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National Association of Federally-Insured Credit Unions

July 16, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: Tomorrow's Hearing, "Examining Facebook's Proposed Cryptocurrency and Its Impact on Consumers, Investors, and the American Financial System"

Dear Chairwoman Waters and Ranking Member McHenry:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) ahead of tomorrow's hearing on "Examining Facebook's Proposed Cryptocurrency and Its Impact on Consumers, Investors, and the American Financial System." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 117 million consumers with personal and small business financial service products. NAFCU and our members appreciate the continued attention the Committee has given the growing fintech sector, and we stand ready to work with you as you examine this important topic.

NAFCU supports the Committee looking at regulatory concerns before the launch of a cryptocurrency should occur, including compliance with *Bank Secrecy Act* (BSA) and Anti-Money Laundering (AML) regulations. Credit unions have long supported efforts to combat criminal activity in the financial system, and NAFCU has consistently recognized the importance of the Financial Crimes Enforcement Network (FinCEN) and BSA/AML regimes. These regulations and laws are essential to combatting terrorism financing and criminal activity and have only just begun to adapt to the realities of cryptocurrency-based exchange. Establishing a strong AML program does not happen overnight, and the culture of compliance that exists in an experienced financial institution, as opposed to any new player in the system, must not be overlooked.

NAFCU also appreciates the Committee examining consumer privacy. Any institution offering a cryptocurrency would need to collect and store detailed information of their wallet holders. While depository institutions have for decades complied with a national standard on data security since the passage of the *Gramm-Leach-Bliley Act*, other entities who handle consumer financial data do not have such a national standard. There is an urgent need for a national data security standard for entities that collect and store consumers' personal and financial information that are not already subject to the same stringent requirements as depository institutions. In addition, states have begun to adopt privacy laws that have the potential to create a patchwork of standards.

Thank you for your attention to this important issue. NAFCU is supportive of innovation in the marketplace, but we want to ensure that we maintain a strong and safe financial ecosystem. We

look forward to the continued examination of this and other issues of importance to credit unions. Should you have any questions or require any additional information, please contact me at mvirkus@nafcu.org or 703-842-2261.

Sincerely,

A handwritten signature in black ink that reads "Max Virkus". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Max Virkus
Associate Director, Legislative Affairs

cc: Members of the House Committee on Financial Services