ELECTRONIC TRANSACTIONS ASSOCIATION
1620 L Street NW, Suite 1020
Washington, DC 20036
202.828.2635
electran.org

December 14, 2021

The Honorable Sherrod Brown
Chairman
Senate Committee on Banking, Housing,
and Urban Affairs
Washington, DC 20510

The Honorable Patrick Toomey
Ranking Member
Senate Committee on Banking, Housing,
and Urban Affairs
Washington, DC 20510

Dear Chairman Brown and Ranking Member Toomey:

On behalf of the Electronic Transactions Association (ETA), we appreciate the opportunity to submit this statement for the record before the Committee's hearing, "Digital Assets and the Future of Finance: Understanding the Challenges and Benefits of Financial Innovation in the United States."

As the trade association that represents the breadth of the payments industry,[1] the Electronic Transactions Association (ETA) has deep expertise in payments technology, including the use of cryptocurrencies, blockchain, and other crypto-related technologies to facilitate payment transactions (cryptoassets). At ETA, we are engaged in ongoing conversations within the industry and with policymakers about the promise and challenges of cryptoassets, and we believe there is a common set of principles against which any proposed governmental policies should be measured. In this regard, the payments industry has been a leader in developing industry best practices for mitigating risk and protecting the payments ecosystem.

As policymakers consider new laws and regulations for cryptoassets, they should carefully consider the following principles and ensure that any proposal best serves the needs of consumers and businesses, furthers financial inclusion, preserves and strengthens the financial system, minimizes fraud and money laundering, and ensures that consumers and businesses continue to have access to a robust and innovative array of secure banking and payment options.

1. **Properly Defining Cryptoassets:** Developing appropriate and functional definitions of cryptoassets is a critical first step in ensuring clarity about the regulatory requirements that are applicable to the technology. Given that new technologies can be deployed in many different ways, and that new use cases are constantly being developed, cryptoassets should be defined and regulated based on the underlying activity or use case. Adopting tailored definitions for specific activities and use cases will balance the need to appropriately regulate activity against the harms that might arise from sweeping definitions that inadvertently regulate other activities and use cases, while encouraging innovation that benefits consumers, businesses, and the economy.

[1] ETA is the world's leading advocacy and trade association for the payments industry. ETA's members include banks, mobile payment service providers, mobile wallet providers, money transmitters, and non-bank financial technology companies (fintech) that provide access to credit, primarily to small businesses, either directly or in partnership with other lenders. ETA member companies are creating innovative offerings in financial services and are revolutionizing the way commerce is conducted with safe, convenient, and rewarding payment solutions and lending alternatives – facilitating over $22 trillion in payments in 2019 worldwide.

ELECTRONIC TRANSACTIONS ASSOCIATION
1620 L Street NW, Suite 1020
Washington, DC 20036
202.828.2635
electran.org

2. **Tailoring Regulations to the Risk Profile of the Participant/Activity:** Appropriate regulation of cryptoassets is key to unlocking their potential while ensuring the safety and soundness of the payments ecosystem. Entities engaging with cryptoassets should be subject to regulation that is tailored to the risks that they or the activity in which they are engaged poses to the payments ecosystem. Appropriate regulation of cryptoassets should consider potential harm to consumers as well as safety, soundness, and financial stability risks.

3. **Ensuring Consumer Protection:** The public policy governing cryptoassets should include a framework of standards and rules that appropriately safeguard the privacy and security of every transaction, protect consumers' interests, and give consumers confidence to use the technology for in-person and online transactions. Policymakers should also ensure that consumers understand those protections and how they may differ from those offered by other payment methods. The ability to identify and reduce fraud is critical and should be part of the regulatory framework.

4. **Harmonizing With Existing Regulatory Frameworks:** The payments industry is heavily regulated, and the adoption of any new laws or regulations governing cryptoassets should be designed to fit within this established, robust, regulatory framework. This framework includes federal and state laws relevant to anti-money laundering, economic sanctions, and other anti-fraud and consumer protection requirements. New public policies for cryptoassets should complement, and not conflict with, existing laws and regulations as well as private sector rules and practices.

5. **Encouraging Responsible Innovation:** Continual investment in innovation is at the heart of past, present, and future improvements to the financial ecosystem. Our financial system has benefited greatly from the development of new technologies and capabilities, which serve to strengthen cybersecurity and consumer protection, increase efficiencies, and expand access to financial services. As a technology, cryptoassets have the potential to further many of these developments and promote new innovation and developments. Accordingly, any regulation of cryptoassets should consider the technology's promise to improve existing capabilities while serving as a catalyst and platform for continued innovation.

We appreciate the opportunity to submit this letter for the record and the Committee's leadership on this topic. If you have any questions, please contact me or ETA's Senior Vice President of Government Affairs, Scott Talbott, at stalbott@electran.org

Sincerely,

Jeff Patchen
Senior Manager of Government Affairs
Electronic Transactions Association