helps maintain Stellar's codebase, supports the technical and business communities building on the network, and serves as a speaking partner with policymakers, regulators, and institutions. Our mission is to create equitable access to the global financial system, using the Stellar network to unlock the world's economic potential through blockchain technology.

From a technology standpoint, Stellar offers a decentralized, fast, scalable, and uniquely sustainable network for financial products and services. It is both a cross-currency transaction system and a platform for digital asset issuance. Financial institutions and fintechs worldwide issue assets and settle payments on the Stellar network, which has grown to over 6 million accounts.

In Washington, D.C., SDF has engaged in public commentary, Congressional testimony,[4] committee briefings,[5] and proactive consultations with U.S. lawmakers, administration officials, and regulators, both one-on-one and through the Blockchain Association and Chamber of Digital Commerce.

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[4] *See, e.g.*, Stellar Development Foundation, *Digital Assets and the Future of Finance: Testifying Before the US House Committee on Financial Services*, SDF Blog (Dec. 8, 2021), https://www.stellar.org/blog/digital-assets-and-the-future-of-finance-testifying-before-the-us-house-committee-on-financial-services?locale=en.
[5] *See, e.g.*, Stellar Development Foundation, *House Financial Services Committee Briefing Takeaways*, SDF Blog (Sept. 28, 2020), https://www.stellar.org/blog/sdf-on-capitol-hill?locale=en.

(1) <u>Coexistence of different digital asset types</u>

An important starting point for regulation is that Central Bank Digital Currencies (CBDCs), stablecoins, and various other digital assets co-exist, converge, and sometimes interoperate – and will continue to do so in the future.[6] As SDF has previously underscored, "[d]ifferent forms of money serve different individual preferences and needs."[7] Recognizing this fundamental precept will shape how federal policy is made and will yield practical benefits.

Executive Order 14067 (the "Order") itself also incorporates this assumption in its text and structure. For example, the Order defines "digital assets" expansively to "include cryptocurrencies, stablecoins, and CBDCs," and notes that they "may be exchanged across digital asset trading platforms [in various ways], including centralized and decentralized finance platforms, or through peer-to-peer technologies."[8] Moreover, the Order addresses both the development and regulation of digital assets issued by governmental entities (in the form of CBDCs) and digital assets issued by private or decentralized entities (stablecoins and other cryptocurrencies alike). For example, Section 4 of the Order "places the highest urgency on research and development efforts into the potential design and deployment options of a United States CBDC."[9] Section 5 of the Order addresses measures to protect consumers, investors, and businesses, and directs or encourages several federal departments and agencies, including the Treasury Department, to study and report on these issues.[10] Sections 6 and 7 of the Order invite the Treasury Department to report on "proposals for additional or adjusted regulation and supervision as well as for new legislation" and to consider other regulation related to illicit finance.[11] Section 8 touches upon "the potential of well-regulated stablecoin arrangements."[12] These sections are naturally read together and reflect the shared premise that different forms and types of digital assets – as well as their corresponding policy implications – can and will coincide.

The co-existence of various types of digital assets should inform the policy framework and formal regulations developed by the Department of Treasury — and the broader inter-agency community — and should acknowledge the importance of interoperability. This is particularly apparent in the context of CBDCs and stablecoins, which are likely to overlap. The ongoing adoption and regulation of stablecoins will necessarily inform that of CBDCs -- and vice versa.

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[6] This section both responds to the RFC's general request for input into the Treasury Department's report, *see* RFC at Sec. III, and also the specific questions about use cases, *id.* at Sec. III(A)(1)(c), developments and infrastructure related to mass adoption, *id.* at Sec. III(A)(2)(a)-(b), and new types of financial products, *id.* at Sec. III(B)(3)(b).

[7] Stellar Development Foundation, *Can a CBDC Promote Financial inclusion? We Think So*, SDF Blog (May 26, 2022), https://stellar.org/blog/can-a-cbdc-promote-financial-inclusion.

[8] Executive Order at Sec. 9(d).

[9] Executive Order at Sec. 4(a)(i).

[10] Executive Order at Sec. 5(a)-(b).

[11] Executive Order at Sec. 6(b). *See also id.* at Sec. 7(d) ("The Secretary of the Treasury shall consult with and consider the perspectives of relevant agencies in evaluating opportunities to mitigate such [illicit finance] risks through regulation.").

[12] Executive Order at Sec. 8(a)(iv).

Indeed, the rapidly growing interest in CBDCs around the world[13] partly originated as a reaction to the emergence of dollar-denominated stablecoin projects. From a consumer perspective, a digital dollar issued by the U.S. Federal Reserve and one that is issued by a private company may be functionally similar in several material ways. From a policy perspective, they could pose related issues in terms of insurance, cyber-security, auditability, and privacy. Moreover, under certain two-tier configurations of a CBDC, the Federal Reserve might essentially delegate the legal and technical authority to distribute and hold 'official' digital dollars. Under that model, different oversight mechanisms and regulations might apply to different types of institutions, but the overlap and similarities call for a cohesive approach to assessing and addressing the sector. Finally, under many scenarios, there may be economic and consumer benefits if different types of digital assets are interoperable, e.g., technically capable of immediate exchange. U.S. policymakers may want to carefully examine the possible interoperability of stablecoins and CBDCs and consider baseline technical standards, as well as any potential implications for systemic risk. The Executive Order already recognizes the role of architecture interoperability and international cooperation "on standards for the development and appropriate interoperability of digital payment architectures and CBDCs to reduce payment inefficiencies. . . ."[14] SDF suggests interoperability standards be technology neutral and allow due flexibility and time for appropriate implementation and testing.

The co-existence of several different categories of digital assets also has practical implications. As SDF has highlighted in prior publications, public-private partnerships and interoperable blockchains can offer various benefits.[15] One benefit is shared code: certain open-source code bases or blockchain technologies that prove to be robust and versatile for stablecoins may come to be applied for CBDCs. A second benefit is optionality: being able to observe and choose from multiple different stablecoin technologies may provide federal officials with greater data points or selection in government contracting -- and could ultimately help diversify the risk of relying exclusively upon one code base or provider. A third benefit is innovation and experimentation: for example, some issuers may choose to offer digital dollars with certain features (e.g., advanced programmability or scheduling) and others may choose to prioritize other features (e.g., higher throughput or privacy-protecting schemas), depending on what consumers demand.[16]

Additionally, it is simply most realistic to regulate under the assumption that CBDCs, stablecoins, and other digital assets will co-exist because they currently do. Indeed, there are already approximately 10 countries that have launched a CBDC in some form and 50 countries

[13] Atlantic Council, *Central Bank Digital Currency Tracker* (2022), https://www.atlanticcouncil.org/cbdctracker/ (last visited Aug. 8, 2022).
[14] Executive Order at Secs. 2 (d), 4(a)(ii)-(iii), 8(a)(ii).
[15] *See generally* Stellar Development Foundation, *Understanding CBDCs: A guidebook for regulators and policymakers* (2022).
[16] *Id. at* 10-23 (analyzing the innovation implications of a CBDC built upon an open blockchain).

that are “in an advanced phase of exploration (development, pilot, or launch).”[17] There are over $100 billion in dollar-denominated stablecoins.[18] And the market cap for other digital assets is approximately $900 billion (as of August 2022).[19] While occasionally commentators have mused about categorically banning one type of cryptocurrency or another,[20] the reality is digital assets are here to stay, which is embodied in the Executive Order’s high-level objectives and policy goals.[21] Conversely, assuming that *either* only CBDCs *or* only stablecoins will exist in the years ahead – and that all other digital assets will disappear – is not only unrealistic, but also may lead to unwieldy and ill-fitting policy outcomes.

For these reasons and others, SDF continues to believe that it is imperative that the United States have a clear, strong stance regarding stablecoins, which already are widely distributed in the marketplace – and CBDCs – as numerous other countries are at various stages of exploring and launching them. This could also offer a way for the United States to take a leadership position with respect to standard setting and interoperability – while maintaining the dollar as the global reserve currency. As the Executive Order states, “[t]he United States derives significant economic and national security benefits from the central role that the United States dollar and United States financial institutions and markets play in the global financial system. Continued United States leadership in the global financial system will sustain United States financial power and promote United States economic interests.”[22] Additionally, as SDF has communicated to Congress, we believe it is more constructive to avoid the “either-or” false dilemma around CBDCs “or” stablecoins and to try to depoliticize the debate on this front. SDF hopes that the House and Senate will advance sensible stablecoin legislation that acknowledges the roles of open-source software and technology companies (other than insured depository institutions) and that includes sensible safeguards to protect consumers and the public trust.

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[17] Atlantic Council, *Central Bank Digital Currency Tracker* (2022), https://www.atlanticcouncil.org/cbdctracker/ (last visited Aug. 8, 2022)
[18] CoinMarketCap, *Top Stablecoin Tokens by Market Capitalization*, https://coinmarketcap.com/view/stablecoin/ (last visited Aug. 8, 2022).
[19] CoinMarketCap, *Cryptocurrency Prices, Charts And Market Capitalizations*, https://coinmarketcap.com/ (last visited Aug. 8, 2022).
[20] *Cf.* JP Schnapper-Casteras, *Banning Bitcoin is a Bad Idea*, Atlantic Council (May 27, 2021), https://www.atlanticcouncil.org/blogs/new-atlanticist/banning-bitcoin-is-a-bad-idea/.
[21] Executive Order at Secs. 1 and 2.
[22] Executive Order at Sec. 2(d).

(2) <u>Financial inclusion</u>

The RFC also highlights the issue of whether "digital assets play a role in increasing [] underserved Americans' access to safe, affordable, and reliable financial services, and if so, how?" RFC at Sec. III(E). This section requests:

> "specific ways in which digital assets can benefit the underserved and the most vulnerable vis-à-vis traditional financial products and services . . . . such as identify verification process, costs, speed, ease of use, and access" and "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 . . . . such as financial and technical literacy and accessibility."

Id. at Sec. III(E)(a)-(b).[23]

First, SDF recognizes that financial inclusion is rooted in complex and entrenched problems – such as discrimination in "redlining," income inequality, racial prejudice, the digital divide.[24] These are historical and structural issues that merit a multi-pronged response from the private and public sectors alike and will take years of work. No singular technology – whether blockchain-enabled or not – will be a panacea. For SDF, this context is important, since systemic change vis-à-vis financial inclusion may require long-term investment, but individual products and services can help improve things along the way.

Second, the private sector can and does play a useful role in addressing financial inclusion, particularly by reducing transaction fees, increasing speed, and expanding the availability of affordable consumer applications and financial services. Increasing payment speed, for one, can help reduce late payments and overdraft fees -- which currently cost American consumers over $30 billion a year.[25] SDF's recent collaboration with MoneyGram, one of the largest money transfer companies in the world, is a prime example of private companies expanding global access

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[23] *See also* RFC at Secs. III(B)(3)(c) ("Potential for improved access to and greater ease of use of financial products"), III(B)(3)(d) ("Potential opportunities for building wealth"), III(B)(3)(f) ("Potential for improved cross-border payments and trade finance").

[24] *See generally* Mehrsa Baradaran, *How the Other Half Banks Exclusion, Exploitation, and the Threat to Democracy* (2018); Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (2017); Chad Stone et al., *A Guide to Statistics on Historical Trends in Income Inequality*, Center on Budget and Policy Priorities (updated Jan. 13, 2020), https://www.cbpp.org/research/poverty-and-inequality/a-guide-to-statistics-on-historical-trends-in-income-inequality; Juliana Menasce Horowitz et al., *Trends in income and wealth inequality*, Pew Center (Jan. 9, 2020), https://www.pewresearch.org/social-trends/2020/01/09/trends-in-income-and-wealth-inequality/; Yoke Wang Tok et al, *Fintech: Financial Inclusion or Exclusion?,* IMF Working Paper no. WP/2022/080 (May 2022), https://www.imf.org/-/media/Files/Publications/WP/2022/English/wpiea2022080-print-pdf.ashx.

[25] Aaron Klein, *Examining Overdraft Fees and Their Effects on Working Families,* Testimony Before the Senate Banking Committee (May 2022), https://www.brookings.edu/wp-content/uploads/2022/05/20220504_Klein_SenateBanking_OverdraftTestimony.pdf

to digital assets and financial services worldwide. Through recent technological advances, Stellar users can now "plug into MoneyGram's retail network with one integration, letting [] users deposit or withdraw cash from their digital wallets via Stellar [US Dollar Coin] USDC without needing a bank account."[26] This means that Stellar users can rapidly and affordably bridge the traditional and digital ecosystems and engage in a variety of blockchain-enabled financial activities that – particularly for those who have been excluded from the banking system – have previously been unavailable to them. For example, with agents in over 190 countries, MoneyGram offers a plethora of 'cash out' locations, which is readily useful for international remittances and diaspora communities in the U.S. that seek to send funds back to family or friends in another country. For the first year of this service (through June 2023), there are no transaction fees and in later years, the total fees are expected to remain well below current global averages for remittance fees, which are, for example, 6.5% for sending $200 USD.[27] Even with these significant improvements in terms of access, transaction fees, and speed, Stellar's MoneyGram Access integration still incorporates Know Your Customer (KYC) collection and appropriate compliance measures. Indeed, thanks to the availability of blockchain analytics to screen user wallets, these compliance measures can exceed those available in traditional banking. MoneyGram's innovative use of the Stellar network further illuminates the potential for traditional financial companies to leverage blockchain technology and digital assets to improve financial inclusion.

On a more technical note, the private and public sectors can also collaborate on interoperability, which can help advance financial inclusion in subtle ways. "An effective [CBDC] design model should prioritize interoperability, permitting that any CBDC account would be able to pay any other CBDC account, whether this is a commercial bank, a digital wallet provider, or other financial entity. These solutions and products can be built on an open system to enable a CBDC to meet payment needs as they evolve. A CBDC should also be interoperable with cash and electronic money at a domestic and retail level."[28] Specifically, interoperability can help further reduce transaction fees, delayed payments (and overdraft fees), and other friction points that serve as an obstacle to financial inclusion. Separate from CBDCs, SDF continues to explore and support the development of interoperability between other (non-sovereign) digital assets, for example through multi-chain technologies.

Third, SDF believes and has observed first-hand that well-designed public infrastructure can help address financial inclusion. SDF "see[s] central banks' focus on developing CBDCs as an encouraging sign of their commitment to improving equitable access to financial services."[29] Specifically, "[t]he development of a CBDC could support financial inclusion through the design

[26] *See generally* Stellar Development Foundation, *MoneyGram Access*, https://stellar.org/MoneyGram (last visited Aug. 8, 2022).
[27] *See, e.g.*, World Bank, *Resilience COVID-19 Crisis Through a Migration Lens*, Migration and Development Brief 34 at 18 (May 2021), https://www.knomad.org/publication/migration-and-development-brief-34.
[28] Stellar Development Foundation, *Can a CBDC Promote Financial inclusion? We Think So*, SDF Blog (May 26, 2022), https://stellar.org/blog/can-a-cbdc-promote-financial-inclusion.
[29] *Id.*

of low-cost solutions for consumers and [Micro, Small, and Medium-sized Enterprises] MSMEs, specifically merchants accepting payments. A CBDC issued on the appropriate infrastructure could lead to the development of a real-time payments system, allowing for transactions to settle and finalize in seconds."[30] Moreover, a "CBDC built using blockchain would reduce merchants' acceptance costs due to the efficiency to move value and the removal of intermediaries required to process a transaction."[31] "A CBDC could help those operating in the informal economy to start building a credit history based on their payments behavior. This would allow them to access new financial products, from lending and savings to investments and insurance."[32] "A CBDC built on an open network would enable cross-border payments including remittances and business-to-business payments that finalize in seconds and cost fractions of a cent, mainly due to the reduction of intermediation." "For example, the total cost for senders in the United States to receivers in Colombia amounts to 1.6% on the Stellar network. This is far less than the average cost of sending funds using the centralized payments system, which amounts to 5.3% according to data from the World Bank Group."[33]

SDF has experience advising and assisting the governments of Brazil[34] and Ukraine[35] as they explore CBDC pilots and related software infrastructure. These are large, geostrategically significant countries with different consumer needs, public policies, and markets. Moreover, SDF is developing resources and technical capabilities that would be useful for other CBDC projects in the future.[36] While those projects are still in early phases, SDF's collective experiences suggest that a "well-designed CBDC could have a positive effect on inclusion and the economy by expanding access to and usage of affordable financial services."[37] That also aligns with the insights that Secretary Yellen highlighted in 2021:

> "We do have a problem with financial inclusion. Too many Americans really don't have access to easy payment systems and to banking accounts, and I think this is

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[30] *Id.*
[31] *Id.*
[32] *Id.*
[33] *Id.*
[34] Stellar Development Foundation, *Mercado Bitcoin Partners with Stellar Development Foundation in the LIFT Challenge Real Digital by the Central Bank of Brazil and Fenasbac*, SDF Blog (May 24, 2022), https://stellar.org/press-releases/mercado-bitcoin-partners-with-stellar-development-foundation-in-the-lift-challenge-real-digital-by-the-central-bank-of-brazil-and-fenasbac.
[35] Stellar Development Foundation, *Ukrainian Ministry of Digital Transformation to develop virtual assets and to facilitate CBDC infrastructure with the Stellar Development Foundation*, SDF Blog (Jan. 4, 2021), https://www.stellar.org/press-releases/ukrainian-ministry-of-digital-transformation-to-develop-virtual-assets-and-to-facilitate-cbdc-infrastructure-with-the-stellar-development-foundation?locale=en.
[36] *See generally* Stellar Development Foundation, *Stellar for CBDCs* (2021).
[37] Stellar Development Foundation, *Can a CBDC Promote Financial inclusion? We Think So*, SDF Blog (May 26, 2022), https://stellar.org/blog/can-a-cbdc-promote-financial-inclusion.

> something that a digital dollar — a central bank digital currency — could help with. I think it could result in faster, safer and cheaper payments."[38]

Moreover, while the results from other international CBDC pilots and research are still emerging, initial experiences suggest that these technologies can bring more people into the financial services sector and can make some concrete progress on financial inclusion.[39]

Fourth, SDF's experience in supporting the Stellar code base and the technical and business communities building on the network has confirmed that expanding financial inclusion is not just about developing new products or posting source code – although those are certainly critical steps with real potential for ongoing innovation. It also requires a nuanced understanding of the everyday needs and challenges of underserved communities and unbanked persons — and incorporating those considerations into product development. Moreover, it requires literally and figuratively meeting users where they are, including in neighborhood stores, local community groups, and trusted public institutions. In the digital asset context, that may also entail creating useful technical documentation, reliable customer service, and accessible summaries about the risks that a given technology may entail.

(3) <u>Data collection</u>

As the RFC notes in several instances, high-quality data is critical to understanding the benefits and risks of digital assets.[40] Some big-picture data that would be useful for policymaking, particularly about nationwide consumer sentiment and practices, may be beyond what any individual company may collect or possess – particularly for an early-stage blockchain startup with a modest number of employees.

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[38] Andrew Ross Sorkin, *Reading Between the Lines: A Conversation With Janet Yellen*, N.Y. Times Dealbook (published Feb. 23, 2021; updated Sept. 15, 2021), https://www.nytimes.com/2021/02/23/business/dealbook/janet-yellen-dealbook.html.

[39] *See generally* Morten Bach et al., *Using CBDCs across borders: lessons from practical experiments*, BIS Innovation Hub (June 2022), https://www.bis.org/publ/othp51.pdf; Adolfo Sarmiento, *Seven lessons from the e-Peso pilot plan: The possibility of a Central Bank Digital Currency*, 3 Latin American Journal of Central Banking 2 (June 2022), https://www.sciencedirect.com/science/article/pii/S2666143822000175; Raúl Morales-Resendiz et al., *Implementing a retail CBDC: Lessons learned and key insights*, 2 Latin American Journal of Central Banking 1 (Mar. 2021), https://www.sciencedirect.com/science/article/pii/S2666143821000028; Gabriel Soderberg et al., *Behind the Scenes of Central Bank Digital Currency: Emerging Trends, Insights, and Policy Lessons*, IMF NOTE/2022/004 (Feb. 2022), https://www.imf.org/-/media/Files/Publications/FTN063/2022/English/FTNEA2022004.ashx; International Monetary Fund, *New Economy Forum: CBDC and Financial Inclusion* (Apr. 14, 2022), https://www.imfconnect.org/content/imf/en/annual-meetings/calendar/open/2022/04/14/164228.html (last visited Aug. 8, 2022).

[40] *See, e.g.*, RFC at Secs. III, III(A)(2)(a), III(B)(3).

SDF respectfully encourages the Treasury Department, in concert with the Federal Reserve, Federal Deposit Insurance Commission,[41] and potentially the Federal Financial Institutions Examination Council, to begin collecting regular data about consumer usage and preferences regarding digital assets, including through surveys, focus groups, and / or case studies. This could be particularly helpful with respect to financial inclusion. Indeed, the Federal Reserve pointed out in 2022 that "[f]urther study would be helpful to assess the potential for CBDC to expand financial inclusion [and lower transaction costs], *including cases* targeted to underserved and lower income households."[42] The RFC itself references the FDIC's "How America Banks" survey,[43] which could start integrating some basic questions about digital assets. More granular data that is regularly collected in a methodologically rigorous manner could be useful for policymakers in the years ahead, particularly with respect to financial inclusion and tracking longitudinal trends in under-served communities.

Likewise, the European Central Bank in 2021 conducted a large public survey of European citizens and business professionals about the prospect of a digital euro, which turned up some significant and revealing insights. Namely, the survey confirmed that "what the public and professionals want the most from such a digital currency is privacy. . . ."[44] As ECB leadership stressed, a "digital euro can only be successful if it meets the needs of Europeans" and "the expectations of citizens highlighted in the public consultation." That logic applies squarely to the United States as well and underscores the importance of conducting data collection and surveys to ensure that the needs and preferences of U.S. citizens are both understood and prioritized in the development of digital assets.

At a high level, the extant figures about cryptocurrency usage vary somewhat: the Pew Center found that 16% of Americans have used or held cryptocurrency (as of November 2021),[45] NBC poll put that figure at 21% (as of March 2022),[46] PYMTS.com at 23% (as of April 2022),[47]

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[41] Federal Deposit Insurance Commission, *How America Banks: Household Use of Banking and Financial Services* (Dec. 17, 2021), https://www.fdic.gov/analysis/household-survey/index.html; Board of Governors of the Federal Reserve System, *Economic Well-Being of U.S. Households in 2021* (May 2022), https://www.federalreserve.gov/publications/files/2021-report-economic-well-being-us-households-202205.pdf.

[42] Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (Jan. 2022), https://www.federalreserve.gov/publications/files/money-and-payments-20220120.pdf (emphasis added).

[43] Executive Order at Sec. III(E)(6).

[44] European Central Bank, *ECB publishes the results of the public consultation on a digital euro* (Apr. 14, 2021), https://www.ecb.europa.eu//press/pr/date/2021/html/ecb.pr210414~ca3013c852.en.html (last visited Aug. 8, 2022).

[45] Andrew Perrin, *16% of Americans say they have ever invested in, traded or used cryptocurrency*, Pew Center (Nov. 11, 2021), https://www.pewresearch.org/fact-tank/2021/11/11/16-of-americans-say-they-have-ever-invested-in-traded-or-used-cryptocurrency/.

[46] Thomas Franck, *One in five adults has invested in, traded or used cryptocurrency, NBC News poll shows*, CNBC (Mar. 31, 2022), https://www.cnbc.com/2022/03/31/cryptocurrency-news-21percent-of-adults-have-traded-or-used-crypto-nbc-poll-shows.html.

[47] PYMTS, *PYMNTS Data: 23% of Americans Owned Crypto in 2021 as Processors Stepped up Support* (Apr. 18, 2022), https://www.pymnts.com/cryptocurrency/2022/pymnts-data-23-percent-americans-owned-crypto-2021-processors-stepped-up-support/ (last visited Aug. 8, 2022).

and Motley Fool at 56% (as of June 2022).[48] Even under the most conservative estimate, that means more than 50 million Americans have used or held cryptocurrencies. On the Stellar network too, the growth has been considerable, with total payments expanding by 166% year-over-year and topping 38 million payments made in Q2 2022 (compared to 7.5 million in Q2 2021).[49] Stepping back, those are extraordinary achievements and growth rates for technology that was effectively non-existent as of 2009 and those trends stem from the diverse use cases that digital assets continue to enable.

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SDF appreciates the opportunity to respond to the RFC and would be pleased to provide additional information that the Department might find useful. In the years to come, different types of technologies and digital assets will come and go, coincide, overlap, and in some instances inter-operate – with varying effects on federal objectives, for example around financial inclusion, consumer protection, and systemic risk. At bottom, we urge the Department and U.S. government writ large to explore and develop an overarching regulatory framework that reflects this co-existence and complexity.

Sincerely,

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Denelle Dixon
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Stellar Development Foundation

[48] Jack Caporal, *Study: Over 46 Million Americans Likely to Buy Crypto in the Next Year*, The Ascent (June 13, 2022), https://www.fool.com/the-ascent/research/study-americans-cryptocurrency/.
[49] Stellar Development Foundation, *Q2 2022 Stellar Development Foundation Quarter in Review* at 13 (July 2022), https://resources.stellar.org/hubfs/Q2%202022_Quarterly%20Report.pdf.