



Chamber of Digital Commerce  
Washington, DC  
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[www.digitalchamber.org](http://www.digitalchamber.org)

Re: Docket No. CFPB-2014-0031: Prepaid **Accounts Under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z)**

Dear Director Cordray:

The Chamber of Digital Commerce (the “Chamber”) welcomes this opportunity to provide comments to the Consumer Financial Protection Bureau (the “CFPB”) on its proposal to create comprehensive consumer protections for prepaid financial products (the “Proposed Rule”). The Chamber is the trade association for entities in the digital currency community, including the blockchain technologies. Our membership includes both crypto and non- crypto currency related businesses. The member businesses include miners, issuers, currency exchanges, ATM providers, transaction processors, software and other technology companies, financial institutions and investors.

The Chamber appreciates the efforts of the CFPB in addressing the consumer protection issues presented by prepaid financial accounts. The Proposed Rule noted that “[t]he Bureau also recognizes that the proposed rule may have potential application to virtual currency. As a general matter, however, the Bureau’s analysis of ... virtual currencies and related products and services, including the applicability of existing regulations and this proposed regulation to such products and services is ongoing.” The issue of virtual currency is complex. In fact, the issue of virtual currency may be even more complex than the issue of prepaid financial accounts, which has been the subject of review by the CFPB for several years and by the Board of Governors of the Federal Reserve before the establishment of the CFPB.

The Chamber recognizes that the CFPB is uniquely positioned to understand the complexities of different types of financial products and services. We are encouraged by the realistic assessment of CFPB staff, which has noted publicly that the rate of adoption of virtual currencies affords the CFPB with more time to study this complex and rapidly evolving issue. The Chamber encourages the CFPB to take advantage of this time to review, understand and address the unique issues surrounding virtual currencies in a separate rulemaking similar to that undertaken with respect to prepaid financial accounts.

We note the Chamber has consistently urged regulation of virtual currency activities based on function. For example, if the business model involves the transmission of value, it should be regulated as such. If it involves the exchange of one type of value for another, it should be regulated as currency exchange or conversion. If it involves the holding of customer value it should be considered in the context of stored value, albeit not as prepaid access.

If the business model involves an element of prepaid financial accounts, it should be regulated as such. However, virtual currencies themselves should not be regulated as a prepaid financial account. Likewise blanket regulation of virtual wallets as such is inappropriate. The critical issue with respect to virtual currencies is understanding precisely the role of the entity and whether its “virtual currency activities” actually involve the use of the virtual currency in a monetary context, whether as a medium of exchange or a store of value.

We note that one of the key objectives of the Chamber is education – of policymakers, regulators, the industry and consumers. The Chamber is committed to providing the regulatory community with access to appropriate information about virtual currency business activities and business models.

As part of its efforts, the Chamber has been developing a full range of programming to provide educational opportunities with respect to the industry, the issues it faces and its compliance obligations.

This is a particular challenge as we are only at the very early stages in development of the technology surrounding digital currencies. The open-sourced nature of Bitcoin and other cryptocurrencies has unleashed a massive wave of innovation within the financial services industry and with respect to other types of products and services that are not financial in nature. We anticipate that this innovation is likely to continue for the foreseeable future in part to support the need to build out an infrastructure to support digital currencies and in part as new functionalities are discovered for the technology. A dynamic period of experimentation on the part of businesses and consumers is inevitable as they become familiar with virtual/digital currencies, modify their payments habits and adjust to these innovative technologies.

We expect adoption of virtual currencies to accelerate significantly over the next several years as consumers and businesses experience the benefits of using digital currencies and have an opportunity to better understand the not only the costs but also the cost savings. We anticipate that overtime, the distinction between centralized and decentralized systems will blur especially as more features are added to different types of business models. For example, as we are already seeing, digital currency wallets are being added as a feature to exchange platforms, prepaid access is being added to digital currency wallets and the digital currency itself or a certain portion of it is being supported by assets like a fiat currency or gold.

The technology is evolving very rapidly. Some business models that emerged one year ago or even six months ago no longer exist or exist in a very different form. Without a doubt, there will continue to be significant and dramatic developments in the technology underlying both types of currencies in the coming months and years. These underlying technologies are being adopted for other purposes unrelated to digital currencies. In this environment, regulators like the CFPB face a particular challenge in understanding what functional elements of the technology should and should not be regulated.

For example, the blockchain technology and the use of sidechains may represent potentially the most dynamic areas of innovation at least in the near term. Significant projects underway facilitate the transfer of any type of digital asset across the Internet, with an audible timestamp. The blockchain can be utilized to transfer property or indicia of ownership of such property such as land deeds, car titles, stocks, bonds, government documents such as birth certificates, social security

numbers, marriage licenses, and electronic health records. The blockchain protocol permits these documents to be encrypted and transferred securely. Other nonfinancial uses of the blockchain technology are also being explored. Moreover, while the initial blockchain projects were undertaken using the Bitcoin protocol, other algorithms being written accommodate different types of blockchain projects.

We underscore that the Chamber supports the provision of consumer protections to customers of virtual/digital currency related companies that are involved functions similar to those regulated by the CFPB. These protections should include appropriate consumer disclosures with respect to how the value of the currency is determined, the rights of the consumer with respect to settlement and error resolution and how the use of them in transactions may differ from the use of fiat currency in order to avoid any potential assertions of unfair, deceptive or abusive acts or practices. However, such regulatory initiatives should occur outside the context of this Proposed Rule.

The Chamber's Government Affairs and Public Policy Committee has established a working group addressing consumer protection issues and will share the findings and recommendations of this group when it is completed.

### **Conclusion**

The Chamber again expresses its appreciation to the CFPB for the opportunity to submit these comments. The Chamber looks forward to working with the CFPB in its efforts to gain an appropriate understanding of digital currencies and the supporting infrastructures and technologies surrounding them. If you have any questions regarding our response, please do not hesitate to contact Perianne Boring, Chamber President, at [president@digitalchamber.org](mailto:president@digitalchamber.org) or me at [cvancleef@manatt.com](mailto:cvancleef@manatt.com).

Sincerely,

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Chamber of Digital Commerce