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National Association of Federally-Insured Credit Unions

December 13, 2022

The Honorable Sherrod Brown
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Pat Toomey
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

Re: Tomorrow's Hearing – Crypto Crash: Why the FTX Bubble Burst and the Harm to Consumers

Dear Chairman Brown and Ranking Member Toomey:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts on issues of importance to credit unions ahead of tomorrow's hearing, "Crypto Crash: Why the FTX Bubble Burst and the Harm to Consumers." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 134 million consumers with personal and small business financial service products. We would like to thank you for this opportunity to provide input on credit unions' thoughts regarding digital assets and stablecoins.

Recent developments in the digital asset and stablecoin space have proven both the enormous potential of these innovations and the need for regulation. Distributed ledger technology and other technologies that support a broad ecosystem of digital assets offer an array of potential operational efficiencies. For example, the ability to facilitate payment transactions integrated with smart contracts, either through use of stablecoins or other digital assets, may help members with specific business needs and potentially reduce credit unions' operational costs. Most importantly, digital asset technologies can be designed with strong auditability features, which can enhance regulatory compliance and reduce instances of human error, fraud, and other misconduct. However, the absence of a clear regulatory environment and appropriate supervisory framework poses risks to the adoption of these otherwise promising technologies. NAFCU supports innovation with these technologies, but the absence of a clear regulatory framework that supports safety and soundness, transparency, and appropriate disclosure of risk to investors and consumers brings with it inherent risks. We urge Congress to explore ways to provide regulatory certainty and parity across the financial services system and ensure a level playing field for all with new and emerging financial technology. As you do so, we urge you to ensure the needs of credit unions are considered in any legislative approach you undertake in the future.

We thank you for the opportunity to share our thoughts and look forward to continuing to work with you on this important issue. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at (703) 258-4981 or lplush@nafcu.org.

Sincerely,

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs