

Remarks by Secretary of the Treasury Janet L. Yellen at Financial Stability Oversight Council Meeting October 3, 2022



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As Prepared for Delivery

On behalf of the entire Council, I'd like to express my thanks and appreciation for the hard work of our staffs. And I'd like to thank members of the Council for your attention and partnership on this effort. I know that there has been tremendous effort on this report since March.

The Council works to identify, address, and foster resilience to vulnerabilities in the financial system. This includes vulnerabilities arising from new and emerging technologies and sectors.

In April, I delivered a speech on digital assets at American University. I argued that the government should promote responsible innovation – innovation that works for all Americans, protects our national security interests and our planet, and contributes to our economic competitiveness and growth.

Innovation is also one of the hallmarks of a vibrant financial system and economy. But as we have painfully learned from history, innovation without adequate regulation can result in significant disruptions and harm to the financial system and to individuals.

Digital assets have grown significantly in scale and scope over recent years. They have attracted a large amount of capital and interest from both retail and institutional investors. At the same time, we have seen very significant shocks and volatility within the crypto-assets system, particularly over the last year. With the potential for this kind of instability in mind, at our February meeting, the Council named digital assets as one of its key priorities for the year.

The Council's report we are voting on today finds that the current regulatory framework has helped largely insulate traditional financial institutions from crypto-asset-related financial stability risks. But it states that crypto-asset activities could pose risks to U.S. financial stability if their interconnections with the traditional financial system or their overall scale were to grow without adherence to or being paired with appropriate regulation, including enforcement of the existing regulatory structure.



The report also identifies a number of material gaps in current regulation, and recommendations to address these gaps. Some of these recommendations are focused on actions that Council member agencies can take with existing authorities. Others require Congress to provide new authorities.

This report adds to analysis of digital asset issues that have been covered in other recent reports, including on the future of money and payments; consumers and investor protection; illicit finance; and a framework for international engagement.

In all, these reports provide a strong foundation for policymakers as we work to mitigate the risks of digital assets while realizing the potential benefits. They also provide a valuable addition to the public's understanding of digital assets.

