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Treasury Solicits Public Comment on Ensuring Responsible Development of Digital Assets

by Stephen M. Anstey

The U.S. Department of the Treasury (Treasury) published a Request for Comment on Ensuring Responsible Development of Digital Assets. As stated by Treasury, the Request for Comment seeks input on "the illicit finance and national security risks posed by digital assets." Treasury defines digital assets to include, but not be limited to, "cryptocurrencies, stablecoins, and [central bank digital currencies (CBDCs)]." Comments must be submitted to Treasury by November 3, 2022.

The Request for Comment invites interested members of the public to provide input pursuant to The Executive Order of March 9, 2022, "Ensuring Responsible Development of Digital Assets." The Executive Order required numerous federal agencies to submit reports and evaluations on digital assets regulation and administration. On September 16, 2022, in response to the Executive Order, the White House released a Fact Sheet outlining the "First-Ever Comprehensive Framework for Responsible Development of Digital Assets." On the same day the Fact Sheet was published, Treasury released three reports responding to the Executive Order, one of which was titled "Action Plan to Address Illicit Financing Risks of Digital Assets".

The Request for Comment seeks "input from the public to understand the public's view on […] emerging risks [relating to digital assets] as well as what actions the U.S. government and Treasury Department should take to mitigate the risks." Additionally, "Treasury seeks to further understand how public-private collaboration may improve efforts to address the risks."

The Request for Comment provides twenty-three questions for respondents to consider and encourages them to "address any or all of the […] questions," or to provide any other relevant comments. While each of the twenty-three questions address important topics, below are several that may be of particular relevance:

> Question B.4: What regulatory changes would help better mitigate illicit financing risks associated with digital assets?
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> Question B.6: What additional steps should the U.S. government consider to combat ransomware?
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> Question C.1: How can Treasury most effectively support consistent implementation of global [Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)] standards across jurisdictions for digital assets, including virtual assets and virtual asset service providers (VASP)?

> Question D.2: How can the U.S. Department of the Treasury, in concert with other government agencies, improve guidance and public-private communication on AML/CFT and sanctions obligations with regard to digital assets?
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> Question D.3: How can Treasury encourage the use of collaborative analytics to address illicit financing risks associated with digital assets while also respecting due process and privacy?
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> Question E.1: How can Treasury most effectively support the incorporation of AML/CFT controls into a potential U.S. CBDC design?

As stated, responses to the Request for Comment must be submitted "on or before November 3, 2022." Those working in, or affected by, the digital assets sphere should strongly consider responding to Treasury's Request for Comment.

If you have any questions regarding the development of digital assets regulation and policy, please do not hesitate to reach out to Stephen M. Anstey at sanstey@kilpatricktownsend.com.

Kilpatrick Townsend's Digital Assets Regulation Blog

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