

Submitted electronically via regulations.gov.

August 8, 2022

U.S. Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220

Re: 87 FR 40881 Ensuring Responsible Development of Digital Assets; Request for Comment

FTX appreciates the opportunity to respond to the U.S. Department of Treasury's (Treasury) Request for Comment on Ensuring Responsible Development of Digital Assets (RFC). FTX is encouraged by the process of outreach and education originated by President Biden's March 9 Executive Order on Ensuring Responsible Development of Digital Assets (EO). Fundamentally, the EO acknowledges the substantial and positive impact the digital-asset ecosystem already has made on the provisioning of financial services globally and recognizes that the additional potential of the industry can best be unlocked through responsible oversight by the official sector.

Blockchain technologies present the opportunity for an even more inclusive and efficient financial system. As such, thoughtful regulatory leadership is crucial to harnessing this opportunity to modernize our financial infrastructure and ensure the benefits of this technology come to full fruition. FTX is encouraged by the increased interest in providing regulatory clarity and believes such certainty is needed to uphold America's leadership in the global economy and longstanding tradition of technological innovation. FTX looks forward to continuing its engagement with Treasury on this topic.

Background on FTX

The FTX group of companies (FTX Group or FTX) was established by three Americans, Samuel Bankman-Fried, Gary Wang and Nishad Singh, with international operations commencing in May 2019 and the U.S. exchange starting in 2020. The business was established in order to build a digital-asset trading platform and exchange with a better user experience, customer protection, equitable access, and innovative products, and to provide a trading platform robust enough for professional trading firms and intuitive enough for first-time users. In the U.S., the company operates a federally regulated spot exchange that is registered with the Department of Treasury (via FinCEN, as a money services business) and holds a series of state money transmission licenses. Our U.S. derivatives business is licensed by the Commodity Futures Trading Commission (CFTC) as an exchange and clearinghouse, and the company also holds a FINRA broker-dealer license. FTX's international exchange, which is not available

to U.S. users, holds a series of marketplace licenses and registrations in many non-U.S. jurisdictions including Japan and the European Union (EU). *FTX has aimed to combine the best practices of the traditional financial system with the best from the digital-asset ecosystem.*

At the time of this writing, the FTX platforms have millions of registered users, and the FTX US platform has around one million users. The FTX team has grown to over 300 employees globally, the majority of whom are responsible for compliance and customer support. The FTX Group's primary international headquarters and base of operations is in the Bahamas, where the company is registered as a digital-asset business under The Bahamas' Digital Assets and Registered Exchanges Act, 2020 (DARE).

FTX US. FTX services U.S. customers through the FTX US businesses, which includes the spot exchange, FTX US Derivatives (FUSD) (<https://derivs.ftx.us/>), a nonfungible token (NFT) marketplace, and a FINRA broker dealer (FTX Capital Markets). FTX US is housed under a separate corporate entity from FTX international and is headquartered in Chicago, IL. It has a similar governance and capital structure to the overall corporate family, and also has its own web site, FTX.us, and mobile app. As with FTX.com, the core product is an exchange for both a spot market for digital assets as well as a market for derivatives on digital assets. Like other crypto-platforms in the U.S., the spot market is primarily regulated through state money-transmitter laws.

FUSD offers futures and options contracts on digital assets (or commodities) to both U.S. and non-U.S. persons. FUSD operates with three primary licenses from the CFTC: a Designated Contract Market (DCM) license, a Swap Execution Facility (SEF) license, and a Derivatives Clearing Organization (DCO) license. Prior to its acquisition by FTX, this business was the first crypto-native platform issued a DCO license by the CFTC in 2017, which was a milestone for the agency and the digital-asset industry. That license was later amended in 2019 to permit the clearing of futures contracts on all commodity classes.

Equitable Market Structure. FTX operates its trading platforms with the option of direct access to the market/matching engine and, where applicable, clearinghouse for users, which allows those who access the platforms in this manner to become participants (rather than requiring intermediated access). In practice, this allows any individual or institutional investor to onboard the platforms by visiting the relevant web site and completing the onboarding process, or by connecting to the platform through the API. Importantly, FTX is also able to allow intermediaries to connect and provide their own customers access to products for trading. By providing both direct or intermediated access, FTX maximizes choice for the investor. For direct-access users, FTX also provides all of the applicable suitability controls and

KYC processes that are often done by intermediaries, ensuring that the standard safeguards are in place whichever way customers access the platform.¹

Resilience Under Market Stress. In addition to offering competitive products, the FTX platforms have built a reputation as being highly performant and reliable exchanges. Even during bouts of high volatility in the overall digital-asset markets, the FTX.com exchange has experienced negligible downtime and technological performance issues when compared to its main competitors. We believe the dual-track focus on customers and reliability, plus compliance and regulation, are key reasons why FTX has also experienced the fastest relative volume growth of all exchanges since January 2020.

For each FTX platform, the core product consists of the web site that provides access to a marketplace for digital assets and tokens, and derivatives on those assets. Platform users also can access the market through a mobile device with an FTX app. The core product also consists of a vertically integrated, singular technology stack that supports a matching engine for orders, an application programming interface or API, a custody service and wallet for users, and a settlement, clearing and risk-engine system. In a typical transaction, the only players involved are the buyers, sellers, and the exchange/clearinghouse.

The FTX risk-management system consists of a number of innovative features designed to limit losses for customers as well as contain risks on the platform to avoid market contagion. These features are under review in the context of FTX's application to amend its DCO license (the "FTX Application") before the CFTC, and include pre-funding initial margin in support of customer trading positions; real-time review and assessment of customer accounts to determine the adequacy of customer collateral based on market moves; an automated de-risking feature that sells portions of customer positions in order to re-balance customer accounts as needed; a backstop-liquidity-provider (BLP) program to manage customer positions from accounts in default; and a guaranty fund that is over capitalized to absorb losses from customer accounts when needed. The FTX risk-management system does not extend credit to customers or issue margin calls when margin levels supporting market positions decline below required levels – instead, the system requires that adequate margin levels are maintained by customers on the platform at all times, and when minimum levels are not maintained, the system de-risks those customer positions automatically.

Many global markets have experienced volatility in recent weeks and months, including debt- and equity-securities markets as well as crypto markets, but most relevant to policy makers is the performance of risk-management systems during this market stress. FTX's operations, including the risk engine on FTX.com, have performed remarkably well and as designed during the recent market volatility. Indeed, the resilience of FTX platforms amid such turbulence illustrates how well these real-

¹ CFTC, *CFTC Staff Issues Exemptive and Interpretive Letters to Nadex and Commission Amends Nadex Derivatives Clearing Organization Registration Order* (Press Release, Jan. 17, 2014), <https://www.cftc.gov/PressRoom/PressReleases/6833-14>.

time risk-management systems can contain risk during extreme market events, and how their introduction into other markets could benefit those marketplaces.

Consider the following data on FTX's three most-traded futures contracts for Bitcoin (BTC) and Ether (ETH) listed on the platform. There were more than \$40 billion in trading volume for just these contracts listed on FTX.com on the three trading days in June with the biggest market moves:

Day	BTC Move	ETH Move	FTX.com BTC and ETH Volume	FTX.com BTC and ETH Auto De-Risking Volumes (\$)	Guaranty Fund Impact - BTC and ETH
06-13-2022	-20%	-25%	\$18,859,691,578	\$392,845,647	+\$2,699,163
06-14-2022	-18%	-12%	\$13,742,776,215	\$182,362,127	+\$1,470,046
06-18-2022	-18%	-24%	\$8,141,292,381	\$69,097,081	-\$230,622

The month of June also saw several other days with substantial market moves of greater than 10%. From June 10 through July 4, more than \$168 billion in notional activity was traded in the most-traded contracts for BTC and ETH.

For June 13, 14 and 18, the automated de-risking transactions performed by the FTX risk engine amounted to approximately \$644 million, or ~1.5% of overall trading in those contracts. During the period June 10 through July 4, the automated de-risking feature of the risk engine transacted \$855 million in notional trading, or ~0.5% of overall activity in those contracts.

There are two important takeaways from this data. First, trading volumes on FTX.com were higher on the days highlighted, but the share of trading volumes from de-risking transactions was still a very small fraction of the overall activity – this has been a consistent trend since the platform was launched. Second, the guaranty fund – a key layer of the default waterfall which contains loss-absorbing resources funded by FTX – was minimally impacted by losses in customer accounts, and in fact on two of three days, the guaranty fund experienced a net gain in resources, and was net positive for the period of June 10 through July 4.

Comments

The discussion below addresses the areas of focus identified in Treasury’s request for comment.

A. Adoption to Date and Mass Adoption

a. Who are the users, consumers, and investors that are adopting digital assets? What is the geographic composition and demographic profile of consumers and investors in digital assets?

In the United States, one in five adults have invested in digital assets.² According to a recent Harris Poll survey, 17% of whites, 30% of blacks, and 27% of Hispanics own digital assets.³ Data suggests that minorities are “over-represented” as investors in digital assets compared to other asset classes. The Ariel-Schwab Black Investor Survey indicates that 25% of black Americans currently own cryptocurrency, and that within this group, 38% are under age 40; comparatively, 15% of white Americans own cryptocurrency, and 29% of white investors are under 40.⁴

Among black investors surveyed, 23% cited excitement about digital assets as a reason for starting investing in general, while 11% indicated that cryptocurrency was the first asset class in which they invested (compared to 10% and 4%, respectively, for white investors). Data also showed that, relative to 2020, black Americans who either stopped investing or never invested increasingly cite the following factors: “lack of trust in the stock market” (36% versus 29%); “lack of trust in financial institutions” (25% versus 19%); and “having had a bad investing experience” (15% versus 9%). In general, the Ariel-Schwab Black Investor Survey finds that “black Americans perceive the stock market as more risky and less fair than white Americans do,” which could potentially explain their enthusiasm for cryptocurrency.

Globally, political and financial trends greatly affect the attractiveness of digital assets. Many of the most thriving digital asset environments have emerged from conditions where consumers and businesses generally are underserved, lack a robust financial system, face a wartime situation, are

² Thomas Frank, *One in five adults has invested in, traded or used cryptocurrency, NBC News poll shows*, CNBC (Mar. 31, 2022), <https://www.cnbc.com/2022/03/31/cryptocurrency-news-21percent-of-adults-have-traded-or-used-crypto-nbc-poll-shows.html>; Speech by Christopher J. Waller, Member, Board of Governors of the Federal Reserve System, *Risk in the Crypto Markets* (SNB-CIF Conference on Cryptoassets and Financial Innovation, Zurich, Switzerland, June 3, 2022), <https://www.federalreserve.gov/newsevents/speech/waller20220603a.htm> (citing surveys indicating that crypto use among American adults may range from 12% to 20%).

³ See Akayla Gardner, *Black Americans Are Embracing Stocks and Bitcoin to Make Up for Stolen Time*, Bloomberg (Apr. 13, 2021), <https://www.bloomberg.com/news/articles/2021-04-13/black-americans-embrace-stocks-and-bitcoin-btc-to-make-up-for-stolen-time>.

⁴ *2022 Black Investor Survey: Report of Findings*, Ariel Investments & Charles Schwab (Apr. 2022), https://www.arielinvestments.com/images/stories/PDF/2022-ariel-schwab-black-investor-survey-findings_4.5.22.pdf.

dealing with high inflation, or are seeking to undermine authoritarian regimes. Often, such circumstances provide opportunities for the benefits of digital assets to be realized. For example, in Turkey and Nigeria, rampant inflation has driven interest in cryptocurrency.⁵ Indeed, at the time of this writing, Turkey is the country with the most active user base on FTX.com. In countries oft-considered to have oppressive regimes, such as Afghanistan and Venezuela, people are increasingly shielding their families' livelihoods with digital assets.⁶ In many of these regions, citizens specifically turn to dollar-backed stablecoins, demonstrating a demand for U.S. dollars and the U.S. financial system. Given the centrality of the dollar in global markets, it should come at no surprise that USD-denominated stablecoins account for 98% of all stablecoin volume.⁷

More broadly, data suggests that cryptocurrencies are mainly held by middle-income individuals in emerging markets, who perceive digital assets as a way to protect household savings against inflation.⁸ During the pandemic, the cost of traditional remittances rose,⁹ making the price and speed of remittances through cryptocurrency attractive to users in developing countries.¹⁰

Recent data show that approximately one third of global digital-asset-spot-trading volumes and around 40% of global digital-asset-derivative-trading volumes were from advanced Asia-Pacific countries and emerging markets.¹¹ Asia, Africa, and Latin America are world leaders in the adoption of

⁵ See Emele Onu, *Crypto Trades Derive Naira to New Low in Unauthorized Market*, Bloomberg (July 27, 2022), <https://www.bloomberg.com/news/articles/2022-07-27/crypto-trades-contribute-to-naira-s-dive-in-unauthorized-market>; Umar Farooq, *Crypto investing is alive and well in Turkey, thanks to lira woes*, Al Jazeera (Jan. 17, 2022), <https://www.aljazeera.com/economy/2022/1/17/crypto-investing-is-alive-and-well-in-turkey-thanks-to-lira-woes>.

⁶ Eltaf Najafizada, *Afghan crypto buyers aren't trying to strike it rich. They're just trying to keep what they have out of the Taliban's reach*, Fortune (Apr. 24, 2022), <https://fortune.com/2022/04/24/afghan-crypto-buyers-keep-money-out-of-taliban-reach-stablecoin-herat/>; Gideon Long, *Digital scheme pays Venezuela health works from frozen funds*, Financial Times (Dec. 9, 2021), <https://www.ft.com/content/2a271032-35b4-4969-a4bf-488d4e9e3d18>.

⁷ Pacal Hugli, *Why are stablecoins overwhelmingly backed by the US dollar?*, Forkast (Apr. 5, 2022), <https://forkast.news/why-stablecoins-overwhelmingly-backed-by-us-dollar/> (citing CoinGecko data).

⁸ UNCTAD Policy Brief No. 100, *All that glitters is not gold: The high cost of leaving cryptocurrencies unregulated* (June 2022), https://unctad.org/system/files/official-document/presspb2022d8_en.pdf.

⁹ Oya Ardic, Edlira Dashi, Hemant Bajjal, & Harish Natarajan, *Ebb and flow: Remittances in a year of pandemic* (World Bank Blogs, June 15, 2021), <https://blogs.worldbank.org/psd/ebb-and-flow-remittances-year-pandemic>.

¹⁰ UNCTAD Policy Brief No. 100, *All that glitters is not gold: The high cost of leaving cryptocurrencies unregulated* (June 2022), https://unctad.org/system/files/official-document/presspb2022d8_en.pdf.

¹¹ BCG, Bitget, and Foresight Ventures, *What Does the Future Hold for Crypto Exchanges?* (July 22, 2022), https://github.com/Foresight-Ventures/Research/blob/main/What%20Does%20the%20Future%20Hold%20for%20Crypto%20Exchanges_Eng_Jul%202022.pdf.

cryptocurrencies by individual investors.¹² In Nigeria, for example, digital asset usage is reportedly over 40 percent higher than traditional banking penetration.¹³

For FTX.com, roughly 50% of users come from Asia, 30% from the European Union (EU), and 7% from South America, with the remainder from other regions (but not the U.S. or sanctioned jurisdictions, which are blocked). In comparison to the international exchange, nearly all FTX US users are from the U.S. The vast majority of FTX users tend to be highly sophisticated traders – for example, more than 75 percent of FTX users transact at least \$100,000 in notional activity each trading day. Overall, the market activities that FTX performs improve the stability and liquidity of digital asset markets globally, thus indirectly enabling many of the benefits of this emerging technology. FTX’s international presence is driven in part by the fact that emerging markets are leading the world in digital-assets adoption.

FTX’s global reach and the international interconnectivity enabled by digital assets allow the company to advance social good and harness the power of crypto to tangibly improve lives. Marking the historic first instance of a cryptocurrency exchange directly cooperating with a public financial entity to provide a conduit for crypto donations, FTX has partnered with the Government of Ukraine to process millions of dollars in digital-asset donations from around the world to defend against Russia’s invasion and support the Ukrainian people.¹⁴ Michael Chobanian, the president of the Blockchain Association of Ukraine who is helping organize these efforts, explained the unique benefits of digital assets for his war-torn country to the Senate Banking Committee:

“For my country which is fighting with bare hands, time is vital. Crypto works 24-7. It’s about urgency, and ease of use. We receive money instantly; we can spend money instantly. We can attract donations from pretty much any place in the world, even countries which don’t have access to banking, but they have crypto...the faster we buy the bullet proof vests, the faster we buy the first aid kits, the more people I can save in my country, so here I’m just praying for crypto because it’s so fast.”¹⁵

¹² See Stephen Ngari, *Top Cryptocurrency Countries by Adoption (2022 Data)*, Bankless Times (Aug. 8, 2022), <https://www.banklesstimes.com/cryptocurrency/top-countries-leading-in-cryptocurrency-adoption/>.

¹³ CG, Bitget, and Foresight Ventures, *What Does the Future Hold for Crypto Exchanges?* (July 22, 2022), https://github.com/Foresight-Ventures/Research/blob/main/What%20Does%20the%20Future%20Hold%20for%20Crypto%20Exchanges_Eng_Jul%202022.pdf (citing Statista survey data).

¹⁴ Danny Nelson, *Ukraine Partners With FTX, Everstake to Launch New Crypto Donation Website*, CoinDesk (Mar. 14, 2022), <https://www.coindesk.com/policy/2022/03/14/ukraine-partners-with-ftx-everstake-to-launch-new-crypto-donation-website/>.

¹⁵ Senate Banking GOP (Twitter, Mar. 18, 2022), https://twitter.com/BankingGOP/status/1504820202126589958?s=20&t=0tGbydgpQ993_ZQVdMb7bQ.

Ukraine’s Deputy Minister of Digital Transformation has also noted, “each and every helmet and vest bought via crypto donations is currently saving Ukrainian soldiers’ lives.”¹⁶ Additionally, when the war broke out in Ukraine, FTX gave \$25 to every Ukrainian user of our platform.¹⁷

b. What businesses are adopting digital assets and for what purposes?

Thousands of businesses are adopting digital assets into their business models in various ways such as accepting cryptocurrencies as payment, facilitating payments, improving operational efficiencies, and securing supply chains. A number of popular consumer goods and services companies accept crypto payments.¹⁸ Businesses involved in remittances allow their customers to use cryptocurrency to send funds internationally, such as immigrants in the U.S. who send money to family members in their home countries.¹⁹ Artists utilize NFTs to share their media with audiences in exchange for value on a digital basis. Noteworthy among them are black artists, 58 of whom sold NFTs that had a combined value of over \$700,000 from January 2020 to March 2021.²⁰ NFTs with practical use are growing as consumer businesses, music festivals, and sports tournaments are increasingly offering NFTs that provide access to physical experiences, goods, or a sense of community.²¹

In the financial services sector, almost all major banks have begun using blockchain and digital assets in some way. Major U.S. financial institutions have used blockchain and tokenized assets to streamline many functions including collateral transfer, interbank payments, foreign exchange, or forwards trades.²² Banks and investment managers are enabling investor access to Bitcoin and other

¹⁶ Amitoj Singh, *Ukraine Details What Crypto Donations Are Being Spent On*, CoinDesk (Mar. 11, 2022), <https://www.coindesk.com/policy/2022/03/11/ukraine-details-what-crypto-donations-are-being-spent-on/>.

¹⁷ Sam Bankman-Fried (Twitter, Feb. 24, 2022), https://twitter.com/SBF_FTX/status/1496980981617946624?s=20&t=4l59IUtb79z4vev0l56x7w.

¹⁸ See Annamaria Andriotis, *Cryptocurrency Is Coming to Your Credit Cards*, The Wall Street Journal (July 9, 2022), <https://www.wsj.com/articles/cryptocurrency-is-coming-to-your-credit-cards-11657374215>.

¹⁹ See Bradley Cooper, *How ATMs deliver remittances*, ATM Marketplace (Aug. 2, 2022), <https://www.atmmarketplace.com/articles/how-atms-deliver-remittances/>.

²⁰ Cuy Sheffield, *Why I’m Collecting Black Crypto Art*, Medium, Dec. 21, 2020), <https://medium.com/@cuyssheffield/why-im-collecting-black-crypto-art-c3cbba939d64> (citing One/Off data).

²¹ See Ann-Marie Alcántara, *Brands Try Turning NFTs From Kitschy Collectibles Into Something Utilitarian for Consumers*, The Wall Street Journal (July 29, 2022), <https://www.wsj.com/articles/brands-try-turning-nfts-from-kitschy-collectibles-into-something-utilitarian-for-consumers-11659129968>; Zoe Sottile, *Tiffany’s sells out custom Cryptopunk ‘NFTiff’ pendants for \$50,000 each*, CNN (Aug. 7, 2022), <https://edition.cnn.com/style/article/tiffanys-cryptopunk-nft-pendants-trnd/index.html>.

²² Yueqi Yang, *JPMorgan Finds New Use for Blockchain in Trading and Lending*, Bloomberg (May 26, 2022), <https://www.bloomberg.com/news/articles/2022-05-26/jpmorgan-finds-new-use-for-blockchain-in-collateral-settlement>; *HSBC and Wells Fargo use blockchain to settle forex trades* (Reuters, Dec. 13, 2021),

cryptocurrencies.²³ One of America's oldest financial institutions recently became the "primary custodian" for assets behind the world's second-largest stablecoin.²⁴ Major U.S. payments companies have enabled consumers to pay for everyday items using cryptocurrencies.²⁵

Further, self-executing blockchain smart contracts are replacing ineffective, costly human oversight on traditional trading platforms, reducing settlement risk, cutting costs, and optimizing liquidity as a result. Instead of being processed through clearinghouses, such contracts can execute as soon as prerequisite criteria are fulfilled, such as a buyer and seller agreeing on a price point. Quicker trades and real-time transparency mean shorter time lags, which frees up the equity needed to continue trading and avoids trading suspensions like the one that occurred during the recent GameStop frenzy.²⁶

For example, smart contracts have enabled the innovation of intraday repos paying interest by the minute, an advancement to overnight repos. By providing the certainty that an asset will arrive at specified time, smart contract automation enables users to better manage funding needs, and thereby allows them to optimize liquidity and pricing intraday.²⁷ On JP Morgan's own intraday repo platform, cash is settled using JP Morgan's tokenized U.S. dollar, removing the layer of risk associated with payment intermediaries.²⁸ U.S. firms are also leveraging smart contracts to simplify and expedite paper-intensive letter of credit (LC) transactions and trade-finance processes.²⁹

<https://www.reuters.com/markets/currencies/hsbc-wells-fargo-use-blockchain-settle-forex-trades-2021-12-13/>; State Street, *State Street Digital, Vanguard and Symbiont Complete First Live Trade for Foreign Exchange Forward Contracts Leveraging Revolutionary Blockchain Technology and Smart Contracts* (Press Release, Dec. 6, 2021), <https://newsroom.statestreet.com/press-releases/press-release-details/2021/State-Street-Digital-Vanguard-and-Symbiont-Complete-First-Live-Trade-for-Foreign-Exchange-Forward-Contracts-Leveraging-Revolutionary-Blockchain-Technology-and-Smart-Contracts/default.aspx>.

²³ See Hugh Son, *Morgan Stanley becomes the first big U.S. bank to offer its wealthy clients access to bitcoin funds*, CNBC (Mar. 17, 2021), <https://www.cnbc.com/2021/03/17/bitcoin-morgan-stanley-is-the-first-big-us-bank-to-offer-wealthy-clients-access-to-bitcoin-funds.html>; *Coinbase selected by BlackRock; provide Aladdin clients access to crypto trading and custody via Coinbase Prime* (The Coinbase Blog, Aug. 4, 2022), <https://blog.coinbase.com/coinbase-selected-by-blackrock-provide-aladdin-clients-access-to-crypto-trading-and-custody-via-b9e7144f313d>.

²⁴ See Danny Nelson, *BNY Mellon to Custody Assets Backing Circle's USDC Stablecoin*, CoinDesk (Mar. 31, 2022), <https://www.coindesk.com/business/2022/03/31/bny-mellon-to-custody-assets-backing-circles-usdc-stablecoin/>.

²⁵ See Annamaria Andriotis, *Cryptocurrency Is Coming to Your Credit Cards*, The Wall Street Journal (July 9, 2022), <https://www.wsj.com/articles/cryptocurrency-is-coming-to-your-credit-cards-11657374215>.

²⁶ *Game Stopped: How the Meme Stock Market Event Exposed Troubling Business Practices, Inadequate Risk Management, and the Need for Legislative and Regulatory Reform* (U.S. House Committee on Financial Services, June 2022), https://financialservices.house.gov/uploadedfiles/6.22_hfsc_gs.report_hmsmeetbp.irm.nlrf.pdf.

²⁷ See Ben St. Clair, *'Repo by the minute' could reshape lending - but not quite yet*, Risk.net (Aug. 4, 2022), <https://www.risk.net/derivatives/7952356/repo-by-the-minute-could-reshape-lending-but-not-quite-yet>.

²⁸ See *ibid.*

²⁹ See Sofia Lotto Persio, *Banks bring blockchain innovation to letters of credit*, Global Trade Review (Oct. 8, 2016), <https://www.gtreview.com/news/asia/banks-blockchain-innovation-letters-of-credit/>.

Finally, as described above, FTX's core product is a vertically integrated exchange for trading digital assets, which allows various businesses to invest for a multitude of strategic, investment, and hedging purposes.

c. What are the main use cases for digital assets for consumers, investors, and businesses?

The most promising use cases related to digital assets include payments, investing, and online expression and communications. As mentioned above, digital assets are already enabling consumers to conduct cross-border transactions at a much lower cost than traditional remittance channels. The speed of digital asset channels are also impressive – cross-border payments can be settled in just around fifteen seconds, unlike dominant retail payments channels which are quite expensive and tend to have longer settlement times. Ultimately, the transaction speed, efficiency, and streamlined market structure enabled by digital assets promises to improve capital markets. Settlement is far simpler with digital assets, allowing everyone to send orders straight to exchanges, rather than only the wealthiest traders. Accordingly, tokenized equities – not yet a reality in the U.S. – potentially could reduce settlement risks for investors and lower fees. For similar reasons, digital assets can help avoid problems in derivatives markets by facilitating more transparent and swift risk management and collateral transfers, thus benefiting investors.

With regards to online expression and communications, NFTs are a popular use case, with many trading platforms and businesses offering unique and creative NFTs. While a traditional use case for NFTs is investment in digital art, in China individuals are using NFT's to protect images, videos, and other media from deletion by government internet censors.³⁰ Digital assets are also becoming the backbone of emerging social media platforms that promise to facilitate interoperability and address the lack of competitiveness between major internet companies. Broadly speaking, the public blockchains enabled by major digital assets could ultimately be the foundation for platforms that are fully interoperable with each other, allowing for the real competition that the Biden Administration hopes to achieve in the technology sector.³¹

Digital assets can also help bank the unbanked. Indeed, globally speaking, digital assets, decentralized finance (DeFi) protocols and other solutions that enhance financial inclusion are increasingly being used in lieu of traditional banking services across many emerging markets. An appropriate regulatory

³⁰ See Shen Lu, *NFTs Are Put to New Use in China, Countering Censorship During Pandemic*, The Wall Street Journal (May 21, 2022), <https://www.wsj.com/articles/nfts-are-put-to-new-use-in-china-countering-censorship-during-pandemic-11653134403>.

³¹ The White House, *Executive Order on Promoting Competition in the American Economy* (Executive Order, July 9, 2021), <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/07/09/executive-order-on-promoting-competition-in-the-american-economy/>.

environment would allow for similar successes in the United States. In a survey conducted by the Federal Deposit Insurance Corporation (FDIC), commonly cited reasons for not having a bank account included not having enough money to meet minimum balance requirements, distrust of banks, and fees being too high or unpredictable.³²

d. What are the implications for equitable economic growth?

A meaningful segment of Americans note that the traditional financial system has not adequately served them. They cite a history of discriminatory policies and practices toward underrepresented groups that has led to wealth disparities and mistrust in some aspects of traditional financial services. Other elements of the current system, such as minimum account balances, low balance fees, overdraft fees, and other charges create further hurdles on the path toward the goal of equitable financial access.³³

Digital assets help to address many of these issues and can contribute to the cause of advancing racial equity in financial services. A critical element of this is accessibility. As noted above, and according to Morning Consult data, black Americans are more likely to use financial technology and digital wallets for banking and payments.³⁴ This is partially due to the relative lack of financial institution access in predominantly black neighborhoods.³⁵

Accessing financial services through FTX.US and most other digital-asset platforms only requires a smartphone. On the FTX platform, there are no minimum funds or deposits, no low balance fees, and no risk of overdraft fees.

FTX also strives to improve equity in financial services through transparency and equal access to market tools and data. FTX platforms provide equal access to all of their market data to users for free, whether they are retail or institutional. FTX continues this principle of maximizing investor choice by offering direct or intermediated access to its platforms. Improving equity in financial services depends on customers having access to fair and impartial information and the flexibility to make the choice that works best for them.

³² FDIC, *How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey* (Oct. 2020) <https://www.fdic.gov/analysis/household-survey/2019report.pdf>.

³³ Ibid.

³⁴ Charlotte Principato, *The Black Banking Experience Is Digital, but Banking Leaders Must Understand Why*, Morning Consult (Feb. 22, 2022), <https://morningconsult.com/2022/02/22/black-banking-experience-is-digital-but-banking-leaders-must-understand-why/>.

³⁵ Imani Moise, *African Americans underserved by U.S. banks: study*, Reuters (Aug. 13, 2019), <https://www.reuters.com/article/us-usa-banks-race/african-americans-underserved-by-u-s-banks-study-idUSKCN1V3081>.

e. Factors that would further facilitate mass adoption

The primary pre-condition to facilitate mass adoption of digital assets in the future is regulatory clarity. For now, digital-asset exchanges offer the most compelling pathways for integrating digital assets into the traditional financial system, thus facilitating mass adoption of digital-assets. These platforms are the gatekeepers to the digital-asset ecosystem, enabling conversions between digital-assets and fiat currencies. Thus, how these entities are regulated will hugely influence the future of digital-assets adoption in the United States.

Currently, despite rapid growth, digital-assets usage is still fairly limited in America corresponding to a lack of regulatory approved products. Over 95% of volumes in spot and derivatives digital-asset trading is offshore, to the detriment of American revenue, jobs, and technological development.³⁶ At the same time, estimates hold that two-thirds of the most highly traded tokens relate to projects founded and run by U.S. citizens and trade on exchanges they created.³⁷ U.S. investors are at a disadvantage relative to those from other jurisdictions, facing markets with much less liquidity. The U.S. regulatory environment for digital assets is fairly undeveloped – substantial regulatory uncertainty exists, and Solidus Labs ranks the United States nineteenth on its Global Crypto Regulation Index.³⁸ Having a clear framework applied for markets and assets in the digital-asset ecosystem would protect customers, move the industry forward, advance U.S. economic interests, and protect against system risk.

One major source of regulatory uncertainty surrounds how definitions by federal financial regulators are used – whether a digital asset is a “security,” “commodity,” or a “currency” remains unclear. Additionally, limited regulatory guidance exists regarding how financial intermediaries can interact with digital assets while meeting obligations around custody, anti-money laundering (AML) and know your customer (KYC), tax, accounting, and other regulatory requirements. Regulatory uncertainty falls heavily on the end user; and the lack of guidance around the tax treatment of digital assets in particular dissuades consumers from using digital assets.

Digital-asset exchanges require proper oversight to ensure adequate and minimum standards of operational and risk-management practices to protect customers, investors, and the public. The goals of protecting investors and mitigating systemic risks are better accomplished when digital-asset platforms are subjected to federal oversight. Regulators should bring digital-asset platforms into the regulatory perimeter when those platforms apply for licensure and do so expeditiously.

³⁶ FTX Global Volume Monitor (Aug. 7, 2022), <https://ftx.com/volume-monitor>.

³⁷ See J. Christopher Giancarlo, Christopher Perkins, & Mark Wetjen, *A bipartisan case for why the US need as Web3 regulatory overhaul*, Forkast (May 19, 2022), <https://forkast.news/why-we-need-better-web3-regulations/>.

³⁸ Global Crypto Regulation Index, Solidus Labs (July 2022), <https://www.soliduslabs.com/global-crypto-regulation-index#us>.

Additionally, regulatory clarity for digital-asset exchanges brings the added benefit of promoting responsible innovation and competition within the U.S. financial services industry more broadly. For example, bringing digital-asset exchanges into the regulatory perimeter provides additional venues for investors to trade derivatives and introduces innovations in market structure and risk management that could ease cost pressures on intermediaries and disperse risk more broadly in the system.

FTX is encouraged by the increased interest from the Executive branch and Congress in providing regulatory clarity and believes the U.S. needs to act on crypto regulation to maintain international financial leadership.³⁹ As adoption of stablecoins and blockchain expands, the economic and national security ramifications of the global digital economy continue to rise. Understanding this significance, the Chinese state has introduced the Digital Yuan and the Blockchain Service Network.⁴⁰ U.S. policymakers should prioritize developing a regulatory framework that promotes domestic innovation in blockchain and digital asset technologies to ensure the U.S. maintains dominance over the global financial infrastructure. The United States cannot take its position as a leader in emerging technologies for granted, as demonstrated by the absence of a viable U.S. alternative to Huawei's 5G.⁴¹ The U.S. has the opportunity to set the standards for the rest of the world if we act now.

An additional pre-condition that would facilitate mass adoption of digital assets in the future is more widespread deployment of broadband technology. Digital assets and blockchain technology require internet access. Thus, deploying nationwide broadband technology to connect underserved communities – a commendable effort of the Biden Administration – will contribute to the adoption of digital assets.⁴²

Also important is ensuring that blockchains underlying digital assets can validate transactions and facilitate smart contracts in a low-cost, secure, and environmentally responsible way. Transitioning

³⁹ See Rosemarie Miller, *U.S. Rushes To Lead International Crypto Regulation Before Getting Its Own House In Order*, Forbes (July 8, 2022), <https://www.forbes.com/sites/rosemariemiller/2022/07/08/us-rushes-to-lead-international-crypto-regulation-before-getting-its-own-house-in-order/?sh=37e1b8b055f9>.

⁴⁰ PBOC, *Progress of Research & Development of E-CNY in China* (July 2021), www.pbc.gov.cn/en/3688110/3688172/4157443/4293696/2021071614584691871.pdf; Blockchain-based Service Network (BSN), *Introductory White Paper, BSN Development Association* (Feb. 5, 2020), <https://bsnbase.io/static/tmpFile/BSNIntroductionWhitepaper.pdf>.

⁴¹ Brian Fung, *How China's Huawei took the lead over U.S. companies in 5G technology*, The Washington Post (Apr. 10, 2019), <https://www.washingtonpost.com/technology/2019/04/10/us-spat-with-huawei-explained/>.

⁴² The White House, *Biden-Harris Administration Announces Over \$25 Billion in American Rescue Plan Funding to Help Ensure Every American Has Access to High Speed, Affordable Internet* (Fact Sheet, June 7, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/06/07/fact-sheet-biden-harris-administration-announces-over-25-billion-in-american-rescue-plan-funding-to-help-ensure-every-american-has-access-to-high-speed-affordable-internet/>.

toward proof-of-stake blockchains, which demand de minimis energy resources, will help facilitate the mass adoption of digital assets and is necessary to evolve crypto as a payments network.⁴³ For payment networks to conduct millions of transactions per second and be sustainable they will have to be extremely efficient and have low energy costs, which proof-of-stake networks are.⁴⁴

Finally, improved consumer education is critical for mass adoption. In a 2021 survey 24% of Americans reported they did not know how cryptocurrency worked and an additional 20% reported they did not access cryptocurrency because they did not know how to buy it.⁴⁵ Empowering Americans with the financial literacy to take advantage of the digital asset market will contribute to expanded adoption while enhancing the safety and stability of digital asset markets.

f. What developments in technology, products, services, or markets account for the current adoption of digital assets? Are there specific statutory, technology, or infrastructural developments that would facilitate further adoption?

The adoption of digital assets is driven in large part by the fundamental use cases of blockchain. Blockchain technology allows consumers to ledger and keep track of assets, expedite movement of those assets (including for payments), avoid fees of redundant intermediaries, and settle those asset movements almost immediately. Over the last several years, platforms have emerged that allow people to safely and securely derive the benefits of this new technology while offering a straightforward interface.

Platforms such as FTX, which offer full stack products, further contribute to the current adoption of digital assets. Blockchain technology and software applications leveraging blockchains still require some level of technological comfort and understanding to develop and harness, and third parties such as exchanges can offer products and services that ease access to the ecosystem. Additionally, financial services that would have traditionally required a wide variety of firms are now provided on just one platform. Digital-asset exchanges allow users to send orders directly to exchanges, therefore bypassing all settlement risk from intermediaries.

⁴³ See *FTX's billionaire chief says bitcoin has no future as a payments network*, *Financial Times reports*, Reuters (May 16, 2022), <https://www.reuters.com/markets/currencies/ftx-chief-says-bitcoin-has-no-future-payments-network-ft-2022-05-16/>.

⁴⁴ See Sergio Goschenko, *FTX Founder Sam Bankman-Fried Thinks Bitcoin Has No Future as a Payments Network*, *Bitcoin.com* (May 18, 2022), <https://news.bitcoin.com/ftx-founder-sam-bankman-fried-thinks-bitcoin-has-no-future-as-a-payments-network/>.

⁴⁵ Josh Howarth, *How Many People Own Bitcoin? 95 Blockchain Statistics (2022)*, *Exploding Topics* (July 12, 2022), <https://explodingtopics.com/blog/blockchain-stats>.

Regulatory clarity as described above would facilitate further adoption of digital assets, in particular federal market manipulation regulation and a streamlined licensing process.

B. Opportunities for Consumers, Investors, and Businesses

Please see section “A. Adoption to Date and Mass Adoption” for a full discussion of opportunities related to digital assets for consumers, investors, and businesses.

C. General Risks in Digital Assets Financial Markets

The lack of federal regulatory clarity in digital asset markets is a large contributing factor in perpetuating risks across the industry. FTX recommends that regulators expeditiously bring digital-asset platforms into the ambit of regulatory oversight when these platforms apply for licensure. The licensure process should be streamlined for applicants who demonstrate that their product serves public interest, including protecting investors and mitigating systemic risk, which also would promote responsible innovation and competition within the financial services industry.

FTX recommends that Congress provide the CFTC with the authority to oversee spot-market activity for non-security digital assets given the CFTC’s experience with the asset class, robust investor protection measures, and principles-based framework under the Commodity Exchange Act (CEA) that allows for flexibility to adapt to new products. Additionally, Congress, the CFTC and the Securities and Exchange Commission (SEC) should pursue a scheme where a digital-asset platform operator could opt into a program of joint supervision by the CFTC and SEC where there is dual jurisdiction over various digital assets listed on the platform. In this scenario, one of the market regulators would serve as the primary regulator, while the other would serve in a secondary capacity for market oversight, reducing risk and enhancing customer-protection.⁴⁶

Several pieces of legislation have been introduced that would expand the jurisdiction of the U.S. Commodity Futures Trading Commission (CFTC) over digital commodities spot markets including the Digital Commodities Consumer Protection Act of 2022,⁴⁷ the Responsible Financial Innovation

⁴⁶ For further discussion, see FTX, *FTX’s Key Principles for Market Regulation of Crypto-Trading Platforms* (Dec. 3, 2021), <https://www.ftxpolicy.com/posts/ftx-key-principles>.

⁴⁷ Stabenow, Boozman, Booker and Thune, *Digital Commodities Consumer Protection Act of 2022* (Aug. 3, 2022) <https://www.agriculture.senate.gov/newsroom/rep/press/release/stabenow-boozman-booker-and-thune-introduce-legislation-to-regulate-digital-commodities>.

Act,⁴⁸ as well as the Digital Commodity Exchange Act of 2022.⁴⁹ FTX is enthused about these developments which indicate broadening Congressional interest in protecting consumers and advancing U.S. competitiveness by establishing a federal regulatory framework for digital asset markets.

In addition to a more comprehensive regulatory structure for digital assets, enhanced transparency is key to mitigating risks. FTX specifically recommends that token issuers be governed by disclosed policies and procedures explaining the listing standards for tokens. Enhanced transparency is also necessary surrounding transaction reporting for exchanges, in order to allow proper visibility to market regulators and to combat market manipulation.⁵⁰ FTX further recommends regulation requiring exchanges to disclose their standards for evaluating stablecoins permitted for settlement transactions.

Maintaining equitable access to market data is another key mitigating factor in protecting consumers in digital asset markets. The availability of market data to users free of charge is a hallmark of the digital asset industry. An option of a non-intermediated market allows all users the same access to this data. Thus, policy makers should carefully consider the standards under which platforms are permitted to charge users a fee for access to or use of market data related to trading that takes place on the platforms.

A cumulative \$2.66 billion has been stolen from cryptocurrency exchanges since 2012, demonstrating the sizable risk of attacks and theft in the industry.⁵¹ Currently, security measures vary by exchange, and consumers do not always understand cybersecurity differences between exchanges. FTX is a leader in ensuring the security of assets on its exchange, utilizing a dual hot and cold wallet storage system that splits funds among digital and offline storage, mandatory 2-factor authentication, partnerships with industry leaders to monitor suspicious transactions for AML compliance, among other measures.⁵² Regulators should study cybersecurity risks in the context of digital asset exchanges, and work with industry leaders to develop enforceable standards with the goal of safeguarding consumer assets and data.

⁴⁸ Lummis and Gillibrand, *Responsible Financial Innovation Act* (June 7, 2022) <https://www.congress.gov/bill/117th-congress/senate-bill/4356/all-info>.

⁴⁹ Khanna, Soto, Emmer, Donalds and Swalwell, *Digital Commodity Exchange Act of 2022* (May 5, 2022) <https://www.congress.gov/bill/117th-congress/house-bill/7614/all-info>.

⁵⁰ FTX, *FTX's Key Principles for Market Regulation of Crypto-Trading Platforms* (Dec. 3, 2021), <https://www.ftxpolicy.com/posts/ftx-key-principles>.

⁵¹ Kevin Groves, *List of Crypto Exchange Hacks*, HedgewithCrypto (July 26, 2022), <https://www.hedgewithcrypto.com/cryptocurrency-exchange-hacks/>.

⁵² FTX, *FTX Security Features* (Mar. 2022), <https://help.ftx.com/hc/en-us/articles/360044838051-FTX-Security-Features->.

Safeguarding of customer assets is paramount for digital asset businesses. To combat custody risks, FTX recommends that regulation focus on disclosures regarding often overlooked elements of custody, including wallet architecture; whether insurance is provided by the custodian; how private keys are secured, managed, and transferred; managing risks related to insider collusion or fraud; and physical security of data centers. To mitigate settlement risks, FTX's recommended policy would require the platform operator to have clear and transparent policies and procedures that explain when settlement of a transaction becomes final, and the conditions and circumstances under which the platform provider would reverse settlement due to errors, etc. By and large, regulated venues do this today in their terms of service, etc., and FTX thinks that it is important they continue to do so.

Finally, FTX recommends that the National Institute of Standards and Technology offer a Federal Information Processing Standards (FIPS) 140 certification track for hardware providers seeking federal certification of the cryptographic integrity of generating and using digital asset wallets.⁵³ Virtually all major commercial hardware wallets use the same pattern for generating crypto-asset wallets: using the Bitcoin Improvement Proposal (BIP) 49 wordlist to generate BIP32 wallet seeds. Both BIP32 and BIP49 are widely accepted industry standards that have been in use for years at this point. An optional NIST certification track will 1) encourage commercial hardware security modules providers to implement these features within the FIPS boundary of commercial hardware security modules, instead of outside the boundary in add-on software; and 2) encourage crypto-native firms to certify their hardware. The result will be a much more secure set of commercially available hardware security modules that crypto companies can choose from, to implement the security they see fit (multi-party computation, multi-signature, single-key, hot, cold, etc.).

D. Risks to Consumer, Investors, and Businesses

Any form of financial intermediation involves risk. As explained above, sound regulation is key to controlling for these risks. FTX also strongly believes, however, that many of the technical attributes associated with blockchain and digital assets will reduce fraud, scams, and theft in the financial sector.

To begin with, blockchain and digital assets can dramatically reduce theft, fraud, and scams – prevalent issues in the financial sector globally. The Federal Trade Commission reported 5.74 million instances of fraud and identity theft in 2021,⁵⁴ and some estimates put global credit card fraud losses alone at \$28.58 billion per year.⁵⁵ Globally, the United Nations has found that \$800 billion to \$2

⁵³ U.S. Department of Commerce, National Institute of Standards and Technology Computer Security Resource Center, *Cryptographic Module Validation Program* (July 28, 2022), <https://csrc.nist.gov/Projects/cryptographic-module-validation-program/validated-modules>.

⁵⁴ FTC, *Consumer Sentinel Network Data Book 2021* (Feb. 2022), https://www.ftc.gov/system/files/ftc_gov/pdf/CSN%20Annual%20Data%20Book%202021%20Final%20PDF.pdf.

⁵⁵ Nilson Report, *Issue 1209* (Dec. 2021), <https://nilsonreport.com/mention/1515/1link/>.

trillion is laundered each year⁵⁶ – these crimes are enabled through falsified identities and opaque channels of financial intermediation. Blockchain and digital assets bring transparency and traceability to finance, mitigating these issues. The immutable nature of blockchains enables law enforcement to oftentimes more easily track down scammers, fraudsters, and other criminals than is the case with traditional finance. Indeed, Treasury has noted that digital assets transactions “may provide increased transparency of certain information when occurring on public blockchains, as investigators can use blockchain analytics software to trace these transactions.”⁵⁷

Reducing consumer risks associated with increased digital assets usage will certainly require more and better financial education – consumers need help better understanding how to protect private keys, use digital asset wallets, verify the authenticity of digital assets, and avoid dealing with bad actors. As is the case with traditional finance, bad actors are taking advantage of the rapid growth of digital assets to prey on consumers. The Biden Administration’s commitment to advancing digital asset financial education is laudable, and FTX looks forward to working with Treasury not only to educate consumers on how to use digital assets appropriately, but also to develop a regulatory framework that gives regulators the authorities they need to identify and hold bad actors accountable in a swift and effective manner.⁵⁸

E. Impact on the Most Vulnerable

FTX is dedicated to actualizing the digital asset industry’s promise of fast, accessible, and low-cost financial services from the frontlines of Ukraine’s defense of democracy, to American communities left out of the traditional financial system. According to the Federal Reserve, approximately 19 percent of Americans are unbanked or underbanked, including approximately two-fifths of all African Americans.⁵⁹ They lack a safe place to store money, pay large fees to cash checks, and don’t have a reliable way to receive relief payments during emergencies and disasters like COVID19. Legacy bank-settlement systems can make it difficult to see real-time balances and fees are often charged when balances fall below a minimum, which leads to overdrafts and domino effect charges. Earlier this year, the Consumer Financial Protection Bureau issued a request for comments on this issue, revealing that Americans pay

⁵⁶ United Nations Office on Drugs and Crime, *Money Laundering*, <https://www.unodc.org/unodc/en/money-laundering/overview.html>.

⁵⁷ U.S. Department of the Treasury, *National Money Laundering Risk Assessment*, p. 42 (Feb. 2022), <https://home.treasury.gov/system/files/136/2022-National-Money-Laundering-Risk-Assessment.pdf>.

⁵⁸ U.S. Department of the Treasury, *Treasury Launches Consumer Education Effort on Digital Assets* (Press Release, Mar. 8, 2022), <https://home.treasury.gov/news/press-releases/jy0642>.

⁵⁹ Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being of U.S. Households in 2021* (May 2022), <https://www.federalreserve.gov/publications/files/2021-report-economic-well-being-us-households-202205.pdf>.

\$29 billion in such fees from banks and financial companies.⁶⁰ Sending money to loved ones abroad is particularly slow and costly with even the best bank account – a remittance from the United States to family members abroad costs an average of 5.41% of the amount sent,⁶¹ and can take days to arrive through a labyrinth of intermediaries and correspondent banks which each add a layer of fees and settlement risk. By contrast, dollar-backed stable-coins can be transferred virtually free and instantaneously without an intermediary, from the palm of one’s hand. FTX strongly believes that digital assets can provide an alternative to the traditional system by offering a trustworthy and reliable ecosystem that benefits people’s economic security.

Leveraging the power of secure, real-time, digital payments, the FTX Foundation is collaborating with local governments, communities, and organizations across the country to offer those cut out of the financial system a free bank account and debit card linked to a crypto wallet. They can use it to receive money, make payments and build savings. There are no fees, no minimum balance and FTX software makes overdrafts impossible. As part of the FTX bank-the-unbanked program, FTX provides financial literacy and economic wellness workshops to empower the underserved with the appropriate technical knowledge.

We launched our first pilot partnership and focus groups in South Florida in partnership with OIC of South Florida and Broward county government, with focus group sessions in order to better learn about the challenges facing the unbanked in detail. In Chicago, we have partnered with Mayor Lightfoot, the City of Chicago, the non-profit Equity and Transformation, to form one of the largest cash assistance and bank-the-unbanked programs in the country. The year-long program, which will launch this fall, is designed to help formerly incarcerated persons and their families get back on their feet, and, in so doing, reduce recidivism. To better learn about the impact of the product and potential for improvements, we are partnering with researchers to rigorously study the efficacy and impact.

The FTX Foundation will contribute close to \$1 million in total funding, including disbursing \$500 to 100 individuals for 12 months, assistance to support the outreach, implementation, financial education, evaluation, and research, that will support the ability of Chicago and other cities to scale these efforts. Through our close partnership with local communities, we have been fortunate to learn directly from the unbanked and underbanked about the variety of challenges they face in interacting with the traditional systems. We are also using the pilot process to make major improvements to our own applications based on feedback from participants to improve the application features and experience to be even more intuitive and inclusive.

⁶⁰ CFPB, *Consumer Financial Protection Bureau Launches Initiative to Save Americans Billions in Junk Fees* (Press Release, Jan. 26, 2022), <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-launches-initiative-to-save-americans-billions-in-junk-fees/>.

⁶¹ The World Bank Group, *Remittance Prices Worldwide Quarterly Issue 38* (June 2021), https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q221.pdf.

Conclusion

As demonstrated here and the sections above, FTX has endeavored to harness the unique features of digital assets to provide a streamlined market structure which reduces risks, fees, barriers to entry, and thereby expands equitable access to financial products, asset transmission, and wealth creation.

Sincerely,



Samuel Bankman-Fried

Chief Executive Officer, FTX US