GBBC Global Blockchain Business Council

Today, March 9, 2022, U.S. President Joe Biden signed an Executive Order on Ensuring Responsible Development of Digital Assets. The much anticipated order seeks to outline a “whole-of-government" approach to "protect consumers, financial stability, national security, and address climate risks,” while ensuring U.S. leadership and competitiveness in the booming digital asset ecosystem.

The signing of this executive order is a watershed moment for blockchain and digital assets, signaling official recognition of the importance of the technology to U.S. national interests, strategy, and global competitiveness. A statement released by NEC Director Brian Deese and National Security Advisor Jack Sullivan stated that the order marked the "intensification of [U.S.] efforts to promote responsible innovation in the digital assets space."

After nearly a decade of building, evolving, and scaling, the executive order is a major step for the industry in receiving official recognition from the highest level of government in the U.S. The GBBC would like to thank the many leaders, innovators, and advocates who have worked tirelessly to bring the industry to this point and who will continue to innovate as we collectively seek to grow the business of blockchain to create more secure, equitable, and functional societies.

The order lays out several objectives and directives but does not go as far as to announce additional policies, regulations, or positions government agencies should take.

Summary of objectives laid out in the order:

- **Protect consumers, investors, and businesses**
    - Ensuring “safeguards are in place and promot[ing] the responsible development of digital assets.”

- **Protect the U.S. and global financial stability**
    - "Digital asset issuers, exchanges and trading platforms, and intermediaries whose activities may increase risks to financial stability, should, as appropriate, be subject to and in compliance with regulatory and supervisory standards that govern traditional market infrastructures and financial firms."
- **Mitigate illicit finance and national security risks**
    - Ensure "appropriate controls and accountability for current and future digital assets systems to promote high standards for transparency, privacy, and security — including through regulatory, governance, and technological measures — that counter illicit activities and preserve or enhance the efficacy of our national security tools."
- **Reinforce U.S. leadership in the global financial system**
    - "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, particularly in setting standards that promote: democratic values; the rule of law; privacy; the protection of consumers, investors, and businesses; and interoperability with digital platforms, legacy architecture, and international payment systems."
- **Promote access to safe and affordable financial services**
    - "The United States has a strong interest in promoting responsible innovation that expands equitable access to financial services, particularly for those Americans underserved by the traditional banking system, including by making investments and domestic and cross-border funds transfers and payments cheaper, faster, and safer, and by promoting greater and more cost-efficient access to financial products and services"
- **Support technological advances that promote responsible development and use of digital assets**

    - Digital asset technologies and ecosystems should include privacy and security in their architecture and reduce negative climate impacts and environmental pollution that occurs from crypto mining.
- **Investigation of a U.S. CBDC**
    - Placing “the highest urgency on research and development efforts into the potential design and deployment options of a United States CBDC.”

<u>In addition to outlining several objectives, the order includes several directives:</u>

- **Treasury Department CBDC Report**
    - The Treasury, State, Commerce, Justice, and Homeland Security departments, as well as the Office of Management and Budget and the Office of the Director of National Intelligence, are tasked with writing a CBDC report within 180 days.
- **Treasury and Labor Department Report on Risk, Opportunities, and Policy Recommendations**
    - The Treasury and Labor department must submit a report on risks and opportunities posed to consumers, as well as policy recommendations, within 180 days.
- **Attorney General Report on Law Enforcement**
    - The Attorney General must submit a report on the role of law enforcement agencies in detecting and investigating criminal activity related to digital assets within 180 days.
- **Director of the Office of Science and Technology Policy and EPA Report on Climate Impact**
    - The Director of the Office of Science and Technology Policy, in consultation with Treasury, Energy, and the EPA, must submit a report "on the connections between distributed ledger technology and short-, medium-, and long-term economic and energy transitions; the potential for

these technologies to impede or advance efforts to tackle climate change at home and abroad; and the impacts these technologies have on the environment" within 180 days.

    - "The report should also address the effect of cryptocurrencies' consensus mechanisms on energy usage, including research into potential mitigating measures and alternative mechanisms of consensus and the design tradeoffs those may entail."

- **Treasury and the Financial Stability Oversight Council Report on Financial Stability**
    - Treasury and the Financial Stability Oversight Council (FSOC) must produce a report "outlining the specific financial stability risks and regulatory gaps posed by various types of digital assets and providing recommendations to address such risks" within 210 days.
- **Treasury Department Framework for International Engagement**

The Treasury Department must establish a framework for interagency international engagement with foreign counterparts within 120 days.