


U.S. DEPARTMENT OF THE TREASURY

Fact Sheet: Framework for International Engagement on Digital Assets



July 7, 2022

Today, the Secretary of the Treasury, in consultation with the Secretary of State, the Secretary of Commerce, the Administrator of the U.S. Agency for International Development (USAID), and the heads of other relevant agencies, delivered to President Biden a framework for interagency engagement with foreign counterparts and in international fora as directed in the President's Executive Order on *Ensuring Responsible Development of Digital Assets* (March 9, 2022). The Executive Order outlined an interagency approach to address the risks and harness the potential benefits of digital assets and their underlying technology, including through international engagement to adapt, update, and enhance adoption of global principles and standards for how digital assets are used and transacted. The Executive Order also directs the Administration to promote development of digital asset and central bank digital currencies (CBDC) technologies consistent with our values and legal requirements. What's outlined in the framework is intended to ensure that, with respect to the development of digital assets, America's core democratic values are respected; consumers, investors, and businesses are protected; appropriate global financial system connectivity and platform and architecture interoperability are preserved; and the safety and soundness of the global financial system and international monetary system are maintained.

Technology-driven financial innovation is frequently cross-border and can impact households, businesses, and governments across the world. International cooperation among public authorities, the private sector, and other stakeholders is therefore critical to maintaining high regulatory standards and a level playing field, expanding access to safe and affordable financial services, and reducing the cost of domestic and cross-border payments, including through the continued modernization of public payment systems. Uneven regulation, supervision, and compliance across jurisdictions creates opportunities for arbitrage and raises risks to financial stability and the protection of consumers, investors, businesses, and markets. Inadequate anti-money laundering and combating the financing of terrorism (AML/CFT) regulation, supervision, and enforcement by other countries challenges the ability of the United States to investigate illicit digital asset transaction flows that frequently jump

overseas, as is often the case in ransomware payments and other cybercrime-related money laundering. Frictions lead cross-border payments and remittances to be slow and costly, particularly when sent to developing or emerging economies.

OBJECTIVES OF THE FRAMEWORK

The framework is guided by the principal policy objectives of the United States as laid out in the Executive Order on *Ensuring Responsible Development of Digital Assets* (March 9, 2022) and tailored to reflect the international aspects of our work:

- Protect consumers, investors, and businesses in the United States and globally by promoting technology and regulatory standards that reflect U.S. values;
- Protect U.S. and global financial stability and mitigate systemic risk;
- Mitigate illicit finance and national security risks posed by misuse of digital assets and counter and respond to efforts by foreign adversaries to drive standards and promote their protocols;
- Reinforce U.S. leadership in the global financial system and in technological and economic competitiveness, including through the responsible development of payment innovations and digital assets and by advancing technology and regulatory standards that align with U.S. values;
- Promote access to safe and affordable financial services; and
- Support technological advances that promote responsible development and use of digital assets by advancing research and relationships that increase shared learning.

The United States Government has been active in international fora and bilateral partnerships on many of these issues and will continue to work to amplify and expand these efforts to meet the President's policy objectives.

A HISTORY OF ROBUST ENGAGEMENT PROVIDES A STRONG FOUNDATION FOR EXPANDED, STRATEGIC ENGAGEMENT GOING FORWARD:

The U.S. Government has been an active participant in international engagement on digital asset issues. For example, as President of the Financial Action Task Force (FATF) from 2018-2019, the United States led the group in developing and adopting the first international standards on digital assets. During its 2020 G7 Presidency, the United States established the

G7 Digital Payments Experts Group to discuss CBDCs, stablecoins, and other digital payment issues. In 2021, the G7 work led to a set of shared policy principles for retail CBDCs^[1] that establish principles for jurisdictions in their exploration and potential development of CBDCs. Moreover, while a country's CBDC would be issued by its central bank, the infrastructure supporting it could involve both public and private participants. This presents opportunities for U.S. companies to lead in the development of these technical systems and for the U.S. Government, working with G7 partners, to encourage technological development that would support a CBDC, if determined to be appropriate, that is consistent with the G7's long-standing public commitments to transparency, the rule of law, and sound economic governance.

In addition to these contributions, the United States remains actively engaged in collaborative work on digital assets through multilateral fora and will continue to elevate its participation in these bodies. The United States continues work on the G20 roadmap for addressing challenges and frictions with cross-border payments, including on improvements to existing systems, potential impediments from data localization and other frictions in data governance frameworks, the international dimensions of CBDC designs, and the potential of well-regulated stablecoin arrangements. The United States actively participates as part of the Financial Stability Board (FSB), which, together with the international standard-setting bodies, is leading work on issues related to stablecoins, other international dimensions of digital assets and payments, and cross-border payments.

The United States must continue to work with international partners on standards for the development of digital payment architectures and CBDCs to reduce payment inefficiencies and ensure that any new payment systems are consistent with U.S. values and legal requirements. Such international work should continue to address the full spectrum of issues and challenges raised by digital assets, including financial stability; consumer and investor protection, and business risks; and money laundering, terrorist financing, proliferation financing, sanctions evasion, and other illicit activities. Additionally, the United States will promote the adoption and implementation of international standards through bilateral and regional engagements. Across all engagements the United States will seek to ensure a coordinated message, limit duplication, and encourage that work is maintained within its primary stakeholders.

KEY INTERNATIONAL ENGAGEMENTS

G7: The United States will continue to engage with the G7 on the broad suite of issues related to digital payments, including the roles of the public and private sector in the creation and movement of money, considerations related to CBDCs, and implications of new technologies on the international monetary system. The United States will also more actively develop, with key allies and partners, a vision for digital assets in line with U.S. values and objectives; identify financial stability, national security, and other risks; and promote the development and adoption of robust regulatory and supervisory policies to mitigate these risks. In 2020, under the U.S. G7 Presidency, the United States established the G7 Digital Payments Experts Group (DPEG) as a forum to discuss and develop a common vision with regard to digital payments. The G7 has expressed its views on digital assets publicly through annual G7 Finance Ministers and Central Bank Governors' statements on digital payments, and the G7 published a set of Public Policy Principles for Retail CBDCs in 2021.

G20: The United States will work through the G20 to engage with other major economies to lead in the reduction of the challenges of cross-border payments for a diverse set of use cases and jurisdictions; identify financial stability risks of digital assets; promote, and where necessary, push for stronger regulatory, supervisory, and other financial sector policies for digital assets; and share experiences on macro-financial challenges associated with digital assets. In 2020, the G20 endorsed a roadmap for enhancing cross-border payments. This roadmap sets out an ambitious workplan to meet our policy priority of developing a faster, cheaper, and more transparent international payments system, including by leveraging new technologies where appropriate.

Financial Stability Board (FSB): The United States will continue to use the FSB as a forum to pursue and push for work to monitor, identify, and foster a shared understanding of global financial stability risks from digital assets; consider policy responses to the risks identified; facilitate international cooperation; and promote our technical priorities on cross-border payments. Since 2019, the FSB has been prioritizing work on digital assets and has published several reports on the topic, including, but not limited to: 1.) Regulation, Supervision and Oversight of "Global Stablecoin" Arrangements (2020); 2.) G20 Roadmap for enhancing cross-border payments in coordination with the CPMI (2020); 3.) Assessment of Risks to Financial Stability from Crypto-Assets (2022). Through this forum, we will work to ensure that we learn about and can take thoughtful action to appropriately mitigate risks to financial stability or systemic risk.

Financial Action Task Force (FATF) and the Egmont Group of Financial Intelligence Units

(FIUs): The United States will continue to support countries in implementing the FATF standards for virtual assets and VASPs; monitor the virtual asset sector for material changes; raise awareness about the ransomware threat and related money laundering; and message FATF's position to implement appropriate policy choices for CBDC projects. The FATF sets international standards to prevent money laundering, terrorist financing, and proliferation financing, which over 200 countries and jurisdictions have committed to implementing. The United States, led by the Department of the Treasury, co-chairs the working group on virtual assets at the FATF. Since 2018, the FATF has made clear that the FATF standards apply to virtual assets and virtual asset service providers (VASP), developed resources to help countries and the private sector implement these standards, and noted that FATF standards apply to CBDCs similar to any other form of fiat currency issued by a central bank. The United States will also continue to support Financial Intelligence Units (FIU) in developing best practices to share financial intelligence, via the Egmont Group. The Egmont Group brings together FIUs to support international AML/CFT efforts, including related to digital assets.

Organization for Economic Cooperation and Development (OECD): The United States will continue to use OECD as a forum to engage with like-minded, market driven democracies on policies that support efficient, open, and stable international markets, including support for best practices on digital assets; monitoring, identifying, and helping foster a shared understanding of the risks to consumer financial protection that digital assets pose; and improving global tax compliance in the crypto asset area. Among its functions, the OECD carries out policy work in collaboration with international bodies such as the G20, and issues reports on a range of topics related to digital assets. This includes reports on the institutional adoption of crypto assets and the development of decentralized finance as well as developing standards on financial consumer protection that consider digital assets.

Other Standard-Setting Bodies (SSBs): The United States will continue to participate in sectoral and cross-sectoral international standard setting bodies related to digital assets and will increase our work in these forums to ensure that we play a leading role in developing associated standards. Standard setting in the rapidly evolving digital asset ecosystem is critical to ensuring that many of our key policy priorities – from privacy, to respect for democratic values, to interoperability that reduces cross-border frictions and increases access to safe and affordable financial services – are incorporated into any new systems. For example, U.S. financial oversight authorities work through international SSBs to review and,

as appropriate, update existing guidance, standards, and principles for the regulation and supervision of digital assets for the activities that fall under their purview. The Federal Reserve Board (FRB) also participates in forums for central banks at the Bank of International Settlement (BIS) on the topics of CBDCs and other developments in payments. In 2021, the Federal Reserve Bank of New York also launched the New York Innovation Center (NYIC), a strategic partnership with the BIS Innovation Hub. The NYIC collaborates with the Federal Reserve System, the BIS Innovation Hub, and public and private sector experts to validate, design, build, and launch new financial technology products and services for the central bank community. Finally, technical standards forums, such as the International Organization for Standardization, develop protocols and other standards used in underlying digital assets and payments technologies. The United States will continue to use these forums to promote the development and adoption of robust policies for digital assets such that they are developed in a responsible manner and in line with U.S. values.

International Monetary Fund (IMF): The United States will support the IMF in expanding its analytical work and surveillance to include digital assets, where macro-critical and in line with its mandate to promote economic and financial stability. As such, the IMF has an important role to play in monitoring, advising on, and helping to manage issues arising from the use of digital assets with a focus on their repercussions for macro financial policies, potential spillovers, and the stability and functioning of the international monetary system. The IMF can also provide technical assistance in the design of member's policy frameworks related to digital assets and payments, alongside its core macroeconomic policy advice. In July 2021, IMF staff developed a strategic plan for addressing the rise of digital assets in line with its mandate.

The World Bank and other Multilateral Development Banks (MDBs): The United States will use its influence at the various MDBs to advance efforts to promote greater and more efficient access to financial products and services; develop investment and lending activities as they relate to digital assets that adequately reflect the associated risks; and support incorporation of U.S. values in capacity development efforts in this space. MDBs such as the World Bank, Inter-American Development Bank, Asian Development Bank, among others, are institutions where the United States should use its influence to shape the development of policies, projects, and other assistance as they relate to digital assets. The MDBs support member countries in setting and achieving their development goals through lending and other activities such as capacity development, and efforts to promote access to safe and affordable financial services.

Regional and Bilateral Engagements: The United States will identify where existing regional and bilateral engagements can be strengthened and, where appropriate, ramp up engagement with new partners to achieve our objectives with respect to digital assets. The United States will use these engagements under a coordinated framework for prioritization across departments and agencies to explore potential opportunities and risks of digital assets, engage in information sharing, drive the adoption and implementation of policies including with respect to AML/CFT; and provide technical assistance, where appropriate. The United States will explore opportunities for joint experimentation on digital assets technologies, market innovations and CBDCs, with this core set of allies and partners to increase our shared learning about ways to develop systems that meet our shared policy objectives.

[1] The term “retail central bank digital currency” or “retail CBDC” refers to a form of digital money or monetary value, used for payments, and denominated in the national unit of account, that is a liability of the central bank. It would be designed to be widely available to the general public, potentially through intermediaries or directly.