

Executive Order on Ensuring Responsible Development of Digital Assets

On March 09, 2022, Biden signed an Executive Order, outlining a new whole-of-government approach to addressing the risks and harnessing the benefits of digital assets and their underlying technology.

The fast growth of digital assets, such as cryptocurrencies and stablecoins, has made necessary an evolution and alignment of the United States Government approach to digital assets.

The principal policy objectives of the United States, declared in the Executive Order and with respect to digital assets, are as follow:

1. Protection of consumers, investors, and businesses.

Appropriate oversight and standards on firms providing digital asset services can grant protection for customers' sensitive financial data, custodial and other arrangements relating to customer assets and funds, or disclosures of risks associated with investment.

2. Financial stability and financial system integrity.

The Executive Order states that digital asset issuers, exchanges and trading platforms, whose activities may increase risks to financial stability, should be subject to regulatory and supervisory standards that govern traditional market infrastructures and financial firms. This could ensure greater protection from financial risk associated with digital assets.

3. Crime and illicit finance.

Digital assets may pose significant illicit finance risks, including money laundering, cybercrime and ransomware, narcotics and human trafficking, and terrorism and proliferation financing. Digital assets may also be used as a tool to circumvent United States and foreign financial sanctions regimes and other tools and authorities. The

United States can ensure appropriate controls and accountability for current and future digital assets systems to promote high standards for transparency, privacy, and security.

4. National security

With the *responsible development* of payment innovations and digital assets, the United States can reinforce their leadership in global financial system and in technological and economic competitiveness, strengthen the role that the USD plays in the global financial system.

5. Equity

New technologies can grant many Americans access to safe and affordable financial services, making investments and domestic and cross-border funds transfers and payments cheaper, faster, and safer.

6. Climate

The United States has an interest in ensuring that digital asset technologies and the digital payments ecosystem are developed, designed, and implemented in a responsible manner that includes privacy and security in their architecture, integrates features and controls that defend against illicit exploitation, and reduces negative climate impacts and environmental pollution, as may result from some cryptocurrency mining.

The Executive Order then indicates some of the instruments that can be used to fulfill these objectives.

A. First, a Central Bank Digital Currency (CBDC) can be an instrument to support efficient and low-cost transactions, particularly for cross-border funds transfers and payments, thanks to its potential interoperability with CBDCs issued by other monetary authorities (e.g., Digital Euro). A report will be submitted by the Secretary of the Treasury on the future of money and payment systems, with an analysis of the potential implications of a U.S. CBDC.

B. Regulatory intervention is considered as a valid tool that can ensure to consumers market protection. The Secretary of the Treasury will submit to the President a report on the implication

of developments and adoption of digital assets and its implication for US consumers, investors, and businesses. The report will include policy recommendation, including potential regulatory and legislative actions, if appropriate. The Chair of the SEC, in collaboration with other agencies, is encouraged to consider the extent to which investor and market protection measures may be used to address the risks of digital assets and whether additional measures may be needed.

C. The blockchain technology can be used to monitor or mitigate climate impacts, such as exchanging of liabilities for greenhouse gas emission. Further studies are needed to evaluate the potential uses of blockchain and its implication for energy policy.

D. The Executive Order considers the possibility of additional or adjusted regulation and supervision as well as for new legislation for granting financial stability and mitigate system risk.

E. Regulation, supervision and law enforcement could be instruments to mitigate risk of *illicit finance* linked to the uses of digital assets.

F. International Cooperation is identified as an essential element for investigate illicit digital asset transaction flows, reduce inefficiencies in international funds transfer and payment systems and grant an appropriate interoperability between CBDCs.

In the following months, the Administration will work across agencies to analyze all the possible policies that can guide responsible innovation and grant both benefits to US economy and as much protection as possible from the risks resulting from it.