



## Fortifying the Crypto Future: U.S. National and Economic Security in the Virtual Realm

January 29, 2024

*Featuring: Rep. French Hill (R-AR), Rep. Jim Himes, (D-CT), Juan C. Zarate, Elaine K. Dezenski, Dante Disparte, Sujit Raman, and Amit Sharma*

**DEZENSKI:** Good afternoon, everyone, welcome.

It's Monday, January 29th.

My name is Elaine Dezenski. I'm the Senior Director and Head of the Center on Economic and Financial Power at the Foundation for Defense of Democracies.

We're really pleased to have you all here. Some are in person. Some are tuning in live, or today's two-part panel discussion entitled "Fortifying the Crypto Future: U.S. National and Economic Security in the Virtual Realm."

The emergence of decentralized finance and digital assets such as stablecoins, cryptocurrencies, and central bank digital currencies are market disruptors, innovations that have the potential to fundamentally change the financial system and potentially for the benefit of consumers, markets, and broader financial inclusion.

But these technologies also pose risks. New avenues have emerged for illicit financiers, sanctions evasion, financial fraud, and avoiding traditional market controls. U.S. lawmakers are actively wrestling with the challenge of embracing financial innovation while protecting national and economic security. And that's what today's conversation is all about.

We are delighted to welcome Representative French Hill of Arkansas's Second District, and Representative Jim, Himes of Connecticut's Fourth District along with Juan Zarate, who will moderate the first panel on how congress should approach this balance between innovation and national security.

Our second panel will focus on industry perspectives with three of our industry colleagues, Dante Disparte, Chief Strategy Officer, and Head of Global Policy at Circle; Sujit Raman, General Counsel at TRM Labs; and Amit Sharma, CEO of FinClusive and a Board Advisor to the CEFP, at FDD.

And I look forward to moderating that conversation.

Representative Hill serves as the Vice Chairman of the House Financial Services Committee, and oversees all areas related to digital assets and financial technology. He's also a member of the House Permanent Select Committee on Intelligence and the House Foreign Affairs Committee. Before his congressional service, Congressman Hill was the Founder, Chairman, and CEO of Delta Trust and Banking Corporation.

Representative Jim Himes is the Ranking Member of the House Permanent Select Committee on Intelligence, and also serves on the House Financial Services Committee. Before his service in Congress, he ran the New York City branch of the Enterprise Community Partners, a nonprofit dedicated to addressing the unique challenges of urban poverty. Congressman Himes started his professional career at Goldman Sachs.

And finally, I'm delighted to introduce my friend and colleague Juan Zarate, who serves as Chairman and Co-Founder of the Center on Economic and Financial Power and is the Global Co-Managing Partner at K2 Integrity. From 2004 to 2008, Juan served as the Deputy Assistant to the President, and Deputy National Security Advisor for Combating Terrorism.

Before we dive into our featured discussion. just a few quick words about FDD. For over 20 years we have operated as an independent non-partisan research institute focused exclusively on national security and foreign policy. As a point of pride and principle, we do not accept foreign government funding.

The Center on Economic and Financial Power was launched in 2014, formalizing our work in countering terror finance, and the institution's deep expertise in sanctions and economic warfare. Since then, our work has expanded to a broad range of research and policy to work towards strengthening America's economic and financial power.





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For more on our work please visit our website [FDD.org](https://www.fdd.org) and follow us on X @FDD. Thanks so much.

And I'll turn it over to Juan.

**ZARATE:** Elaine, thank you for that wonderful and warm introduction.

I want to thank you for your leadership of the Center on Economic and Financial Power. You continue to innovate and to lead us with great grace, dignity, and innovation so, thank you.

I'm looking forward to the second panel.

Congressmen, really honored to have you here.

I want to welcome you all. Thank you for joining.

Those who are joining online, welcome as well.

Let's jump right in.

Congressman, you both sponsored legislation to regulate the Crypto industry and to balance between the risks and the opportunities that the industry represents. Can you speak to both the legislation and your motivation for being involved on this issue?

Congressman Hill?

**HILL:** Well thanks. Probably starting out of order, since I'm in the minority, and French is in the majority but I...

**HILL:** We'll give him the last one.

**HIMES:** ... I say that because it was actually — it was a pretty — both the stablecoin bill and the market structure bill were pretty remarkable inasmuch as the Chairman Patrick McHenry, and French Hill, who I think the Chairman deputized to do a lot of the day-to-day work on this, were dead set on making this as bipartisan as possible. So I think — and I've never had this experience before, and I think pretty much, the list of items that I had throughout the course of the legislative sausage-making they'd say, "yes, yes, yes". And so, we really did produce what I think was a strong bipartisan product, I maybe a little less reflected in the votes than in the sentiment behind it.

I really do believe the ranking member was stretching to get to yes, there were a bunch of reasons why I think in the end she couldn't.

But anyway so I — let me answer your direct question very quickly. To me, I was a technology banker in '98, '99 and to me this feels a lot like the way we thought about the internet in '98, and '99.

We didn't know quite what it was going to do. We suspected there was some real value and some innovation there. There were some terrible ideas. I was at Goldman when Hank Paulson singlehandedly put a billion dollars into Webvan because, "they'll deliver groceries right to your house."

And...

**HILL:** Ahead of his time maybe.



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**HIMES:** ... he was, well that was a painful billion-dollar loss.

But anyway, it feels to me like that's this moment. And you know, I'm — I'm also skeptical about some of the promised applications and we can get into that if you like.

But the point is both from a prosperity and an economic, and a national security standpoint, you don't want to be behind on innovation. And it feels to me like the hard part is not putting in place a better regulatory regime. I don't think either one of us thought we were putting in place the perfect regulatory regime but it's not hard to do better than the one we've got, with all of the uncertainty and everything else.

And so that was my story really. I just thought I don't know whether I should be skeptical about this or excited about this but we shouldn't be way behind on innovation. And if we don't make some progress we will be.

**ZARATE:** Yes.

Congressman Hill?

**HILL:** I think there — there's not an effective fit-for-purpose design here. And you have just like the internet in 1996 was a new technology that people didn't know how it would turn out. But Congress made a proactive decision to not regulate the technology but instead regulate the use of the technology and let it you know, run in the background effectively. And we've seen all the economic benefits of the internet.

So if you think about Web3 or Blockchain as a technology, and people want to innovate, they want to invest. They want to offer use cases and test ideas out in the marketplace to see if people are going to like them or not. It is a — the internet by definition now 30 years later is a fully multilateral, multidimensional, international entity not bound per se by national boundaries.

And so the law has to create that environment, in my judgment, and I agree with everything that Jim said, that we need a fit-for-purpose regulatory environment that lets innovators and investors know what they might be able to do and not do in the blockchain space, when they're raising capital for an idea, what is a commodity, what is not a commodity, what's a security.

So contrary to some of the opponents in this arena, we are directing the CFTC [Commodity Futures Trading Commission], the SEC [U.S. Securities and Exchange Commission], and the bank regulators, what to do here in order to facilitate that innovation in a safe and sound way, lay out the rules of the road.

And to Jim's point, let people bring their use case forward but to prohibit them from testing the use case, or telling them somehow they're violating a law for trying to innovate seems to me the wrong thing for the US.

And finally, we want to preserve U.S. competitiveness, as I say, this is a very international, multidimensional technology and it's not limited to a national boundary. Some may use it for ill and some may use it for good but I think we need to have that oversight. And with that oversight we have much better chances of protecting investors and preventing fraud or malfeasance.

**ZARATE:** That's a great summary.

Let me ask you both to weigh in on the mood in Congress, right, because there's been waves of either acceptance or adoption or skepticism with respect to whether it's cryptocurrency, stablecoins, or even tokenization. What's the mood in Congress especially coming off of a year in 2023 with so much scandal, the FTX scandal, the...

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**HIMES:** Yes.

**ZARATE:** ... Binance enforcement action, it was sort of the heyday for the skeptics to say, "I told you so." What's the mood in Congress for any prospects for legislation in 2024?

**HILL:** Well I think I've argued persuasively either due to the failures of some stablecoins to demonstrate that they're stable and people not really have the transparency they deserve in that marketplace or the failures at FTX. Those just simply argue the case that we need this regulatory framework.

The Chairman of the SEC comes to the Congress and early on was saying, "I need no legal changes, I have all the tools we need, we just need the private sector to, quote, 'come in and register'". Well clearly that's fallen on deaf ears. And it hasn't turned out to be the case. And in fact, the federal courts have determined that's true as well.

And we have the Chairman at the CFTC saying the opposite thing, Chairman Benham. So I think we've reconciled that and come to a good place. And I would argue these either lack of SEC oversight or too much SEC oversight or the failure and fraud of a criminal, like in the case of FTX, those speak to why we need the law, not argue against it.

**ZARATE:** Congressman Himes?

**HIMES:** Yes. I think it's pretty tough. I mean — and it's probably more concentrated on my side of the aisle and as much as on you know, further on the right there's natural libertarian genetics which maybe don't exist in the Democratic Party. So it's concentrated I think probably on my side of the aisle.

But you know, I've really been trying to make the case to the industry that that a much better job must be done on explaining to members, very few of whom are going to vote the kind of time and energy that you know, maybe a dozen of us have devoted to understanding the industry about why they should care. And if they do care why they should be anything other than persuaded that this is sort of a phantasmagorical and by the way probably dangerous thing because maybe Hamas is using it.

"Wait a minute, Zuckerberg wanted to take over the world," and "FTX" and, "oh my God, there was \$2 trillion in value loss." I mean just the parade of horrors, you alluded to it. The parade of horrors is very real. And it's not — there are a few members of Congress who I think for you know, reasons that don't withstand a ton of scrutiny are just anti-crypto. Most of them are just like, "wait a minute I got a war in Israel, Gaza," I got you know, "my long list of 30 things that really matter to my constituents. And tell me again why I should care about a stablecoin that by the way nobody's using for a payment mechanism."

And so I think the problem is and what I keep urging the industry to do — sometimes I feel like it falls on deaf ears, is that at least on my side of the aisle, people are going to sit up and take notice when yes, there's more education. You know, I keep saying this as a national security guy: I really want bad guys using you know, open scrutinizable ledgers to move money around. I'd much rather have them doing that than you know, sending boxes of cash around or using Hawala.

But you know, we need to hear and see the use cases. I've been hearing about remittances forever. I keep harping on remittances, 8 percent to send a dollar to Guatemala, right? Do it for 10 basis points and all of a sudden, a lot of members are going to sit up and say, "Wow."

We're going to decentralize finance, there's going to be an anarcho syndicalist, rehashing of Web3, and none of that stuff is — here's the answer. '97, '96, they're explaining the internet to me, and somebody says to me, not a very bright guy, "you're going to type a couple of things into a computer, three days later a book is going to show up in your mailbox."

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And I'm like, "oh my God. A book is going to show up in my," so that's the level of use case that needs to get told about this industry. And it has not been told.

**HILL:** Well let me take on that, to say that I wouldn't tell somebody on the street in Buenos Aires that they're not using a digital tokenized payment. Tether is the preferred form of payment now in a broken system that since 1830 has defaulted 40 times. And we're going to see if this new very avant-garde, provocative, new president may change it to a more successful capital system or not. We'll see. Jury's out.

But since 1830 has defaulted 40 times.

And we're going to see if this new very avant-garde provocative new president may change it to a more successful capital system or not. We'll see. Jury's out.

But the point is that in dysfunctional markets you actually see people on the blockchain using it for payments that we don't find necessary or available here in the United States because we have a robust, very developed, very competitive multijurisdictional, a thousand ways to pay for something. So that would be one point.

And then I think in the documentation I agree with that. I think that that blockchain payment system will work. And I think if you interview companies that compete in that space, whether it's MoneyGram, or Western Union, or others, I think people will in fact introduce a tokenized dollar payment that will drop commission rates and will make that product much more available, on the dreams of when Mr. Zuckerberg came to our committee several years ago and pitched Libra.

So and then I know some companies say that they aren't interested in crypto but they have enormous investments in blockchain space for tokenized payments on a wholesale basis around the world to avoid currency translation. And whether they're saying that in Davos or on CNBC, I don't think that's supported by the reality. Their companies are in fact using blockchain and they are going to drive down agency costs on global multilateral finance.

**ZARATE:** Let me feed off of some very important things you both have said about the mood and the environment in the US and the innovation.

Is it difficult for the US to lead in this space in crypto innovation in part because of the conservative nature of our system. The functioning financial system for the most part, there are unbanked of course but you can find a bank, small, medium, large, of any sort around the country, payments work pretty well.

Is this an environment that's just difficult to innovate? And do we worry that the innovation is going to go offshore to Europe, to China, to other places?

**HIMES:** My very quick answer to that is that we shouldn't, we absolutely shouldn't. I mean you can't name another space in which we have not sort of led the world in innovation. This is — but I understand why there is hesitancy. I mean you know, in the space of all of our lifetimes we saw a financial meltdown in 2009 that was as bad as anything since 1929. And so everybody is a little bit conditioned by that.

And then of course there have been echoes, right, it was — whether it's the Silicon Valley Bank and the associated banks or whatnot but I do think that there is a sense that you know, when you're building the internet you know, OK — I mean I don't I don't think when we were when we were building the internet we anticipated some of the scary things that would come out of it.

But you know, OK so I'm going to be able to send a, you know, something called an email to my you know — when you're when you start talking about people putting meaningful retirement funds into a strange asset class that you know, that people don't really, really understand I — the stakes just feel a lot higher.

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**ZARATE:** Right.

Congressman, what do you think?

**HILL:** Well I think America's always led in technology. And we always have incumbent players in economic society that would be dislocated by innovation.

Tellers were dislocated in 1976 by ATM machines. Branches — people who built bank branches were dislocated by remote ATM machines. One didn't need to build a whole bank branch. And so technology advances at the heart of financial services and the American culture.

So sure there are incumbent players where there's some discomfort here. But that's why again I argue that if we have a framework, and lay out the rules of the road, and that is a federally overseen and properly regulated environment, you get the best of both worlds. You get innovation. And you get failure.

I mean Jimmy and I were both in the markets in the '90s. And in a highly regulated market of 1998 to 2000, you had almost \$5 trillion lost in a regulated market which was people didn't buy a pet on Pets.com. And they did not get their food from Hank Paulson's favorite IPO. And so it didn't work out.

We're going to always have losses in a capitalist society. We want to minimize those. We want to make sure that people have the information they need to make an informed decision particularly those who are — have small you know, can't tolerate that risk. And I think again you do that with the regulatory framework.

**ZARATE:** You both are incredible representatives by the way, enormous amount of you know, experience and attention to these issues in your current positions. You've also had prior roles where you've touched the international financial system and done various policy related work in that system. How do you see all of this playing out internationally, the Chinese interest in their digital yuan; the Bank of International Settlements has the Enbridge Project which is trying to you know, innovate around the use of stablecoin for settlement and cross-border payments; you have the BRICs-plus even talking about using digital currencies to displace the dollar. How are you thinking about the international aspects of the evolution of this technology and how even our adversaries are thinking about it?

**HIMES:** Well you — again I'll say what I said before which is you'd much rather lead on innovation than follow if for no other reasons than for economic reasons. And you know, I think there's a little bit of a snowball effect. Innovation attracts innovation. And so it would be a real shame to wake up and discover that the innovation was happening in the Gulf or in Europe.

And this was actually I wrote a White Paper on CBDC [Central Bank Digital Currency], which I know is you know, you know, become very political since. But my view on CBDC was I don't — I don't know if they're — I don't know if it's going to be appealing to that many people but wouldn't you hate to wake up and discover that there's a sterling or a euro CBDC and that everybody is using as a payment mechanism, so why not keep the work up?

And so, yes, I mean I really hope that this is the whole reason we're doing what we're doing to try to make sure that we don't sacrifice our traditional innovative edge.

I do take a little bit of a realistic view of you know, I mean there's — there's these theses that are floated that you know, if there there's going to be some stablecoin or some payment mechanism or store of value that is going to displace the dollar, not quickly, not quickly.

I mean there's lots of fundamental reasons why people keep the reserves that they do, that have everything to do with the weighting of their trade, with the long-term perceptions around the dollar.



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I don't worry too much about the Chinese CBDC. I mean I think we all know what that is designed to do. And I for one am not signing up for it. So again, I think that some of the concerns are a little bit overblown but why would we not do what we need to do to continue to be at the forefront of innovation.

**HILL:** Well I think a payment, stablecoin, converting fiat U.S. dollars into a stablecoin that's well regulated, well considered, with a fine reputation, and excellent transparency and oversight, and capital standards, will be the buyer at the margin of short-term Treasury bills. That's good for the dollar. It's good for international trade. It's good to go to a tokenized digital payment for a blockchain, just like we prefer to use a real-time payment in the banking system or an ACH [Automated Clearing House], in the Banking System.

And let me — let me share. When a group of companies — countries — goes to a conclave for which their governments paid their travel expenses, and they sit around, and it's a group of countries that don't have a fully convertible currency. They don't have a rule of law. They don't have a court system. They don't have a transparent, well-regulated economy. And you tell me you want them — me to take their CBDC or their stablecoin? Count me out. Count me out. It's ridiculous. You can't go to court and get your money back in China, you can't go to court and get your money back in half the countries that were quote "in the announcement" about the BRICS.

So, I don't recommend that as a business strategy and I don't think realistic people at the consumer level or institutional level will either. That doesn't mean though, we don't need to be doing things that preserve the importance of the dollar as the reserve currency in the world. And one of them might be balancing the budget, for example, or having a more maturer approach to our federal finance, first and foremost. And then secondly, if we maintain an excellent legal system, if we maintain the right regulatory system, if we have an open capital market, and if we have a dollar-based stable coin, then I think that's the right direction for that long run and then we'll see how technology evolves. Right?

We know this is sort of your point about your white paper, let's kind of see where the technology evolves, but the private sector should be the leader. And what our job is to provide the — the ways and means in the conditions of a fair-minded, open regulatory framework and get out of the way.

**ZARATE:** Let me ask you this, because there's so much attention certainly up on the Hill, in the national security community, for years about the risks, and particularly crypto the ability of rogue actors, state, non-state to get access to capital they wouldn't otherwise. We've seen the North Koreans, sort of the masters of cyber heist in crypto events where they've profited to the tune of hundreds of millions, if not billions of dollars, they've used the Lazarus Group.

How do you think about those risks as they've evolved? And how do you talk to real skeptics and critics about those risks in the context of what is your very measured view of the — of the technology?

**HIMES:** Well, overall, I stand by something I said in the very — in your very first question, which is, there will always be North Koreans and criminal syndicates, et cetera. You would really like to have them in a more technological environment, not a less technological environment. When we're wearing our intelligence hats, the answer to the question, are you scared by what you see every day is you wouldn't believe the technology that we see deployed against those threats every day.

So, and obviously, the pinnacle of that is a public ledger, where through a variety of means, known and unknown, law enforcement and others can get a sense of what's really happening out there. So, yes, I wouldn't say that the risk is not there. It clearly is, and the risk of fraud in particular in a universe where you've got Dogecoin, and things coming up that nobody heard of three months ago, that's a — that's an environment that is rife for a fraud, which is, by the way, one of the reasons we should get these bills done, so that we can start drawing some fairly bright lines.

But again, I do think that there is a fundamental misunderstanding of how much you would like to have bad actors in a much more technological and therefore, let me use the word 'auditable' environment.

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**HILL:** Yes, let's look at M1 and a lot of M1 is outside of the United States in \$100 bills floating around. I mean, some — I've forgotten the statistic off the top of my head of what percentage of newly issued U.S. \$100-bills are exported to countries around the world. But we've got criminal elements using all forms of money, not just crypto and crypto, when done properly is the easiest place to be caught, potentially.

And also, if we want to stop terror groups from having access to unlimited money, we might start with our own policy of giving \$18 billion back to Iran, which is probably not a good idea, no matter how well intentioned. So, I just will stand and I agree with Jim, I just stand on our earlier comments that we want to interdict bad behavior, whether it's with cash, bank loans, stealing, ransomware. But we have to have —

If we set a high standard here, I know the EU will set a high standard, and we will export that high standard around the world and by sanctioning people who don't have a high standard, we spread it. And that in turn reinforces the dollar as the reserve currency, reinforces the fact that the United States, we have the dominant players in the cloud. We have the dominant players on network platforms around the world.

And so, if we then show that we can have the right approach to regulation in blockchain and tokenized payments, we will extend that reach and extend our law enforcement capability, but more importantly, extend our jobs and economic development opportunities.

**ZARATE:** We just have a couple of minutes left.

Let me ask sort of a combined question first, asking you to look into a crystal ball a bit. What happens in 2024? Do we get a comprehensive crypto bill? Is it too divisive politically? We're moving into the silly season of presidential politics. Are the enforcement actions going to be more aggressive, less aggressive? What are you thinking?

And also, then what excites you about this space? What keeps your attention? Like you said, Congressman, you've got a lot of things to worry about. Your constituents have a lot of things to worry about and no data raising those to your attention. Why do you stay interested in this space?

**HIMES:** Well, on the — on where we're going, we better — better defer to the guy who's in the majority.

**HILL:** Are we?

Let me start out there and say that we spent — we marked up the stablecoin bill, just for people who don't follow this intimately, we marked up the stablecoin bill and the regulatory framework bill in the House, Ag[riculture] and Financial Services Committee last July. We then, during the fall, took every amendment, and we took every suggestion from a member that wasn't amendment, but it was an idea and we worked that back into the text.

So, we finished the end of calendar 2023, with what I think is a very good working draft of the fit-for-purpose regulatory framework bill. And we continue to engage with our colleagues on the other side of the aisle, and in the administration, and in the regulatory environment, how to craft the best outcome on the stable coin bill. I don't feel obligated to move them together. But I do want to keep them on the same track.

And then from a legislative point of view, we want to coordinate that with the effort of the Congress to move a farm bill or not move one. In other words, that's a decision that the Congress has to make as well led by the Ag Committee in both houses by the Democratic majority in the Senate and the Republican majority in the House, because we — both committees have to have floor jurisdiction over that legislative debate.



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And I want to be sensitive to what the leadership's view is on moving the farm bill or not. So, I still am optimistic that you'll see those bills come to fruition during '24. I've been very pleased with every meeting I've been in both bipartisan as well as in the administration on those, but there's a timing issue and timing is everything in politics true. But when you have so many things on our plate, we're all navigating that — and it's also obviously a bicameral issue as well.

**HIMES:** Let me get the piece about where do I stand.

And this is an individual view but here's, in no particular order, the three reasons that I'm really excited and then I have some areas of skepticism. But three reasons I'm really excited is. I've been here 15 years and I've sort of regulating the financial services industry is so, so hard. You never get it right; you try, you never get it right. It's a huge political fight.

You know what incumbents in the financial services industry need? A lot more competition and disruption, right? And so, in quasi oligopolistic markets and credit card, sorry, friends at MasterCard, but in quasi oligopolistic markets, and a lot of the financial markets are that way, disruption really excites me, right? Because costs come down, service levels go up.

Number two, anything related to provenance, right? Like I bought a condo three years ago, I paid some medieval service to do a title search, whatever the hell that is, right? So, anything related to provenance is — and ownership — I think is going to be huge.

And then lastly, you know, it turns out that the plumbing of our financial system, and first of all, it's an unbelievably fragmented, right? Equity is just one thing, treasuries are another, like the tokenization of financial assets, that could kind of revolutionize the wholesale level of financial services, which I hope makes for a safer, secure, more efficient, instant settlement, that kind of thing. That's pretty exciting to think about for the two of us.

**ZARATE:** That's super.

Well, I think that's all the time we have. We don't want to impose on your time.

**HIMES:** Thank you, Juan. Great to be with you.

**ZARATE:** Congressmen Himes, Hill, thank you so much. I want to — I want to say on behalf of at least, myself as an American citizen, my family and FDD, I want to thank you for your service, for your thoughtfulness, and for your bipartisan spirit. It's really important for the country and we couldn't be more happy to have talked to you about these issues. Thank you very much. Please join me in thanking the Congressmen.

Now, we're going to turn this over to Elaine, who's a real expert moderator. Elaine Dezenski will introduce the private sector panel. We hope you remain with us. This is an incredibly insightful group that we have and I'm excited to listen and learn. Elaine, as I said, is the Head and Senior Director for the Center on Economic and Financial Power. She is leading the innovation at FDD and has been incredibly thoughtful in this space.

So, Elaine, over to you and to our great colleagues.

**DEZENSKI:** Okay, so now we go into round two. And I think we have a lot to chew on from that first conversation.

Juan, thanks again for leading us through that — the first part of that conversation.

Just very quickly, introductions once again, Dante Disparte, Chief Strategy Officer, and Head of Global Policy for Circle. Welcome. Nice to have you.

**DISPARTE:** Thank you.

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**DEZENSKI:** Sujit Raman, General Counsel at TRM Labs, previously, a partner at Sidley Austin, and served in a number of roles in the U.S. government as well. Sujit, nice to have you.

**RAMAN:** Thank you.

**DEZENSKI:** And then Amit Sharma, CEO of FinClusive Capital. For those of you who may not have heard of FinClusive, a hybrid FinTech, reg tech company, and also a Department of Treasury alum.

So, great to have you all here.

I want to start with a quote actually, from an interview on CNBC in Davos earlier this month. Jamie Dimon was being interviewed, and he made the following comment, "If you can't solve the bad use cases," meaning illicit finance, trafficking, et cetera," in Bitcoin, the government will probably have to shut it down." So, I thought this might be a good starting point for a question to the panel. Can industry shut down the illicit use cases in crypto?

**DISPARTE:** Well, I'm happy to start. So, first of all, I think that if you hearken back to the internet and the early internet, but for cat videos, and our proclivity to do bizarre things between the keyboard and the chair, all of the things that we now take for granted, such as streaming, connectivity, Zoom, and all of the rest probably would not have been possible. And that like any novel wave of technology, the early use cases might feel a little bit perhaps not terribly valuable, and certainly not to anybody who enjoys the benefits of status quo, or having won the postal code lottery in terms of financial or technological access.

But we also have to think about, why is Jamie Dimon so vehemently protesting the advent of this novel technology. And it should be noted that the very CEO who once upon a time told anybody in his organization, "If I catch you trading Bitcoin, or crypto, you'd be fired on the spot," has also stood up for a bank and for any company, one of the most powerful, thoughtful, technologically advanced payments divisions, known as Onyx, that is leveraging this very technology.

So, I think the banker doth protest too much and the rest of us ought to ask why? It would be my counterpoint. And candidly, I think the firms on the panel with me will be able to outline exactly how the good actors in the space can combat and identify the illicit activity, and probably do so with a better scorecard than many of the very banks themselves.

**DEZENSKI:** Thank you. Sujit?

**RAMAN:** Yes, I would just build off of that.

I thought, something Congressman Himes said was very interesting about how there's auditability when it comes to blockchains. And that's something that really sets apart distributed ledger technology from the traditional financial system. And so, when it comes to illicit uses, or when it comes to the risks of this technology, you actually can identify it. You can empirically try to figure out what's going on and you could actually measure it.

And that's part — it's sort of using technology to identify the risks, and try to minimize that gap. So, I think it's important to understand sort of what the technology is all about, and how you can use advances in technology in a way, in this context, that's actually quite different than the traditional financial system. In fact, we have the Treasury, if you look at their recent terrorist financing assessment, essentially saying we should be using more technology when it comes to the cash economy, right, to try to figure out where there might be weak spots in the financial system.

This is inherently a technological system. And so, my own view is that we can actually do a lot more when it comes to identifying risks and addressing risks in this space than even with a traditional financial system. And it's important not to lose sight of that, as we think about policy in this area.

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**SHARMA:** Is this working?

I completely agree with Dante and Sujit. I would offer three additional points to this especially given the quote that you talked about earlier. If we had — if we've eliminated 100% of the illicit finance that happens with hard-dollar cash, which remains the most laundered asset on the planet, and if you look at the amount of cash that JP Morgan runs through, and they have not counted the illicit finance concerns of cash, we're also talking about institutions at the top of the market in institutional finance that have introduced financial engineering products like the double synthetic CDO [collateralized debt obligation], which at the end of the day, you get to put an awful lot of homeowners out of homes.

So, illicit finance and economic risks abound in the context of financial engineering, as we think about technology. And Sujit just makes the right point, not all technological innovations and financial engineering is to enhance and exacerbate risk. There is so much technological innovation happening on blockchains, happening in Web3 that are explicitly to reduce risk.

And Representative Himes made one of those key components as it related to provenance. The whole advent of digital identity and the ability to share the provenance of one's own personal information to sensitive sectors across financial intermediaries of all types in real time is an advent of that technology that comes at the heart of know-your-customer anti-money laundering that lays at the foundation of what we can otherwise do with the technology.

And so, I think that we need to balance that approach and not take those assumptions but also understand where that technology is emanating from folks that are trying to actually explicitly mitigate risk.

**DEZENSKI:** Well, to that point, and maybe a question for any of you, what should industry be doing then to further articulate what that use case is? What should be done, what the guardrails need to be? I think there's still a challenge in terms of understanding why with the visibility and transparency that is supposed to be built into this type of technology, why we still have so many questions about who's using it, where funds are going, why there is some proliferation of cases of illicit use.

So, how do we get a handle on that? If there really is traceability, auditability, then what's the missing link to actually square that circle?

**DISPARTE:** Well, I will take the opportunity to square circle.

So, I think — I think fundamentally, I've been in virtually every public or private hearing on this topic since 2019. I was actually going to wear a t-shirt today that says, "I moved on from Libra so should you." The — the — I think one of the challenges is we're still talking about the technology, as opposed to the outcomes of the results. And so, crypto is short form for cryptography. Blockchains are obviously novel technologies.

But as opposed to broadly, the public policy debate has still been about the tech itself and anytime and technology is the protagonist, it probably means it's very early. But what I could then say what Libra was aspirationally, Circle is operationally. What I could tell you about running the operations of a company like Circle is that every single one of the use cases when a digital dollar is made possible, and you have programmable, device-centric, low-cost, nearly instant money that can be beamed all over the planet, extraordinary things happen.

When the United Nations, for example, worked with Circle, Stellar, and MoneyGram, to get digital disaster assistance in the form of this digital currency, a stable coin to Ukrainian refugees, we were able to do it at a cost lower than the U.N.'s own targets for cross-border remittances.

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The SDG, sustainable development goals, wanted remittance costs to 3% globally. We were able to transact those funds of money flows in a lower cost basis than the U.N.'s own targets for remittances. And in that sense, this is not competing with the traditional financial system, it's actually going places where brick and mortar banking cannot. And I think those types of cases have bound all over the world.

But that might be hard for folks sitting in this building here in Washington to fully appreciate in no small measure, because I think many of us won the birth postal code lottery. If by birth, you're banked, you might have a hard time personally understanding the use case for financial inclusion that really reaches to places where we just simply cannot go. And that's just one of the many use cases I think are made possible by this technology.

**RAMAN:** I would just echo what Dante said. I also think of — we've heard a couple of times today about how we really are kind of like the early days of the internet and that's why it really is difficult actually to foretell where this technology will take you. I do think the industry could do a better job of talking about what the use cases are. Dante mentioned a couple of very good examples.

You just look in the press and there are there's a small example of De Beers now essentially, has a — they trace their diamonds from point A all the way to point Z on a blockchain. Now, that has important kind of implications for blood diamonds, where are we getting our diamonds from, etcetera? So, those are supply chain issues. Those are kind of basic applications, but I don't think people are even aware of that. Then you start talking about some of the financial products that are out there. We've got to be very careful about that.

On the other hand, when you apply smart contracts to some of these concepts, I mean, when you do eliminate intermediaries, when you do eliminate the middleman, you really do cut out the fees. There are concrete benefits to that. But you've also got to address the risk. Right? So, that's where I think so much of the public discussion has been focusing on the risks. I'm at a company that evaluates the risk, so I don't have a problem with that, but I think for the industry to really continue growing, that's where we need to really focus on are the positive use cases as well.

**SHARMA:** And I don't think the industry, to your point, Elaine, has done a very poor job of illustrating the broader use cases that can scale, a very poor job of illustrating how the technology itself mitigates risk, a very poor job of ensuring that there's adequate both appetite and education as it result — as related to how law enforcement proactively uses the technology from a investigations interdiction perspective.

And so, I'm an equal opportunity antagonist here. The investment community, the venture capital community, the Silicon Valley community has been chasing shiny objects; NFTs and trade churn and you have blow-ups, where you have so-called unicorns being driven in an environment where folks are looking for that sort of next eight by 10 by return.

We work with certain companies for the better part of a year or two years working to integrate what we have within the context of — and we have TRM labs incorporated into our stack, which is an embedded compliance. In the same way we talk about embedded finance, we work at embedding compliance. How do you embed compliance in ways that address at the core, illicit finance, financial crimes compliance, that at the heart is know your customer?

And if we can do that across public and private wallets, if we can do that with custodial and non-custodial solutions, we now embed both privacy controls and auditability and transparency that the sector needs and the regulators want. And we need to do a better job of illustrating that. We need to get investors behind that infrastructure in ways that pave the way for regulators to devise regulation that enables that environment to thrive.

**DEZENSKI:** So, I want to go a little bit deeper on this concept of embedding, because I think that's critical as we think about the law enforcement connectivity to what you all are building. What does that embedded feature look like? What else needs to be done to unlock the black box for law enforcement to really address the illicit finance related challenges?

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**RAMAN:** Well, I'll offer one thought, Elaine, I used to oversee crypto enforcement at the Justice Department. I was very actually impressed at the time of the work that law enforcement was doing really at the cutting edge of this space. Some of the techniques that law enforcement as well as the intelligence community was able to apply are concepts that I think most people may not be aware of. So, in terms of tracking and tracing, there's always a need for more sort of training, more funding to make sure that sort of more people are sort of trained up on these issues. But I actually think the technology is there.

I work at a company that's sort of at the cutting edge of that. The difficulty for us is that you're talking about a global surface, and every single day there are trillions more crypto addresses being created. And so, how do you stay on top of that surface area? What kind of data storage costs are associated with being able to monitor what's going on? That's where a lot of the challenges are, right? It's, I think, the — the technology is there. This is one area where the United States really is a leader when it comes to identifying the illicit use of crypto and being able to create a typography around it.

But that — that space is exponentially growing almost by the day. And that's where the challenge is, right? That's where the bad actors are able to essentially create spaces for themselves because there is so much surface area is how do you pick and choose what you want to do? And that's where policymakers have to make decisions, right? The intelligence community has to decide, "I'm focused on this particular slice." When you do that, that's great, but then there's going to be a lot of stuff happening over here. I think that's part of the challenge for us.

When it comes to law enforcement, it's making sure that you have a global idea of what's going on, but you're also able to focus when you need to. And that tradeoff is actually one of the difficulties that I think that we face.

**DISPARTE:** And if I could, I was just going to add, one of the things that I think is really a crypto conundrum, if you will, is that under U.S. leadership of the Financial Stability Board, now nearly five years ago or more, the global calls to regulate the global calls to action and, candidly, many of the Clarion calls about the risks in this space were first made. Then you fast forward, the President's Working Group on Financial Markets echoed those same calls domestically.

Now, nearly five years later, the regulator can feel vindicated that a lot of the risks they called would in fact, manifest themselves, and they've shown their ugly faces, much of them had more to do with garden variety fraud than the technology itself; FTX, and there's a long laundry list to that, but we still haven't done anything in the country, right? And so, to many who look at this like a national security priority, it's a digital currency space race. We won the actual space race when our political leaders gave us a destination, and thus far status quo and no action seems to be the way the way we're running the domain.

**SHARMA:** I would just add one or two additional contextual points that you brought up my former Treasury alum position, I had the good fortune, because that gentleman over there [Zarate] hired me to Treasury when I was wet by the years early 20s. One of the things we talked about, quite frankly, a lot during that time and in an immediately post-9/11 context is, how do we leverage the power and might of the dollar and access to vibrant capital market?

And one of the questions we under-asked was, how do we export that dollar and the might and power and values-based economy of the capital markets in the United States externally? Had we put every small business in Iraq and Afghanistan to a small dollar — a U.S.-denominated account, that would have gone much farther to win hearts and minds than much of the sort of blockades that we put up saying, "You can't access the dollar." Right? In the same way that Dante's experience illustration of the ability to put digital forms of U.S. dollar backed currency into the hands of a fleeing refugee, incredibly powerful.



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Imagine if we had this technology where we could have digitally put stimulus checks and PPP payments into wallets at the time of COVID, fraud, leakage, and waste would have gone to zero. And we had tons of fraud, leakage, and waste. And Representative Hill made an apt point that I hope everyone talked about like, or saw or heard is, if we balance budgets and understand tokenized value, we increase the transparency of our own ability to understand our own fiscal matters. That is power.

These are the innovations that are happening on blockchains and in Web3 with digital forms of currency that no longer have to be bound by five-day-a-week clearance and settlement systems; that you can have a financial services system that is on 24-hours-a-day, 365 days a year. That matters to a small business owner that needs to get paid to pay his electric bill on Friday, but can't access his own paycheck because his bank won't clear it for three more days.

So, we have all these systems and all these great payments that create disservices for our own people. That is the power of tokenization. That's the power of what this technology provides. We need to thrive in that. We need to tell better stories doing it.

**DEZENSKI:** Thank you.

So, I want to switch gears a little bit and talk about whether we need a CBDC, a centrally backed digital currency. Is there a role for CBDC in the system that you all envision? What does that look like? How do we think about a stable coin versus a CBDC, versus tokenization of value in a Bitcoin or something else that might serve in a different capacity? What does that look like?

**DISPARTE:** Well, I'm happy to start. Having written a paper titled *The Case Against CBDCs*. The argument against it, at least at the highest level, would be the FAA doesn't fly planes and build jet engines, but it does designate the rules of conduct and travel in the skies and creates optionality, and as a result, I think we're better, safer for having the choice. But if you are a well-structured, well-regulated stable coin, like we have offered at Circle with USDC, the closer your proximity to the central bank, the better.

And as we've learned from the failure of some of the mid-sized banks in our country, if a bank sneezes, the stablecoin, in short, catches a cold. And so, therefore, you are responsive to the monetary policy of the underlying currency that you reference. However, it should tell you a lot that the countries that we're looking at central bank digital currencies, the first and the deepest, in this instance, China, opted against blockchain as the technology stack, in no small measure because of all the transparency features that we discussed so far, begging serious questions.

The other really important geopolitical and geoeconomic question is no, I do not think the United States should launch a central bank digital currency, especially not a retail variation of it. But we should not cede our seat at the table on looking at alternative payment systems innovations all over the world. And that seat has been, frankly, not perfectly occupied for quite some time. We should also take a deep look at the domestic payment systems gaps we have in the country.

When we needed to move the very funding that Amit alluded to with Covid-19 stimulus and relief to the neediest among us, we couldn't do it in no small measure because the pipes through which we move money are antiquated. They're opaque and they're non conversant with one another. So, I sat on FEMA's advisory council for three years throughout the pandemic, and it was a pitiable reality that a fortress nation was brought to its knees, and little but technology was the difference maker for all things, including how we move money.

And so, I think the domestic payments conversation, including the rollout of FedNow, should be welcomed by our society. But we should also pay close attention to who is protesting the most. And all too often, it's the monopolies and duopolies that Congressman Himes alluded to earlier.



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**RAMAN:** I won't add a lot to that. What I would say is there is an example of a CBDC that exists. It's the e-CNY. And I think for folks, particularly in the national security space, who look at that issue should be concerned. Right? And so, I don't have a lot of personal opinions on it, but I think if you look at what the Chinese government, the way it has weaponized its central bank digital currency, the plans it has to export the digital yuan and link it to the Belt and Road Initiative, I think it speaks for itself. And I don't know if those values are necessarily consistent with American values. But again, there are folks who think about these issues every day that I'd love to hear more from.

**SHARMA:** Yeah, I would just echo the last statement here. And that is, I think too often that question is asked as a binary, as an either or. And I think we need to start thinking about these things as ands. I mean, we now see governments that are equally financial market participants as they are market makers. I come from Vermont, that's why I wear greens, why I have a physically hard time putting a jacket on these days, which is why I don't have one on now. Where we go to farmers markets, and they have forms of tokenized value all the time that are being used.

We've created this technology and now we're doing it with cryptography on an open web. That gets exciting. There's a reason why 85 plus countries in the world are either exploring, issuing, valuing, or driving some kind of CBDC project. And arguably over 100 countries are at least in research. The last point I think is the biggest, which is at the end of the day, one's currency stands for something, and ours from the dollar is backed by a standing army.

And if we want to understand the values we want to, but in an internationally integrated financial services ecosystem, that's where the conversation is relevant with respect to CBDCs. Not because it's a binary choice against true payment stablecoins backed, truly backed by that currency, but because it's an "and" conversation. And if we can understand the values we want to project into an internationally integrated financial services ecosystem, that conversation needs to be had.

**DEZENSKI:** Yeah. So, I want to pick up on that question about the system that we're building, the values behind that, the values framework and how we connect this into what's happening in the world today. Is there a conversation that needs to be had? Maybe it's underway in pockets, I don't know, but around what an allied currency might look like, digital currency, one that maybe brings together allies and partners democracies?

If you look at the current basket of foreign reserves and those currencies, the top few are all democratically driven, right? It's the US and a couple of our key allies. The only exception is China, and they're a little bit further down the list in terms of the reserve basket. But do we need to be thinking about that as part of our economic power projection over some period of time?

**DISPARTE:** Sorry. Having put out a white paper that had a basket backed multi-currency stablecoin construct that looked and felt like the special drawing rights at the IMF [International Monetary Fund] and the World Bank, I think it's not the role necessarily of the private sector to fill that void. I think the thing that matters most, and I would add to the parties that think de-dollarization is not a threat and that the challenge in alternative payment systems innovations are not a threat to the United States.

I would argue we need to look at this matter with a ten-year horizon as opposed to a quarterly horizon or an electoral horizon. And it's in that domain where I think the US is a decade behind the rest of the planet. eMoney proliferation, mobile money proliferation. When I was at a meeting with the head of the Kenyan Central Bank not long ago, he laughed at the concept that the United States was sending physical checks to people for government to citizen payments.

When the whole of Kenya and the whole of most of Africa frankly has been able to sort of leapfrog this kind of phase of brick-and-mortar banking into an always on device centric domain, and we don't have anything quite like that in the United States right now. So, I think that is the piece that creates network effects for dollarization, and that's the piece I'm most concerned about.

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And should make no mistake, the Europeans on this matter are not necessarily allied to this same concept. They have a whole set of rules that are very much in place to have stopped big tech in its tracks, but also advancing very much their central bank digital currency efforts and others. And so, that risk of a transatlantic void in this domain is going to be a very real phenomenon.

**SHARMA:** I would just add — I think that's spot on what Dante has said — I would just add that we need to do a little bit of, we need some humble pie in the United States. I testified at House Financial Services on the issue of derisking. And we, as a matter of policy put out by the United States government, categorize whole countries as higher risk for money laundering and corruption, which, what do you think the banks do? They de-risk them.

And you have constituents that pound the table with their reps saying, I cannot send literally just basic dollars to my friends, my family, in the Caribbean, in parts of Africa, in LATAM [Latin America] because we just read the INCSR [International Narcotics Control Strategy Reports] report at the State Department. How many countries that we say are just at risk for money laundering and corruption with very little data behind that? And so, if we think about a values-based economy, we have to start looking at the diversity of innovation happening in areas that we may not otherwise see as being come up with the same democratic principles, but may have innovations, but have caught up from a democratic principles perspective.

And I think that's where the values question really needs to be asked. And if we can purport that with taking a leadership role, and quite frankly, we need to catch up to do that, that's when we're going to make real inroads there. And I think, as Dante pointed out, there's baskets of currencies to both quasi government and private sector innovations in the space that really will take this off.

**DEZENSKI:** Great. I'm going to open it up now for some questions from the audience. Would anyone like to get us started?

**ABONYI:** Got one over here.

**QUIGG:** Hi. John Quigg with the Applied Physics Lab. So, question, you were talking about de-risking. A lot of monetary transactions happen between rather sketchy individual parties, as we seek to secure this new way forward, and as fiat currency perhaps goes by the wayside, how do you see the security regime being implemented? How do you see it being a nation-state versus an international order? And how would you see the enforcement going with a fairly resistant customer base? That's an easy one, right?

**SHARMA:** Sure. I'll start with that. I would immediately challenge the premise or the statement that most transactions happen between sketchy people. It's a pessimistic view of the world, and I think that, for the most part, that folks aren't sketchy. Right? I think that we operate in the fringes with respect to a lot of criminal behavior, illicit finance behavior and the like, and there are folks that are going to exploit other counterparties. I think the technology in this case needs to be provided with use cases that allow for allied nations, companies, and the like to bring that technology to fore. To robustly illustrate transparency and auditability.

That gets the second part of the question, which those elements are already being adopted by law enforcement agencies within the United States and outside the United States. Cross border cooperation on investigations, leveraging blockchain and blockchain tools and analytics like TRM are happening today. That is exciting.

And I think, if we can enhance and drive and support both of those in tandem, then I think we get to an international order of adoption that is going to be happening on an open web. That's the real technological reality, is we're operating more on web native technology, web native value transfer, web native issuance of value. That's what's exciting. And those are what needs the values from a law enforcement perspective.

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**RAMAN:** Yeah. What I would just add, and I think our questioner might have another follow up, but I'll just add one quick thought. What is another unique aspect of this technology is that you can risk individual wallets, right? And that's something that's quite different than our traditional system. And there are algorithms that can help you do that, and you can feed those algorithms in a way that either increase the risk or decrease the risk. And so, it really is. But it takes time to develop that kind of a system.

And you want to build in privacy guardrails and other kinds of guardrails that protect individual privacy. But again, what I think is really revolutionary about this technology and the tools that we're developing around it is that you really can assess risk on an individualized basis and do it in a way that, again, promotes privacy, but also does it in a systematic way. So, I don't think any of us really knows exactly what that system is going to look like writ large, but at least that glimmer of possibility is there.

Whereas again, in our traditional system, it's kind of, you get the report, you look at it, and you just debank entire categories of people, which is unfair, and it's not right. So, my hope is that we can move towards that other more equitable, fair, equal kind of system.

**QUIGG:** So, I'll just sharpen my question a little. So, I say the Panama Papers refute some of what you said optimistically. I've always felt that there should be three internets.

One that's completely open for governmental transactions. Second layer would be me talking to my bank. Financial transactions, things that should be on record. And then third, for stuff that I want to do privately. I don't want anybody looking, but I'm saying that figuratively. And if you could reflect in your answer how we'd achieve that level of privacy versus public accountability.

**DISPARTE:** I'm happy to add 30-second adjoinder to that. So, one of the reasons I became interested in the technology itself was actually after the Equifax breach. Think about, by show of hands, how many of you have a Social Security number? Congratulations. You are exposed for the rest of your natural life to insidious forms of financial lockout, identity theft, and all the rest. And that's problematic.

And one of the reasons that's a problem is because the fundamental architecture of the traditional financial system is literally imperiled by single points of failure. We live in a world dominated by one of three credit bureaus. Equifax was one of them. And all of the data is out there for the rest of your natural lives. The other vulnerability is that your alphanumeric, unchanging Social Security number is granted to you depending on your life story, either at birth or along the way, is a gating factor for financial choices made by third parties.

Wouldn't it be nice if you could permission in the rest of the world to understand that information, if you could not have your PII, your personally identifiable information, subject to an oil spill of data of this nature as the precondition for getting financial access. The solution technologically is called public blockchain infrastructure. The solution technologically is cryptographically protected, mobile enabled wallets. Those two preconditions are merely technologies and tools. They could be privacy enhancing, privacy preserving, but in the hands of good actors, a hammer could do great things. It could also destroy a lot of things.

**SHARMA:** Yeah. And I think the insulator to your question is spot on. I think part of what Dante's talking about here too is we are headfirst into the intersection between technology, financial engineering, and innovation and privacy today. And the technology exists today to be able to take sensitive parts of your personal data, Social Security number, device, email, address, biometrics, and the like, and enable the ownership of that information to the individual.

And the ability for that ownership goes a long way from just being exploited by large companies that, by their stated objectives, exploit your personal data to the ability to transact with any counterparty in the world in an open banking system because you still need to run KYC, Know Your Customer.

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So, if you have the intersection of permission and ownership of your personal data in a financial services access channel, that is not simply categorically denying you access because you meet some illustration of what risk might be otherwise we'd debank all women, we'd debank all immigrants, we'd debank all black and brown people, we'd debank all small businesses because they're all categorically high risk. Right? Some data point, some credit bureau, some policy or governing body has declared it, but we now have the ability to look at actual risk, not the perception of risk, and leverage privacy technology in the way that you're talking about.

**DEZENSKI:** I'm going to go over here to Ian Talley.

**TALLEY:** Two questions. It seems to me that one of the biggest problems is communication, messaging. You all mentioned that. Hearing you speak, you are talking about very big ideas in complex lingo, some of which I don't think I understand all of the implications of what you're saying. So, how do you do that in the US, particularly in the current political environment, where there is an increased apprehension — fear — of government, sort of control of your data, and how do you do it internationally to truly leverage what the KYC data transparency is supposed to do, which seems where the real problem is in terms of implementing a crypto — a healthy crypto system, if you will.

**DISPARTE:** Yeah, I mean, I'm happy to just provide a little bit of context, but I suspect Sujit will add to this as well. It's a great question, Ian. I think the bigger tension in the US, at least in the policy conversation, is actually bigger than crypto. To me, it feels like a deep technophobia. And so, we're still hung up on describing the terms of art and the jargon, even in today's conversation. I think we should have a swear jar or a tip jar to pay for happy hour afterwards every time someone uses jargon that is inaccessible.

But there's also something to be said for the inability of our, despite, I think, what we saw from French Hill and Jim Himes on the stage up here earlier, bipartisanship, is that in order for this to work, we actually need an industrial policy in the country that wants this to work. And if you go to Brazil and you talk to the Brazilian central banks and the banks and the non-banks and the technology firms, they have an industrial policy that has public, private and all other actors together in a room figuring out how do we modernize the core infrastructure of the Brazilian economy and the banking system — not stablecoins, central bank, digital currencies and deposit tokens are all competing to build a better mousetrap.

But rather, how do we ensure that there's modernization in the core infrastructure in the country, and that same industrial policy exists in Europe, in Asia, all throughout the rest of the world, in the United States, as a little bit of an outlier. And that's the part that concerns me most. And so, it's not just the one angle around KYC or other aspects of the technology. We're an outlier, on the whole piece of advancing technological competitiveness, despite the fact that we're a country that is the net producer and exporter of many of these technologies. We've just crossed our arms, I think, societally, on how to really embrace them.

**RAMAN:** It's such a great question, and I don't think there's an easy answer. Ian, to be honest with you, I think there's diversity in the world about how people think about crypto in particular. So, if you're in Argentina or you're in Turkey, or you're in other parts of the world, crypto means something to you in a way that's just fundamentally different to people in the United States. There was reference made earlier in the panel about inflation and other kinds of instability in a banking system.

And so, you see people voting with their feet in certain respects in other parts of the world. Right? And that's why you see some of these global exchanges have tremendous volume on them. It's because there's that feel, there's that need for it. In the United States, so much of our conversation is about security versus commodity, or other kinds of very kind of obtruse legal concepts, which I think does make it a little bit difficult for people, just regular folks, to understand.

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Why does this apply to me? Why does this matter? Which is, when I think about this issue, I tend to think about kind of distributed ledger technology generally, how organizing information through distributed networks is fundamentally transformative. The gentleman asked about security of your data. I mean, securing data on blockchains is incredibly more protective than having a honeypot database that's just waiting to be hacked.

And every single person in this room has their Social Security number leaked through some hack or another. Those are the kinds of applications of this technology that I think, frankly, the industry could do better about. And for at least Americans, that helps them understand why this really matters. But that's not really a crypto conversation. Right? It's more about the application of this distributed technology, and it's very obtruse. Right? It's a very kind of almost philosophical conversation.

And I agree. That can be hard to bring to a level where ordinary Americans are like, well, why does this matter to me? So, I think that's one of the challenges, is actually how do we bridge the global conversation, which is not a unitary conversation, and then within the United States, make it applicable in a way that people really understand. So, I think you put your finger on something.

**SHARMA:** Yeah, I think your question's spot on. I would just take this, as Sujit has taken the step forward, I'd take a quick step back. And that is, it's understandably, but it's amazingly fashionable to hate government. Just amazingly fashionable. It gets people elected. And we're seeing that. It's also very fashionable to hate big tech. You know, it's understandable. And I think what Dante was talking about in terms of an industrial complex and stepping back and saying, what are the objectives that we are trying to achieve here with this technological advancement?

And if we enable the conversation around values inherently in it, it forces simplifying language and driving to use cases and creating enablement environments between public and private sector so that innovation can thrive in a way that we answer the questions, can I, as much as I answer the answer — the question, should I? And I think that's what's needed.

**DEZENSKI:** I'm just going to jump in on this, moderator's prerogative. I do think that we've kind of missed the boat on this bigger conversation in general. And even taking one step back from the technology question to what is the system that we're trying to build, what are the values behind that system? What are we trying to solve for in the next iteration of the global financial system and the U.S. financial system? What does that look like?

And based on that set of answers, then we can have the conversation about what technology applies. I'm going to just play a little bit of the devil's advocate and say that we can probably solve derisking in the traditional financial system if we want to. If we want to. We could create better risk management tools, we could create better ways to avoid derisking on a grand scale.

But we have to encourage that innovation in the marketplace as well. And maybe we need to do that. Maybe it's not one or the other. We need to make the existing system better and we need to look forward and see where we go on a broader technology pathway. But I do think that that's a huge issue. So, next question. One more.

**MILLS:** Hi, this is Randy Mills. I'm with FIS Worldpay. And I just want to say thank you all today at the panel discussions earlier, too. So, when it comes to digital identities, right, we're thinking about just today there's probably 20, 30 different versions of you online. Whether it's your Facebook account, your bank account, can maybe the three of you talk about how could crypto blockchain kind of help with that in the future?

**DISPARTE:** Well, whatever you do, do not refer to the me on the page two of Google search results. That's where you go to lose something in the 21st century. I mean, look, if ever there were, I think, the real killer use case that will advance all the issues that we were talking about for real people in real ways. It's digital identity. But we must, of course, understand that digital identity is merely to import the nationally issued identity in a digital rendition.



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So, I think of it as a process for authentication, a blue check mark, much like we saw with social media after the election interference in 2016, I think technologically that is possible. It's ubiquitous. It's possible. However, there's still a policy gap, which is a big one, which is that a billion people around the world today have no nationally issued ID that would conform with the post 9/11 financial crime compliance framework. So, that's a policy conundrum. When people talk about, why hasn't crypto solved the financial inclusion issue? I'm like, well, why haven't policymakers provided for free basic banking? It's a policy matter.

To your point, Elaine, the technology is often the easiest of things to resolve, but it does show where status quo tends to fall short. And digital identity and the requirement of KYC as the basis for financial access, if it is a human right and there's a billion humans without one, we're in trouble. And tech can't solve that if the policymakers, the regulators and others don't accept alternatives to classically issued government IDs for financial access.

**SHARMA:** Yeah, I would just add, and it's a great question. Dante's points are spot on. I would just add to those, from the technology standpoint, we have the ability today to attach nontraditional forms of attestable attributes of your persona. Even in the context where a national ID is not provided. We have the ability today to now add to that persona other attestable attributes, like a wallet address, like a home address, like a device ID, a biometric, that now taken in total constitute what can be an affirmative acceptance and verification of Randy Mills as an individual.

And then we can write rules as to what that affirmation and verification does in terms of the access it provides to you. All of that technology exists today. That's the exciting part of digital identity and verifiable credentials that you then, on top of that, get to own that, and you get to then permission that to third party verifiers, whether it's an educational institution to access educational materials to healthcare providers in another highly sensitive sector, to financial services.

So, the ability to, from a provenance perspective, with levels of assurance, to verify and validate you, even in an environment where a national ID is not provided to you is phenomenally accessible today. And that's what excites me about digital identity.

**DEZENSKI:** Okay, I guess we'll cap it there because we have food and libations waiting us. Let me just end with a quick thought, which is this conversation actually took me back to the post-9/11 world when we were thinking about identity, digital identity, identity management in the context of biometrics. And that was essentially the same conversation. How do we protect identity in this new national security environment? What are the rules of the road? How do we get to a user centric approach around biometrics? Not sure we really got there. But maybe now we will.

So, I want to thank everyone for being with us today and look forward to further conversation. Thank you. Thanks to our panelists.

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