



July 5, 2022

International Trade Administration
Department of Commerce
1401 Constitution Ave NW
Washington, DC 20230

Re: Request for Comment on Developing a Framework on Competitiveness of Digital Asset Technologies (Docket ITA-2022-0003)

To Whom It May Concern:

The U.S. Chamber of Commerce (the Chamber) appreciates the opportunity to comment on the International Trade Administration's (ITA) request for comment on "Developing a Framework on Competitiveness of Digital Asset Technologies" (the RFC). The RFC was issued in response to the March 9, 2022, Executive Order on "Ensuring Responsible Development of Digital Assets" (the Executive Order), which outlines numerous policy objectives, and tasks various offices in the executive branch and independent agencies with developing research and recommendations.

The Chamber generally supports the stated goals of the Executive Order. A year before the Executive Order was published, we publicly suggested, *"A White House task force could help set the direction for reducing impediments to technological progress while ensuring that vital consumer and investor protections are not compromised. And it could collaborate with regulatory agencies and Congress and help coordinate national-level priorities designed to maintain the country's global innovation leadership."*

Modernizing our public policy so that it recognizes the significant promise of digital assets is critical to the U.S. maintaining its position as a global innovation leader. This will only be possible if the U.S. can maintain technological leadership. The U.S. Chamber and the business community are hopeful the Executive Order will spur original research, grounded in data, that studies the potential of digital assets that are being developed by entrepreneurs in the private sector.

The Chamber released a report last year, *"Digital Assets: A Framework for Regulation to Maintain the United States' Status as an Innovation Leader,"*¹ (the

¹ Digital Assets: A Framework for Regulation to Maintain the United States' Status as an Innovation Leader. (January 2021). U.S. Chamber of Commerce, Center for Capital Markets Competitiveness.

Chamber report) to provide a roadmap to U.S. policymakers. The report notes that the digitization of assets has the potential to revolutionize how goods and services are offered and how value is transferred for generations to come. The report includes considerations for a digital assets framework with a particular focus on financial services regulatory regimes because of their significant impact on digital assets and related blockchain innovation. A competitive regulatory framework for digital assets is critical to the ability of the U.S. to attract the capital to fund this growing industry.

The ITA has an important role in implementing the Executive Order and advancing public policy domestically and around the world that will position the U.S. as a competitive market for digital asset technologies. The Chamber is pleased to have the opportunity to provide input into ITA's RFC and we provide responses below to many of the questions.

Competitiveness

- 1. What are the features of U.S.-based digital asset businesses (e.g., administrators, operators, validators, and other key stakeholder roles in the function of digital assets as well as the exchanges, brokers, and custodians used to trade and store them) that currently underpin their competitiveness in a global market? Will these features support future competitiveness?**
- 2. What obstacles do U.S. digital asset businesses face when competing globally? How have these obstacles changed over the past five years and are any anticipated to disappear? Are there clearly foreseeable new obstacles that they will face in the future? What steps could the U.S. government take to remove, minimize, or forestall any obstacles?**

First, we require a globally understood lexicon for digital assets before we can embark on constructive dialogues about the roles of administrators, operators, validators, exchanges, brokers, custodians, etc. These new businesses, and businesses models, exist as a function of serving this nascent asset class. This asset class is new, evolving, and not monolithic: digital assets come in many forms. Establishment of a globally agreed upon lexicon would avoid confusion for the categorization or regulatory treatment of digital assets (i.e., security, commodity, currency, or property). Regulators and market participants should not find themselves in a position where it is difficult to discern which regulatory regime(s) certain digital assets are subject.

Second, we need to discuss the policy obstacles being implemented around the world that are challenging businesses. There are regulatory issues ranging from bans on certain types of business to jurisdictions developing regulations that are incompatible with the frameworks that businesses operate under in the U.S that could cause regulatory fragmentation. There is also a growing set of non-regulatory issues and protectionist policies that may make it more difficult for U.S. businesses to fairly compete.

We believe it is important for the U.S. to prevent regulatory driven market fragmentation across different jurisdictions. In the most extreme scenarios, this would mean advocating against bans, or severe restrictions, on activities that are permissible in the U.S. Numerous countries, including Egypt, Iraq, Qatar, Oman, Morocco, Algeria, Tunisia, Bangladesh, and China, have banned cryptocurrency and dozens more have implicitly banned digital currencies by imposing restrictions on banks, or prohibiting cryptocurrency exchanges.²

Conversely, regulatory frameworks in other jurisdictions are being updated more quickly than in the U.S. That is not to say these frameworks are necessarily an improvement, although many are, but that the U.S. is lagging in its opportunity to offer constructive policies that can be considered as international standards. For example, the Council of the EU and the European Parliament are nearing adoption of the Markets in Crypto-assets (MiCA) Regulation with the objective of clearly defining the regulatory treatment of crypto-assets that are not covered by existing financial services legislation.

Establishment and adherence of global regulatory standards for digital assets may also prove helpful to avoid regulatory driven market fragmentation. Some countries have been actively calibrating their regulatory and supervisory oversight of digital assets to advance their own national interests, which may be at odds with those of the U.S. Therefore, the U.S. should consider global leadership in the regulation of digital assets as a key enabler of the overall competitiveness of American firms in this sector. As it relates to financial services regulation, cross-border coordination is important to addressing any perceived issues regarding financial stability or money laundering. This coordination on financial regulation can primarily occur through multilateral organizations, including those established by the G20.

Finally, we are becoming concerned about the potential for market access issues. The EU has not yet launched its Digital Euro, but is relatively advanced, at least compared to the U.S., in moving forward with issuing a digital fiat currency.

² Regulation of Cryptocurrency Around the World: November 2021 Update. (2021). Law Library, Library of Congress. Retrieved June 20, 2022, from <https://tile.loc.gov/storage-services/service/ll/lglrd/2021687419/2021687419.pdf>.

Policymakers in the EU, U.S., and around the world describe new opportunities for the private sector to intermediate digital fiat currencies and suggest this may offset the negative consequences of digital fiat currencies for the private sector (see answer to Question #7 on CBDC).

Recently, for example, a senior official at the European Central Bank (ECB) suggested that non-EU firms be prohibited from playing any role in administering a Digital Euro. *“First, from the perspective of monetary sovereignty, the question arises as to what extent it would be acceptable for non-domestic firms or subsidiaries thereof to play a major role in distributing the digital euro. This outcome would not be ideal if reducing external dependencies were one of the objectives of introducing a CBDC. Central bank measures to avoid an undesired outcome also need to be consistent with financial regulation and trade agreements.”*³

This is but one instance of our concern, but is indicative of other potential prohibitions or barriers to market access. These barriers could be applied in the context of the Digital Euro, if issued, or to other CBDCs. Barriers to market access could unfortunately be applied beyond CBDCs to all forms of digital assets, including those provided by private entities.

3. How does the current U.S. regulatory landscape affect U.S. digital asset businesses' global competitiveness? Are there future regulatory shifts that could support greater global competitiveness of U.S. digital asset businesses? How does the U.S. regulatory landscape for digital assets compare to that in finance or other comparable sectors?

The U.S. has the deepest, most liquid markets in the world. This is, in part, a function of the financial regulatory regime we have developed over many decades. Our regulatory regime has evolved over the years to address new asset classes, business models, and other market developments. This regime is undergirded by strong institutions that provide the requisite certainty to market participants. The decisions we make today for the regulatory treatment of digital assets will have consequences for decades to come. We should move quickly to provide regulatory clarity where necessary, but also avoid sweeping decisions that could prohibit, or inhibit, future innovation.

We believe the U.S. framework for digital assets requires important updates, especially as it relates to financial regulation. The Chamber report notes that far too frequently, regulators have approached the digital assets space by applying laws that

³ Bindseil, U., Panetta, F., & Terol, I. (2021). (issue brief). Occasional Paper Series: Central Bank Digital Currency: functional scope, pricing and controls. European Central Bank. Retrieved June 20, 2022, from <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op286-9d472374ea.en.pdf>.

were not designed to apply to digital assets, the underlying blockchain technology, or the kind of decentralized transactions that digital assets facilitate. Ill-suited regulation has impeded not only the opportunity for innovation in digital assets, but the use of underlying blockchain technology more broadly. For the U.S. to remain at the forefront of global technological innovation, laws, rules, and regulations must encourage entrepreneurs and developers to advance technology and the emergence of the goods and services that technology creates. The Chamber report makes numerous policy recommendations, as it relates to financial regulation, on the topics of:

- When is a Digital Asset a “Security;”
- Custody of Digital Assets;
- Payments;
- Digital Asset Money Transmitters; and,
- Central Bank Digital Currencies.

4. What are the primary challenges to U.S. technological leadership in the digital assets sector?

We do not believe there to be any significant academic, organizational, or financing, barriers to the continued technological leadership of the U.S. in the digital assets sector. The U.S. leads the world in academic publications related to blockchain demonstrating robust basic scientific research on the topic. And, the U.S. receives substantial funding dedicated to blockchain innovation providing the necessary capital to prototype and scale innovative ideas.

However, as addressed in our responses to Questions 2 and 3, a sustained absence of regulatory clarity with respect to the treatment of digital assets could discourage digital innovators from focusing future investments on technological breakthroughs within the U.S. Such a scenario would see the U.S. at a disadvantage relative to other financial and technology centers with more comprehensive digital asset regulatory regimes, as innovators chose to co-locate their R&D investments with foreign jurisdictions where they perceive a clearer path to the compliant deployment and scaling of the resulting innovations.

5. What impact, if any, does the global nature of the digital assets sector have on U.S. digital asset businesses' ability to attract and retain talent and maintain leadership in development and operation of digital asset technologies within the United States?

The U.S. requires access to top innovators, programmers, and other talent to remain a competitive market for digital assets. The current makeup of this industry is global in nature, and we should not assume that the workforce required for the U.S. to remain competitive exists here today. One pillar of maintaining a highly competitive workforce should focus on training and skills development to support this fast-changing and growing sector. A second pillar should focus on immigration policy to ensure the U.S. has access to top talent from across the globe.

6. What, if any, is the future role of digital assets mining in the U.S. digital assets sector? Can digital assets be compatible with a low-carbon economy that emphasizes renewable energy? If so, how? In what ways can the U.S. government and U.S. companies drive competitive, sustainable (for the environment and energy consumption) development of digital assets?

Digital assets mining should have a future role in the U.S. digital assets sector. This question appears to imply that digital assets mining is incompatible with a low-carbon economy; this is incorrect. We would encourage policymakers in the U.S., and abroad, to reject bans on digital asset mining or other policies that explicitly favor one technology over another.

Our economy is full of financial institutions, networks, and technology providers that also consume electricity to process transactions. Why would we use environmental policy to determine that one technology is more useful, or beneficial, to our economy than another? This should be determined by markets.

The environmental concerns stated in this question appears to implicate digital assets protocols that require mining such as Proof of Work (POW). We recognize there are various studies that criticize the environmental impact of POW, but more research must be conducted before depending on these conclusions to make policy determinations. Just last month, new research was published offering a very different perspective and conclusions than some of the other research to date: *"We demonstrate that Bitcoin consumes 56 times less energy than the classical system, and that even at the single transaction level, a PoW transaction proves to be 1 to 5 times more energy efficient."*⁴ The wide variations in the findings of different researchers is evidence in of itself that more analysis would be helpful to informing the public.

⁴ Khazzaka, M. (2022, June 16). Bitcoin: Cryptopayments Energy Efficiency. Retrieved June 27, 2022, from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4125499

7. What impact, if any, will global deployment of central bank digital currencies (CBDC) have on the U.S. digital assets sector? To what extent would the design of a U.S. CBDC (e.g., disintermediated or intermediated, interoperable with other countries' CBDCs and other domestic and international financial services, etc.) impact the sector?

The Chamber has not offered a definitive opinion for whether digital currencies should be issued by central banks (CBDCs). We support the deliberative approach, including consulting with the private sector, that is currently being undertaken by the Federal Reserve Board. This is consistent with a recommendation from the Bank of International Settlements, *“To maintain that trust and understand if a CBDC has value to a jurisdiction, a central bank should proceed cautiously, openly and collaboratively.”*⁵

The Federal Reserve Board’s discussion paper, *“Money and Payments: The U.S. Dollar in the Age of Digital Transformation”* correctly recognizes the potential for far-reaching consequences if the Federal Reserve were to issue a U.S. CBDC. The decision would likely affect every U.S. citizen, U.S. businesses, and stakeholders around the globe given the Federal Reserve’s central role in the global financial system and the status of the U.S. dollar as the world’s reserve currency.

In our comments to the Federal Reserve Board, we note that:

*We hope the Federal Reserve will carefully weigh the history of the private sector in payments innovation and the potential consequences to our financial system if the Federal Reserve issues a U.S. CBDC. The discussion paper rightly notes “A crucial test for a potential CBDC is whether it would prove superior to other methods that might address issues of concern in this paper.” As a threshold matter, the Federal Reserve should determine whether there is a specific market failure, a failure of public-private collaboration, or a shortcoming with other payments initiatives, including those led by the Federal Reserve, that a U.S. CBDC would address.*⁶

ITA should also recognize that there are many potential design options for CBDCs. Not all CBDCs, if issued, will have the same policy objectives or design features. Although some central banks have already issued, or are moving forward

⁵ Bank for International Settlements (2020). Central bank digital currencies: foundational principles and core features. Retrieved from <https://www.bis.org/publ/othp33.pdf>

⁶ Hulse, B. (2022, May 20). Comments on Money and Payments: The U.S. Dollar in the Age of Digital Transformation. U.S. Chamber of Commerce. Retrieved from http://www.centerforcapitalmarkets.com/wp-content/uploads/2022/05/U.S.-Chambers-Comments_CBDC_FedReserve-Final.pdf?#

with issuing digital currencies, it is still too early to say exactly which of these design features, if any, meet U.S. policy objectives including the protection of consumer privacy.

We support the Federal Reserve continuing its research on potentially issuing a U.S. CBDC. This research should not have the aim of supporting a preconceived conclusion for potentially issuing a U.S. CBDC; it should be used to inform policymakers of the cost and benefits, and ensure the Federal Reserve is positioned to act if authorized by Congress.

8. Should digital assets be given specific consideration in trade agreements? If so, to what extent? What types of provisions would be beneficial to the U.S. digital assets sector in the United States? Are there provisions that would be beneficial to U.S. businesses and consumers?

Given that many countries are resorting to measures such as data localization requirements or burdensome technical standards that create barriers and an unlevel playing field for U.S. businesses, the U.S. should develop an approach to the treatment of digital trade, including trade in digital assets, in the negotiation of U.S. trade agreements. Such an approach should, for instance, include strong non-discrimination principles.

9. What other factors related to economic competitiveness should Commerce consider in the development of the framework?

The Department of Commerce should support the participation of partner countries in the development and adoption of industry driven standards, particularly those that support the overall governance and security of the digital assets ecosystem. Furthermore, the Department of Commerce should also take note of the direct investments that are being provided by other national governments. These investments are an incentive for companies offering digital assets to offer products and services in these jurisdictions, and potentially domicile there. These investments could also eventually become unfair subsidies that are a net disadvantage to our market and U.S. companies.

10. Beyond enhanced economic competitiveness, how can the U.S. digital assets sector advance the other objectives outlined in the Executive Order? These other objectives include protection of consumers, investors, and business in the United States; protection of United States and global financial stability and

the mitigation of systemic risk; and mitigation of illicit finance and national security risks posed by misuse of digital assets.

Global leadership of the U.S. in establishing high, clear, and consistent regulatory standards for crypto-assets would strongly contribute to achieving a range of other objectives of the Executive Order, including national security and financial stability. We believe the U.S:

- Should lead on mitigation on mitigation of illicit finance;
- Support clear and consistent regulatory standards for stablecoins to promote financial stability; and,
- Play a leading role in the setting of regulatory standards for Decentralized Finance (DeFi).

11. By what metrics should we measure the competitiveness of the U.S. digital assets sector in the global market? Are there existing measurements or data against these metrics?

12. What factors and conditions, if any, that have driven and sustained the global leadership of U.S.-based legacy financial institutions will foster the same leadership for U.S. digital asset businesses? If there are no common factors, what factors and conditions will differentiate global competitiveness for U.S. digital asset businesses?

If the U.S. dollar's status as the world's premiere reserve currency is challenged, serious consequences to the U.S.'s global leadership are likely to follow. The U.S. should remain committed to ensuring that the role of the U.S. dollar is not diminished.

As the Executive Order notes, "We must reinforce United States leadership in the global financial system and in technological and economic competitiveness, including through the responsible development of payment innovations and digital assets. The United States has an interest in ensuring that it remains at the forefront of responsible development and design of digital assets and the technology that underpins new forms of payments and capital flows in the international financial system."

The U.S. dollar has served a historic role as the world's primary reserve currency, carrying with it around the globe American civic values such as the rule of law, free enterprise, individual privacy, and monetary stability. A diminishment of the U.S. dollar's global role could signal the waning of these and other values embodied in the U.S. dollar, as other currencies replace the U.S. dollar and assume a more

significant spot in economies and societies. Those other currencies could carry with them values that are antithetical to those on which the U.S. is based.

In short, vital U.S. interests are at risk if the U.S. does not lead in innovation, with potentially profound adverse impacts. Maintaining the leading role of the U.S. dollar in international markets must be a national priority. This includes ensuring that the U.S. remains a payments infrastructure leader across the board, and that the U.S. dollar continues its central role in facilitating global finance and trade flows.

13. Can digital assets improve international payments (including trade and remittances), and improve on access to trade finance? If so, how? How do digital assets compare to other initiatives in payments such as the Federal Reserve's FedNow?

Sec. Yellen has noted that that the cost of international remittances are relatively high, and these costs are especially high for developing countries. Policymakers should be focused on identifying policies to decrease these costs.

If you live in a G7 country, you may pay below two percent in transaction and conversion fees to send money across the border. If you live in the developing world, you may pay as high as ten percent. These high costs disproportionately impact the 250 million-plus migrants around the world who send an average of \$200 to \$300 in remittances to their families each month.”

Economists at the International Monetary Fund have noted:

Digital money has the potential to transform the financial sector. Emerging markets and lower-income countries stand to gain the most from this dramatic shift. Broad and inexpensive access to digital money and phone-based transactions could open the door to financial services for 1.7 billion people without traditional bank accounts. And countries may grow increasingly connected, facilitating trade and market integration. The real-world impact is significant.⁷

As noted in the Chamber report, we believe there is significant opportunity to lower the costs of cross-border payments. Blockchain technology is one of the potential solutions for realizing new efficiencies in cross-border payments.

⁷ Adrian, T.,; Mancini-Griffoli, T. (2021, June). A New Era of Digital Money. The International Monetary Fund. Retrieved from <https://www.imf.org/external/pubs/ft/fandd/2021/06/online/digital-money-new-era-adrian-mancini-griffoli.htm>

Cross-border payments, including foreign remittances, are frequently cited as one of the most important opportunities for digital assets in banking. The current framework for cross-border payments is burdened by inefficiencies and various processes and fees, with numerous intermediaries playing a part in each payment. The framework also lacks harmonization and standardization, with different types of systems, payment instructions, and fields that are not interoperable with each other. . .

Blockchain technology and digital assets can empower direct real-time transactions that lower the expense and time associated with sending, clearing, and settling payments. The savings could be billions of dollars a year.⁸ In addition, payment innovation provides individuals and small businesses with quicker access to funds to pay bills and to buy what they need when they need it. The need to get government stimulus checks into the hands of individuals and households as quickly as possible during the COVID-19 pandemic demonstrates the value of payments speed and efficiency. Moreover, by decreasing the number of actors that information must flow through and offering real-time balance information, using blockchain can further reduce security concerns as well as liquidity risks.

It is important to understand if digital assets can lower the cost of existing payment networks or enable new options to payments where few currently exist, such as the developing world. Technology alone, however, is not a silver bullet for solving existing barriers to the speed of payments. Efficiency, transparency, and accessibility of payments as a range of issues, including fragmented regulatory requirements, would also need to be resolved. Further, payments via digital assets are not necessarily appropriate, or more cost effective for every transaction, but they should be pursued in instances where they improve the overall payments system. It is also worth remembering that not all digital assets are the same, and not all means of payments using digital assets are the same, when considering whether digital assets could improve the international payments system.

Finally, the issuance of CBDCs should not preclude the existence of stablecoins. Chairman Powell has stated that CBDCs and stablecoins can coexist. When asked by Senator Patrick Toomey *“If Congress were to authorize the Fed to pursue a central bank digital dollar, is there anything about that that ought to preclude well-regulated, privately-issued stablecoins from coexisting with a central bank digital*

⁸ Matt Higginson et al., *Blockchain and Retail Banking: Making the Connection*, MCKINSEY & COMPANY, June 7, 2019, <https://www.mckinsey.com/industries/financial-services/our-insights/blockchain-and-retail-banking-making-the-connection>.

dollar?” the response from Chairman Powell was “*No, not at all.*”⁹ Therefore, it is important to understand how and where stablecoins will exist within financial markets before the Federal Reserve might issue a U.S. CBDC that somehow precludes the existence of stablecoins. We believe this is the right approach.

14. According to the FDIC's 2019 “How America Banks” survey, approximately 94.6 percent (124 million) of U.S. households had at least one bank or credit union account in 2019, while 5.4 percent (7.1 million) of households did not. Can digital assets play a role in increasing these and other underserved Americans' access to safe, affordable, and reliable financial services, and if so, how? What role can the Federal government and the digital assets sector play to ensure that underserved Americans can benefit from the increased commercial availability of digital assets?

Financial inclusion is an important topic that merits continued study by ITA, the U.S. Treasury Department, financial regulators, and other policymakers. The Chamber launched an Equality of Opportunity Initiative in 2020 because we believe that all Americans should have the opportunity to earn their success, rise on their merit, and live their own American Dream. Access to the financial system – including payments services, credit products, and investment opportunities – is critical to providing underserved communities the means to be financially successful and to close the racial wealth gap.

Another cornerstone of financial inclusion is consumer protection and trust. No technology, including digital assets and blockchain, can be a silver bullet for addressing financial exclusion in the U.S. or elsewhere. Digital assets providers, however, could bring more competition to the payments system and have attributes that may make it easier for all communities, especially underserved communities, to access financial services. Once trust and consumer protection are in place, digital assets innovations have the potential to support a much larger range of inclusionary use cases.

15. To what extent do new standards for digital assets and their underlying technologies need to be maintained or developed, for instance those related to custody, identity, security, privacy, and interoperability? What existing standards are already relevant? How might existing standardization efforts be harmonized to support the responsible development of digital assets?

⁹ United States Senate Committee on Banking, Housing, and Urban Affairs Nomination Hearing January 4, 2022. (117th).

<https://www.banking.senate.gov/hearings/01/04/2022/nomination-hearing>

The Chamber supports, in some instances, development of new standards for digital assets, but this should primarily be a private sector lead effort. The question seems to overlook the fact that different blockchains are intentionally independent and distinct. Blockchains have different use cases and serve different stakeholders. Standards would not necessarily enhance digital assets and could stifle innovation, at least at this early stage for the technology.

If government were to play a role in the development of new standards for digital assets, then it should act solely as a convener. The National Institute of Standards and Technology (NIST) would be the appropriate venue within the federal government to convene the business community, and other stakeholders, to consider the development of standards for digital assets that would make the U.S. competitive over the long run.

To the extent that standards are enforced by regulation, it is essential that regulators provide greater clarity as to which regulations will apply to which assets. For example, custody of digital assets will be governed by a highly prescriptive and, in many ways, ill-fitting set of regulations for crypto-assets if the assets are deemed securities. Greater clarity about which set of regulations apply as well as a ruleset designed with the unique characteristics of digital assets—including both the efficiencies they provide and the novel risks they may present—is essential to the growth of a robust, resilient, and trustworthy market.

16. What new security concerns does increased adoption of digital assets raise? How can the U.S. government collaborate with U.S. digital asset businesses to protect consumers' access to their assets, personal information, and other sensitive data?

We believe consumer education about the custody of digital assets is important to protecting consumers. Digital assets are unique from the banking and securities products consumers are accustomed to given that they are exchanged and accounted for via a distributed ledger, not a trusted intermediary. The distributed ledger, in short, is a history of transactions between public keys. Consumers need to understand how their assets are custodied, including their individual responsibilities for ensuring they maintain access. The U.S. government can work with specialized business types that have developed training to educate users in these spaces to mitigate security concerns that may occur due to lack of consumers, investors, and businesses' understanding in the digital asset ecosystem.

To possess or control a digital asset, one must generally have both a cryptographic “public key” and a corresponding cryptographic “private key.” The

public key is visible to and verifiable by all participants on the blockchain. The private key is intended to be kept confidential. The holder of the private key to a particular digital asset can transfer the digital asset to anyone via the related blockchain; without the private key, one is unable to do so.¹⁰

Some digital asset owners store their private keys in a “hot wallet” connected to the internet to permit rapid transactions, but this runs a heightened risk of cyber theft. Others store their private keys offline in “cold wallets” that decrease cybersecurity risk but introduce frictions when the holder seeks to buy, sell, or lend digital assets in cold storage. Moreover, a private key in cold storage could still be stolen, lost, or destroyed. A digital asset holder may rely on a third party to hold the assets. In that case, holding the assets (i.e., “custody”) has, as noted above, a regulatory dimension to it as well as a technological one.¹¹ The Chamber believes the appropriate means for storing private keys depends on the parties and the use case.

Recognizing that digital assets have unique benefits, consumers should always be appropriately made aware of their risks and their options for mitigating them. Consumers need to be informed about their rights and responsibilities for accessing digital assets to promote trust in the system.

17. To what extent will interoperability between different digital asset networks be important in the future? What risks does a lack of interoperability pose? And what steps, if any, should be taken to encourage interoperability?

Interoperability could become more important to digital asset networks as they scale and become more ingrained within different parts of our economy. Any regulatory frameworks that may be developed should advance interoperability across the different aspects of digital assets. Interoperability is necessary for decentralized protocols to interact with each other and other networks.

The benefits of interoperability are theoretically substantial but should also be carefully weighed against the purpose of existing regulatory frameworks. Interoperability has the potential benefits, for example, of making digital assets more accessible, and reducing transaction inefficiencies. Interoperability should respect the principles of consumer protection including as it relates to consumer financial protection laws, data privacy, and data security.

Finally, not all decentralized protocols need to be interoperable. In fact, many are designed to operate independently of other networks. Imposing new standards or

¹⁰ See the Chamber Report

¹¹ Ibid.

regulatory frameworks on these protocols, where interoperability is not required or desired, could limit their use cases.

The Chamber appreciates the opportunity to comment and stands ready to work with the Department of Commerce as you study these issues.

Respectfully,

A handwritten signature in black ink that reads "William R. Hulse". The signature is written in a cursive style with a horizontal line at the end.

Bill Hulse
Vice President
Center for Capital Markets Competitiveness
U.S. Chamber of Commerce