

March 3, 2023

Via Email Submission

Office of Science and Technology Policy
Executive Office of the President
Eisenhower Executive Office Building
1650 Pennsylvania Avenue
Washington, D.C. 20504

Re: Comments Regarding Digital Assets Research and Development RFI

On behalf of the Electronic Transactions Association (ETA), we appreciate the opportunity to share our thoughts on the Office of Science and Technology Policy's (OSTP) request for information (RFI) to help identify priorities for research and development related to digital assets.

ETA commends the creation of a National Digital Assets Research and Development Agenda and as payments experts, ETA has long advocated for a policy approach to digital assets that considers both potential benefits and negative consequences and includes an appropriate regulatory framework that is tailored to risk. 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.

Given that the existing payments system in the U.S. is competitive, safe, effective, dynamic, and efficient, ETA urges policymakers to move thoughtfully and deliberately to ensure that any policy proposal best serves the needs of consumers, furthers financial inclusion, preserves and strengthens the financial system, and ensures that consumers continue to have access to a robust and innovative array of secure financial services and payment options.

Who We Are

ETA is the world's leading advocacy and trade association for the payments industry. Our members span the breadth of significant payments and fintech companies, from the largest incumbent players to the emerging disruptors in the U.S and in more than a dozen countries around the world. ETA members make commerce possible by processing more than \$44 trillion in purchases worldwide and deploying payments innovation to merchants and consumers.

ETA's Input on OSTP's RFI

As the OSTP begins the development of a framework for enhancing U.S. economic competitiveness in, and leveraging of, digital asset technologies, the agency 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 business continue to have access to a robust and innovative array of secure banking and payment options.

- 1. Properly Defining Digital Assets:** Developing appropriate and functional definitions of digital assets is a critical first step in ensuring clarity about the regulatory requirements that are applicable to activities involving the technology. Given that new technologies can be deployed in many ways, and that new use cases are constantly being developed, regulation involving digital assets should be based on the underlying activity or use case. ETA suggests policymakers should

set principles-based guidelines for industry-led standards to meet. This would permit flexibility over time to accommodate the technology capabilities of various stakeholders and satisfy consumer expectations. 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.

- 2. Tailoring Regulations to the Risk Profile of the Participant/Activity:** Appropriate regulation involving digital assets is key to unlocking their potential while ensuring a properly functioning payments ecosystem and consumer protection. Entities engaging with digital assets 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.
- 3. Ensuring Consumer Protection:** The public policy governing digital assets activities should include a framework of standards that appropriately safeguard the privacy and security of transactions, 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 digital assets 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 digital assets should complement and build upon, not conflict with, existing laws and regulations as well as private sector rules and practices. Blockchain technology offers real time visibility and traceability that has proven immensely helpful for law enforcement, for example. These types of benefits should be harnessed into any legislation or regulation.
- 5. Encouraging Responsible Innovation:** Continual investment in innovation is at the heart of past, present, and future improvements to the financial ecosystem. Development of new technologies and capabilities serve to strengthen cybersecurity and consumer protection, increase efficiencies, and expand access to financial services. As a technology, digital assets have the potential to further many of these developments and promote innovation and developments, including for financial access and inclusion. Accordingly, any regulation involving digital assets should consider the technology's promise to improve existing capabilities while serving as a catalyst and platform for continued innovation.

ETA has a number of guidelines that can be helpful to the OSTP with a potential central bank digital currency ("CBDC") and that align with the agency's policy objectives:

- 1. Innovation:** Innovation is at the heart of past, present, and future improvements to the financial ecosystem — enabling new capabilities, strengthening cybersecurity and consumer protection, increasing efficiencies, and expanding access to financial services. Any public sector engagement with the financial sector, including the deployment of a CBDC, should serve as a catalyst and a platform for continued innovation.
- 2. The Right Tool for the Job:** Policymakers should compare the suitability of a CBDC with existing systems and other ongoing improvements to payments infrastructure — such as real-time

payments systems — to find the approach that best fits their country’s transaction needs. Faster payments is one such benefit, but there may be others.

3. **Private Sector Participation:** Expanded financial inclusion, ongoing payments innovation, and the efficiency of national and international payment flows all depend on vibrant private sector competition in payments. A CBDC should seek to preserve those functions and minimize effects on the broader financial system through a two-tiered ecosystem that includes the private sector in its design, piloting, and distribution.
4. **Interoperability:** Any CBDC would be introduced into an established, robust, well-functioning payments ecosystem. Ensuring interoperability between a CBDC and other forms of national and international payments systems is necessary to avoid weakening existing mechanisms and harming consumers and businesses. Any CBDC must be able to interoperate seamlessly across the existing landscape.
5. **Open Acceptance:** Consumers will be more likely to adopt a CBDC if it can be used on existing acceptance infrastructure and is supported by known and identifiable payment methods (e.g., in-person and online) that are linked to the user’s existing devices and accounts. To be useful to consumers, any CBDC would need to take advantage of existing acceptance networks and acceptance infrastructure to allow any merchant that accepts payment options to also accept the CBDC.
6. **Consumer Protection:** A CBDC should require a framework of standards and rules that safeguards the privacy and security of every transaction, protects consumers’ interests, and gives consumers the confidence necessary for in-person and online transactions. It should also ensure that consumers understand those protections and how they may differ from those offered by other payment methods.
7. **Regulation Tailored to the Risk Profile of the Participant:** Entities engaging with a CBDC should be subject to regulation that is tailored to the activities and risks that they pose due to their position in the payments ecosystem while harmonizing with existing legal frameworks.

ETA appreciates the opportunity to provide input on this important issue. 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
Director of Government Affairs
Electronic Transactions Association

