

## Cabinet News and Views

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### Treasury Secretary Yellen on Digital Assets Policy, Innovation and Regulation



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On April 7, 2022, Secretary of the Treasury Janet Yellen delivered remarks on digital assets policy, innovation and regulation. Yellen started by noting that, a few weeks ago, President Biden signed an Executive Order on a comprehensive government approach to digital asset policy, which tasks experts across the federal government with conducting in-depth analysis to balance the responsible development of digital assets with the risks they present. This task will be guided by six policy objectives:

1. protect consumers, investors and businesses;
2. safeguard financial stability from systemic risk;
3. mitigate national security risks;
4. promote U.S. leadership and economic competitiveness;
5. promote equitable access to safe and affordable financial services; and
6. support responsible technological advances, which takes into account considerations related to privacy, human rights and climate change.

In connection with that, Yellen shared the following five lessons that will guide the future work in this area:

1. The U.S. financial system benefits from responsible innovation. The introduction of new technologies, such as a Central Bank Digital Currency, or “CBDC,” while appropriately managing risks, can make the U.S. financial system more efficient and safe for most Americans.
2. When regulation fails to keep pace with innovation, vulnerable people often suffer the greatest harm.
3. Regulation should be based on risks and activities, not specific technologies. Wherever possible, regulation should be “tech neutral.”
4. Sovereign money is the core of a well-functioning financial system, and the U.S. benefits from the central role that the dollar and U.S. financial

- institutions play in global finance. CBDC could be the next evolution of U.S. currency, which, according to Yellen, would require years of development.
5. We need to work together to ensure responsible innovation. Further, technology-driven financial innovation is inherently cross-border and requires international cooperation.

Yellen stressed that the government should ensure the development of digital assets that work for all Americans, protect the national security interests and the planet, and contribute to U.S. economic competitiveness and growth. To achieve that, however, in addition to enacting appropriate regulations aimed at the reduction of risks inherent in digital assets, the U.S. may need to accelerate the development of its CBDC beyond the timeline envisioned by Yellen, taking into account that the digital Yuan CBDC is already available and is intended to directly compete and replace the U.S. dollar and USDT stablecoin.

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