



**Jake** 00:10

Thank you so much, Jay, for taking the time and coming on the show today, I really appreciate you doing that. Then looking forward to this conversation, you will, from my perspective are one of the if not the leading kind of people in and around regulation as it relates to crypto being executive director at the coin Center, which is a DC based Think Tank focused on public policy issues with Bitcoin and crypto at large. First and foremost, for those who aren't familiar, we'd love to kind of hear your story from as early as you're kind of willing to go. And then maybe we can segue into how you got into crypto in the first place.

**Jerry Brito** 00:47

Well, thank you for having me. How far back? I'm willing to go. I was born in a small Cuban child in Miami 1976. No, kidding.

**Jake** 01:00

That's not too early if you want to start there.

**Jerry Brito** 01:02

No. So look, I've spent my whole career at the intersection of technology and regulation and law. I started. So I came to DC right after college to work at the Cato Institute. And I left Canada to go to George Mason to study law. And after that, I went to the mercatus Center at George Mason University. And each of these places, my focus was always tech policy. And I always thought that I had kind of missed the most important part of tech policy, which was the crypto wars of the mid to late 90s. where, you know, the right to use encryption was sort of secured for everybody by the E FF and epic and, and others who fought that battle. And, and I thought I had missed, you know, the most exciting parts of tech policy. But then, in 2011, I, on a podcast, actually, I heard about Bitcoin, and started reading about it, and just, you know, like everybody else fell down the rabbit hole. And so I started, yeah, and at the time, it was, it was not very clear with the policy, or at least I should say, it was not very clear to bitcoiners what the policy questions were going to be just that there would be some. And to me, that was the most fascinating thing was, you know, sort of the intersection of Bitcoin and all of the all of the regulatory questions that would be raised by a completely decentralized way of storing and transmitting value. And so I started writing about that. You know, when I was at mercatus, my, I was running the Technology Policy Program there and started writing about it speaking about it asking folks around town and DC, they heard about Bitcoin and hattons. But I was very lucky to just be kind of right place right time to sort of become the Bitcoin guy in DC, the guy you would call if you you know, we're in



Policymaking in or out of government, you want to ask a question about Bitcoin, just by virtue of writing about it. And speaking about it, I sort of became that person and the rest of history. I, you know, did a lot of education of policymakers in 2013. In summer 2013 is *gagne*? What is it, the Homeland Security and Government Affairs Committee of the senate began to do investigation of Bitcoin. And I helped sort of with that effort, and in October 2013, I testified in the first congressional hearings about Bitcoin, that his attack held. And, you know, by that time, and after shortly thereafter, of course, there was a mount Gox implosion, that there was a silk road takedown. And by that time, I was spending, you know, almost all my time at mercatus, working on Bitcoin related, regulatory issues, and it just sort of became apparent to me and to others in the space that there needed to be a full time organization focused on this. And so we started coin center in 2014. And so we've been running for about just over six years now. Again, answering policymaker questions and trying to get them to adopt policies to be accepted, they have to adopt policies that you know, allow for as much freedom of innovation as possible.

**Jake** 04:41

So winding it back a little bit to you know, you talked about how you had felt that you had missed kind of the prime opportunity are prime time to be involved on regulations around cryptography, and I'm not super familiar with like this era, but I guess in kind of the the rise of the Internet period of time, and then realized in the early 2010, maybe 2011. More specifically that cryptocurrency would be kind of the next frontier where this would be a huge deal. And you could have a significant impact. What exactly about the 90s? Did you feel that was important that you had kind of missed out on? Like, what why did you recognize the importance of those early battles before? crypto as we kind of know, it even emerged?

**Jerry Brito** 05:28

Oh, my God. So the crypto wars, if you're not familiar with it, you should, I might, you know, encourage you and all your listeners to just go type in crypto wars into Google and, and read. Basically, in the mid 90s, this is the internet, as you say, was becoming a more consumer thing. It was encryption, the, we now take for granted as a completely normal thing that we do every day, when we connect to our bank account, you know, the little lock shows SSL, or when we use signal or even Apple messages, you know, we are doing end to end encryption. We take that for granted today. But that it was not clear that that was going to be an individual, right. In the early 90s. Encryption was a military technology. And it was something that as it became used more and more by average, people, the government wanted to in particular, the



military and National Security Agency wanted to try to prevent that problem, they want to try to keep that genie in the bottle. So that, you know, basically encryption would not be available to anybody outside of the military. And, of course, it's kind of a fool's errand, because encryption, after all, is just math. And it's math, it can be expressed in symbols, which is speech. And it's gonna be very hard to control that. But they tried. And they did things like I mean, for one thing, encryption was classified as a munition, you know, kind of the equivalent of a stinger missile, right. And so if you wanted to export ammunition, you have to get a license from the State Department. So if you want to, if you're an arms dealer, and you want to sell missiles to, you know, the UK, let's say you have to get a license from the State Department. Well, the same was true for encryption. If you were an MIT cryptographer, and came up with a new encryption scheme, and you wanted to post that on the internet, because by posting on the internet, you are by necessity exporting it. You would have to get a license from from the State Department. And that's how they would if you didn't, you're a felon. And this is what happened. So I forget his first name Zimmerman, who created PGP pretty good privacy. He You know, there was a grand jury convened to decide whether he should be prosecuted for violating munitions export rules, because he published PGP, which we take for granted today. But anyhow, there are a lot of folks who worked, both in the courts, but also in Congress and elsewhere, to fight that battle to make sure that encryption, so yeah, it was clear that encryption was basically speech rights, that encryption protected privacy rights and anonymity rights. And the good guys won that battle, right? We have encryption today, and quite frankly, it powers so much of the, you know, generative uses of the internet, that wouldn't be possible without encryption. But anyhow, that was all not certain. Back in the mid late 80s, actually, early to mid 90s. And, you know, that was, that was definitely a very important war, they had to be fought.

**Jake** 09:07

So relating that to, you know, modern day and what we're dealing with, with crypto being, you know, relatively new still, and, and policies being relatively, you know, not concrete as of yet. And still very much kind of in the process of company of countries, excuse me figuring it out. Where do you view along, like regulatory lines, but even more broadly, like, I think it's fair to say that there's a parallel between kind of where crypto is now and where the internet was, you know, pick your date, maybe sometime in the 90s or, or maybe early 2000s. Even but where does that kind of comparison if you think it's a fair one, how far does that kind of go and is accurate versus you know, where where are the major differences in how, you know, again, how



You can kind of see regulatory elements unfolding versus just the industry at large still being, by a lot of people's perspective, quite nascent still.

**Jerry Brito** 10:11

Yeah, so I do think it's an apt comparison, because it's technology that kind of does not fit with the model that the law was written for. Right. So you know, kind of both with crypto and with the early internet laws are always written assuming that there was going to be an intermediary that could be regulated, or assuming that we could know, you know, in what jurisdiction that particular actor was in. So the laws were written with certain assumptions that when you add the internet, it just kind of makes assumptions go away. And the same thing is true for crypto. And it takes a while for regulators and lawmakers to update the law to take that into account. And in some cases, there's no updating of the law, it's possible to take it into account. It's just a new reality. And so, you know, there is that comparison is apt. I think we've come a very long way though, since, you know, the, the first real government sort of action related to crypto was in March of 2013, when fincen issued its first guidance on what they call convertible convertible virtual currency. And since then, we've had, you know, agency after agency in jurisdiction after jurisdiction has been basically confronted with questions of how their existing law applies to, to crypto, they have come forward and sort of said, how they see it, at least given given a first pass. And in general, at this point, we have pretty, pretty good clarity and certainty about how the law treats crypto, there's some very important exemptions. exceptions to that in the margins. But in general, we kind of know, I think it's, you know, because we are also at the early internet stage of the industry, or of the technology and its effects on society. We have yet to see some real effects that the technology will have on society that will no doubt cause lawmakers and policymakers to think about changing the law, but at the moment, you know, there's a pretty good equilibrium. So we certainly don't have Well, I was gonna say, we certainly don't have the kind of crypto war that there was an idea, but you know, maybe maybe we do some time, like we did recently with Spencer.

**Jake** 13:04

Right, yeah. And I want to dig more into the the reason fincen regulation that you guys, you know, played a huge part in delaying, at least from from my understanding. But before we get to that, I want to talk a bit more about like, how government has treated specifically like I guess, the US government, but even just globally, crypto thus far. I know, like, you know, I really enjoy talking with like, like, people in the crypto space in general, but specifically, you like crypto, Oh, geez, as I kind of call you



like you and, you know, Roger and Erik Voorhees. And a number of, of you guys who have been following everything since 2011 2010. Even 2013 is like, very early from my perspective. And I think there's maybe like a few generations, people can kind of separate out. But all the earliest people talk about how they're kind of surprised at how little the government has kind of reacted to all of this, that the regulations thus far have been fairly friendly and somewhat reasonable and just more hands off, than they would have expected to this technology that they can kind of see, or that they could kind of see from the early days before Bitcoin was even a very valuable thing that just the potential of the technology could one day enable people to kind of operate outside of the control of governments where, you know, fiat currency loses a lot of its importance, and there's options for people to kind of exit that game and, and participate in this, you know, decentralized currency, and store their value that way and exchange, you know, value that way. You know, it sounded like you've been somewhat surprised as well. But we'd love to have some clarity on like, what you kind of expected to happen from the early days and how that's unfolded and why you think, you know, Maybe things haven't been quite as, you know, hard handed as you might have expected?

**Jerry Brito** 15:05

Yeah. No, actually, I don't think I was surprised. I think I've been, you know, I guess I explained like, I wouldn't have been surprised there was a different reaction. But I really have been surprised by the reaction we've had. And I've been saying that to crypto folks for some time. And the reason is that, look, the government is made up of people, I think people think of government as like this massive kind of Goliath that, you know, that acts with one mind and can see, you know, can act on long term interest, etc. But it's not. The government is made up of lots of people with conflicting interests, conflicting missions. And, like, so many other parts of our economy and society with sort of incentives that are short term. And so what ends up happening is, you know, regulators, policymakers, they have a job to do whether, let's say, That's law enforcement or consumer protection, right, they have a job to do, and they have limited resources. And so they focus on getting the job done right now that they have before them and meet the challenges that they had before them right now. And so sure, you know, maybe you could speculate that cryptocurrency and Bitcoin or cryptocurrency are going to have really wide ranging societal impacts, and impacts for government long term, but that's not that's usually not going to be the basis for policymaking. Basically, policymaking is what's happening on the ground right now, right? Are people getting scammed by Icos we're gonna have to do with Icos are drug markets being set up online, people are using them, we're gonna have to deal with that. Right. And so given that, that's what they're



doing, all we've ever saw, as coin center, all I've ever saw is no worse treatment than or no different treatment for cryptocurrencies and people using them than there is for people using cash in the legacy financial system. And that is a fair thing to ask. And quite frankly, it's pretty much all policymakers want to write. And so given that, that's where we are, you know, I'm kind of not surprised that that's, that's how far, you know, we've gotten.

**Jake** 17:37

Right, so, you know, going outside of the regulatory issues a little bit and talking more broadly about governments and, you know, the potential that they could be willing to are able to kind of take down Bitcoin, in its entirety or take down crypto, you know, or at least do significant damage to the market that crypto is creating, in its entirety. That's been one of you know, more and more, it seems that Bitcoin, or the destiny of something like Bitcoin is sort of becoming more more truly inevitable, as a lot of people talk about how it is, but I try to take like a very conservative view and think about like, Okay, what could possibly go wrong, it's an unprecedented technology, it seems that its demise, if there if there were to be one would be somewhat unprecedented, as well, and I can't help but think about, you know, the potential of governments to really attack it and try to compromise Bitcoin, and its decentralized nature and everything like that. And, you know, I know, it's obviously become much more challenging, much more expensive in terms of how much something like that might cost, if at all possible. And then separately, you know, more costly in terms of like social capital, as well, with all of these corporations and institutions now invested. If the US government, for example, were to try to compromise Bitcoin, they would be really upsetting a very large number of people who, you know, whose, you know, they want to keep on their good side. So, I'm curious, you know, you talked, I had listened to you talk on a podcast, and I think 2014 with advice about how Bitcoin had historically been, you know, showing extreme resilience, and there are certainly ways that it could probably fail. But, you know, thus far, it obviously hadn't, and you were fairly confident in the future. So now, you know, seven years later, it's worth, you know, 40 times more in terms of its market cap. And it's, it's just the lasting power, having been around for, you know, 11 years instead of four is is pretty significant. You know, the longer it stays, the longer it's, you know, it seems poised to stay. So I guess my question is, do you still view vulnerabilities in bitcoins, you know, ability to be compromised, like is it you know that it goes from a 10% chance to a 1% chance or something like that? And then secondarily, do you think that there is kind of a point of no return where there's too many people like institutions and corporations say a



lot of companies follow kind of Elon Musk and Michael Saylor, and Jack Dorsey's lead, and I put a portion of their balance sheet in Bitcoin? At what point? Is it kind of irreversible that these governments could do something like that?

**Jerry Brito** 20:29

Yeah. So I think there's sort of two like I would, I would separate two things. On the one hand, you have, technically, can Bitcoin be stopped? And I don't think it can be right. It's kind of an unstoppable machine. Like quite literally, right? So even if tomorrow Congress were to pass a law banning Bitcoin, that would not kill Bitcoin, people will continue to run it, and people will continue to use it within and without the United States. So I think Bitcoin is resilient that way and will continue to be. But that's separate from thought. So you know, I don't think Bitcoin can kill or compromise Bitcoin, as you say, in that way. And I don't think it would even try, right, because I think it would know that that that we really would not be a successful strategy, depending on what it wanted to accomplish. I think the real danger is that bitcoins, social impact, or economic impact, could be diminished by certain government actions. Right. And so I think that certainly is possible. And I think you're right, that it's probably less likely today than it was last year, and the year before that, and the year before that, right. And the more people use it and care about it, and especially the more people have higher relative status to government use it and care about it, the more difficult it becomes recovered to do something about it. But yeah, I mean, you know, there are all kinds of things government to do, from anti money laundering policy, from consumer protection policies, tax policy, that could be, you know, policies that are more onerous than the ones we currently have, that would just make it you know, less attractive for people to use. And that, I think, is the real vector for attack. There is one. But, you know, I hope what policymakers understand is that while you know Bitcoin, and cryptocurrency presents a challenge to certain certain things that they've traditionally done a certain way, right, and they're gonna have to update the laws or rethink what and how they do what things they do and how they do them. They're operating in a global environment where, at least, you know, certainly for the US, the US has always succeeded when there is an open environment. Right. So the internet is a good example of that, right? Other countries in the world, we're trying to either suppress the internet, or we're trying to develop their own national interests, right. Whereas the US bet on having a completely open permissionless unopened internet and allowed entrepreneurs to build whatever they wanted on it. Now, that came with all kinds of challenges to the existing power structure, right. So law enforcement had to deal with





criminals can do now could communicate easily in an encrypted ways. You know, you had all kinds of copyright violations, I can now happen that weren't possible before. You had all kinds of maybe illegal to gray area, things like pornography and gambling that were now you know, super widespread. So the internet brought all these things, but it also brought, again, this permissionless space entrepreneurs could go crazy with and who was able to sort of benefit dominate that space? Well, it was the United States which has a culture that is perfectly suited to thrive in that environment, right. a culture of open And, and liberalism, right. Whereas, you know, France, during that same period was trying was building minitel. Right, if you're familiar with many tell, it was like the French national network. And it was, you know, created top down by the phone company. And everybody in France had a minitel terminal in their home right now. And what just went nowhere, think about it, right? It's like it's completely top down. So, I hope that and I think that policymakers get it that while crypto brings challenges, when they look around the world, and they see China developing its own financial and internet networks, what's going to be the best way to compete with that is it to build our own centralized systems, and try to go head to head or to allow completely open permissionless networks be the standard and allow American ingenuity to run up. So that's kind of a long winded way to say that. I think you're right. So the the longer it runs, and the bigger it gets, and the more people use and care about it, the more difficult it becomes for government to do things that would, you know, damage it. But I also think that there's another reason, which is simply that it's best interest of an open liberal society like the United States or the UK, or, or others to back. Open networks like Bitcoin, relative to closed networks at the same time.

**Jake** 26:51

Do you spend a lot of time thinking about like, you know, the regulations in other countries and the policies and other countries like you talk about China? And I don't know if this is a fair comparison at all. But it sounds like that's almost like the Mitel, France versus the internet? Is that at all an app comparison? And if so, you know, it sounds like you're reasonably optimistic that the US will continue to go kind of the open route, which obviously worked, you know, now, now we have all the best, not all of them, maybe, but a lot of the best internet companies came out of the US. And if they took a similar approach may be all of the best crypto currencies and crypto companies could come out of the US. Do you pay attention to China as well, and then, you know, other countries, you know, in between that might be smaller, but by kind of introducing very friendly crypto policies could actually become leaders and a different way and in the decades to come?





**Jerry Brito 27:48**

Yeah. I don't spend as much time as I want. Just because, you know, we're so focused on the United States, because that's where our expertise is and what our focus is. But I try to keep abreast and certainly China, I pay attention to, just because I know that, you know, that's very important to policymakers. And there's a clear, competitive environment that's developing. And yeah, I, you know, I think China's a little different than just a straight up minitel example, because I think China has learned that lesson, right. They they've been observing. And, in fact, a lot of China's current success comes from it, adopting a lot of the features of open liberal societies and markets. You know, without adopting All that said, You know, I think that, you know, what China is building is ultimately centralized, right? If you look at its digital currency initiative, it's ultimately centralized, it's ultimately controlled. It ultimately has brakes on anonymity. And I don't think the the jury is out on what path the US will take. I'm very hopeful, and I think it should be just within the nature of the United States to reject that kind of path and pursue just the playbook that works well for us once before with the Internet, and follow that path. But the jury's not out, right? We might be seduced by that. That kind of FOMO basically, seeing China's success and thinking, well, maybe we should emulate that. Hopefully we don't do that. And hopefully we say no, we, you know, we we do well in the wild west, right. Regulators don't like Wild West, or the idea of wild was, but relative to other countries, certainly relative to top down systems like China's, the US is going to thrive in a wild west. And that's the kind of environment that we should encourage, globally. You know, even if we had to create certain guardrails to protect consumers, etc, you want to have an open space.

**Jake 30:28**

Right. And so it's one thing to look kind of country to country at the differences in an approach, but there's also some differences within the US state to state. I know Wyoming is kind of regarded as having the best, most friendliest crypto policies. I had the mayor of Miami on the show as well. And he's trying to bring something similar to Miami, if not, broader Florida, I suppose. What do you you know, when you think of like, state to state opportunities for someone like Wyoming to, you know, bring a lot of innovation into their state, which like Wyoming maybe isn't the first, you know, state that comes to mind in terms of like, where tech companies are born, but that could be changing if crypto is a large part of, you know, the next generation of, of great companies or great entrepreneurs. And Wyoming is kind of the first and greatest place to go to do that. So I guess, you know, what is Wyoming doing that that makes it so friendly? versus some of these



other states? And what do you view as kind of being in the states powers, generally to be able to distinguish them themselves within the confines of us kind of Federal Regulations? And maybe, you know, is Wyoming kind of already at the bleeding edge of of what a state can do? Or is there even more that certain states could kind of adopt to? To be really friendly to crypto?

**Jerry Brito** 31:54

Yeah, so I think so, you know, in the US, we have a federalist system, which is great, for lots of reasons. But it means that certain things are regulated state by state, rather than, you know, to one national level. And among those things are things like consumer protection, and investor protection. And so, really, what Wyoming So, you know, the first thing that states have to do is look at the law that affects cryptocurrency that they have sole jurisdiction over and make sure that it makes sense that it's reasonable, that it's rational, and that it addresses the right risks, right. And so the main thing there is money transmission licensing, right? So if you are a firm that is in the business of holding people's crypto for whatever reason, typically, because you're an exchange, or you're a wallet service. If you are, you know, holding custody of somebody's crypto, you're gonna have to get licensed. And that's true in I think, every state and territory but one. And so, as a state, really what you need to do is make sure that the criteria for who can get a license and how is very straightforward, is rational. And is, you know, easy to get it for people who are serious, seriously in business. Right. And, you know, I think most states have done that. I think some states like New York, with its bitlicense have gone kind of in the opposite way where they've made it incredibly difficult and not very clear, rational about who has to get a license. But I think most other states have gotten it right. And Wyoming certainly did that. I think Wyoming goes one step further, in basically creating not just a good environment as to the law that they have exclusive jurisdiction over, but creating an environment that helps it compete with the federal government. And what I mean by that is, and the US. banks can either be chartered by the federal government or by state governments. Right. And so what Wyoming has done is create basically a state Chartered Bank license, right or state banking charter that's available to crypto firms. And that allows them to become a full bank with access to the payment system, etc. So that's fantastic. And I think Wyoming is the only state that's done that today. I know that other states are now sort of following that lead, considering doing the same. I think, again, the jury's not out on that either because while Wyoming may issue you a Bank charter you still have to be accepted by the Fed and the FDIC. And I don't think that any Wyoming bank that has gone through that complete process yet I think like crackin, for example, is going through that now. But the good news is, is at



the federal level, the OCC, which is the federal banking regulator, has also begun to charter essentially, crypto banks, who are also going to have to go through that process. So So yeah, I mean, I think Wyoming is probably the leader at this point, I hope other states, you know, follow it suit. And I think if there are other things the states could do. You know, one thing I think a lot about, I don't think states, you know, I think more could be done with by states is related to mining. I think that there are states who could basically make it more clear to crypto miners that they have local energy sources that are available, and just create the right environment that way. So I'm thinking of wildly maybe, but the Dakotas, Oklahoma, Texas, these are all states that potentially, you know, could benefit from having miners come to their jurisdictions.

**Jake** 36:27

Yeah, that's an interesting addition. And definitely, like, that's kind of exactly what I was hoping to hear was kind of an idea for states to even push a little bit further. And, you know, the further each state's push, and maybe others start copying, then maybe the federal government, I don't know, if does it think about it at all, like federal probably does the majority of leading, but if they see that a lot of states are trying to be at the cutting edge, maybe influences that way as well. Now, I do want to touch on the recent issue that I think was like the biggest thing to pop its head up, which was the fincen ruling, I think you guys have referred to as like midnight rulemaking, which was a new term to me. But basically, I as I understand it, when like an outgoing administration is coming up on its time, you know, that they like to try to kind of push, push last minute regulations just to kind of leave their their impact and get things through and whatnot. And so one of these things was this, this new proposed rule from fincen, that my understanding was kind of took, you know, an unfair approach at revealing personal information and personal identity information related to crypto money transfers. You know, like you said before, like you just kind of want it to be on par with with legacy systems. And this maybe was was further than that, can you kind of give an overview of what happened there. And I understand coin center had some success and kind of influencing how things have played out thus far. So if you could kind of talk about how, how you were able to do that as well. And maybe, you know, more broadly, the role that coin Center has played historically, you know, since since you founded it and started and have served as executive director, and then also kind of how it will continue to in the future.

**Jerry Brito** 38:15



Okay, there's a lot there. And this is a, it's a very long story. So I'll try to condense it as much as I can. But basically, a lot of what happened here with fincen stems from the fact that this was a sort of personal interest of the secretary of Secretary minuchin at the time, and we actually began to see sort of the beginnings of what, what this rule would become, actually, in February of 2020, maybe even January, late January of 2020. When Secretary minuchin in testimony before that, I think it was the House said basically, that self hosted wallets, were basically the equivalent of numbered Swiss bank accounts, and that, you know, we couldn't just allow people to have a lot of money without, you know, a record etc. And that, you know, pretty soon fincen would be doing something about self hosted wallets, which, you know, came as a big surprise to me, you know, it was kind of kind of came out of left field. And I think it kind of surprised the folks at fincen as well, that he said that. And, you know, shortly thereafter we and a bunch of others in the sort of financial industry that works on crypto mat with a secretary and his staff and a good conversation about the issue of self hosted wallets and explained you know, Try to clarify a lot of misconceptions about self hosted wallets try to explain how law enforcement depends on the interplay between custody, crypto and self hosted wallets, etc. And at that point, we were pretty, you know, it seemed to us that the Secretary and the staff were pretty satisfied with the answers that were given. And also at that, immediately after that, the pandemic hit. And so clearly the Secretary's attention and priorities went elsewhere. And that issue kind of went away. That concern about suppose wallets as far as we were concerned, we thought had been addressed. But then, lo and behold, coming up on the fall, right, as it was clear, that administration was probably going to be wrapping up, and that there was very little time to do anything, if they wanted to get anything done. It sort of became clear to the Secretary wanted to do something about self hosted wallets, it sort of came right back. And you can kind of see this from the language and the proposed rule, basically, because typically, when an agency creates a rule with new regulations, what it has to do by law is give notice to the public of the proposed rule by publishing in a federal register the proposed rule, and then give time for the comment for the period for the public to comment on the rule. And typically an agency will give 60 days, right, that's kind of like a standard for the public to comment. And then after the public has commented, it has to consider all the comments and it has to address all the comments when it issues a final rule. And the problem is that 60 days was the problem for the secretary, it was that 60 days was beyond the time that he would be in office. Right? So there was no way he was gonna be able to get a rule done in that time. And so you can see from the language of the rule that this rule was actually meant to be issued as what's called an interim final rule. And it's our final rule, and



this is why I say this is a very long story. I'm trying to keep it brief. But an interim final rule is one where there's basically an emergency of some kind, or there's some situation in which basically, the, the rule that is being announced would be undermined by the, you know, the notice, and, and public comment taking. And so what agencies are allowed to do by law in those circumstances is to issue an interim final rule, which means that they publish a rule in the Federal Register that is effective immediately. Having never taken comment, or previously said anything about it, it just published a rule to effective immediately. And there is done a common period that begins at the end of that comment period, the agency if it chooses to, based on those comments, it can amend the rule. And that would have been a disaster, right? Because this rule, this rule basically does, or would would do two things, it would create a cash transaction report requirement for cryptocurrency, which basically means that whenever you deposit or withdraw or withdraw \$10,000, or more with a crypto from a regulated financial institution, like Coinbase, are cracking, that the company has to automatically report that fact. So that's one requirement. And the other requirement would have been with a basically a Counterparty identification rule, which would require the company to also know not just your name, because you're their customer. So they have to know their customer to not just know you, which is already the law, but to also know who your pay is know, basically know their customers customer. Right. And that goes beyond a requirement that exists today for any kind of financial institution. And it would have been a disaster for basically financial institutions today that deal with self hosted wallets. So the issue for us in the fall of last year was trying to make sure that this would not become an interim final rule, because then we would just become the rule immediately without any opportunity for the public to weigh in. And, you know, we basically, you know, we and others basically reached out to the Secretary of Defense and made the case for why they should, why there's no rush here. And clearly what's what was happening here is there is no good public policy reason. No, there's no emergency. There was no reason why this had to be rushed through and had to be in turn vinyl. The only reason clearly was that the Secretary was leaving, and he wanted to get this done before he left. And we also, you know, I think benefited from our friends in law enforcement also, not seeing the need for the rush here. And so I think the Secretary internally got a lot of pushback from law enforcement, community intelligence community being like, what are you doing? Like, you know, this industry has been very cooperative to date. We don't need we're not dying for this information. There's actually not clear that we need this information, What's the rush? And so it's pretty clear that he relented, and did a more traditional notice and comment rulemaking, where notice is given in common is offered to the



public before the rule is made final. But again, still trying to finish this rule before he left, they gave an incredibly short time period, right. So they gave like 15 days. And they announced a rule like this Friday, afternoon before Christmas week, it was just a total insult. totally unreasonable. And I won't bore you. But long story short. You know, we did several things. Number one, we worked to get a campaign to get the public to comments, right and get the crypto community to comment. And we've worked with bi for the future. To develop a website that allow people to easily do that, we created a form that allow people to email the secretary directly and say, We need more time. And at the end of the day, we had 7000 comments were filed in this rulemaking. And that's more comments that fincen has received in any rule combined over the past decade, I think. So that's one thing. We also worked with firms in the space that would be directly affected with this to file really substantive comments related to this, and working with the blockchain Association, we made it clear that if this rule were to be come final, before the end of the Trump administration, and that sort of rushed period, that this rule would be challenged in court that immediately we would file suit, right, the blockchain Association and others would have filed basically procedural challenges that I think were very strong. If he if he did that immediately. And if that wasn't successful, which I think it would have been that wasn't successful, then coin center would file suit, under, you know, bringing constitutional challenges. So all of that pressure, I think, helped make the secretary relent. And he extended the comment period into it basically extended it so that it would go into the Biden ministration. And that was always our goal was to try to get that extended. Because we knew that really the driving force behind this rule, and especially the more extreme parts of it, was the Secretary himself. And we were fairly certain that once he is out of the picture, you would get probably a more reasonable hearing about what's actually needed. Right. And sure enough, what we've seen now is now that you have the by the ministration, fincen, has issued an extension where now there is an additional 60 days, which so now we're into more normal rulemaking. And it's our expectation that at the end of this period, you know, when there's a final rule, that it's not going to have the most extreme parts of the rule that again, were driven by him. Now, you know, we're not certain of that, something could change, but that's kind of my expectation right now.

**Jake** 49:04

Great, that's super helpful overview and appreciate you taking a long story and making it you know, reasonable to understand in plain English and everything like that sounds like you had quite a busy Christmas, but, but it was definitely worthwhile. It sounds like and the fact that you add, you





know, several 1000 comments, you know, maybe outnumbering all from the past decade for fincen is, is a very interesting statistic. I think it speaks to, you know, on the one hand, your guy's success and ability and, and doing what you're doing, but also just the passion of people who are, you know, in this crypto ecosystem, and it's interesting because it's, it's obviously a passionate group and increasingly, quite a wealthy group as well. And maybe you know, even more so in the future. I know you guys raised recently I saw that there was a a donation match by greyscale of up to a million dollars, which you guys succeeded to raise. So congratulations on that. And then I also saw that, you know, jack came in jack Dorsey came in with another million dollars. So Sounds Sounds awesome for you guys. And I'm sure, well, I'm not sure. But it seems to me that maybe the success with all this fincen stuff might have, you know, contributed towards people recognizing you guys and the importance of what you're doing and going and putting their money, you know, behind it. What is that going to enable coin center to do and kind of the years to come? What are some of the, you know, obviously, I guess a large part of what you do is kind of keeping an eye out for for damaging regulations and sort of defending against them. But, you know, do you have any idea of what the next few years might look like for coin center?

**Jerry Brito** 50:50

Yeah. So I mean, we are definitely overwhelmed by the support from the public, for coin center. You know, we've always had great support from from the community. But this past year, I think, especially starting with the stable act, and work against that. And then certainly after what happened with fincen, I think people finally really clicked for them, what coin center was, you know, what the point of us is, and what it is that we do, which I think before maybe wasn't clear, and, and this year, you know, more than the amount of money that we've raised, which is fantastic. But more than that, what really overwhelms us is the number of donors, the number of people who have stepped up, especially in just individual small donations. Basically, it's it's orders of magnitude more than we've ever had any year before. So that's fantastic. And we're incredibly grateful. So, you know, as far as what the funding allows us to do going forward. Number one, it allows us to be, you know, a permanent force, not that we weren't going to be before, but we were always, you know, having to worry about fundraising to make sure we were going to be here the next year. This is great that this, you know, sort of sends a signal that we're here for the long term. It also creates for us, kind of a what's the word? Basically a defense fund. Where in the future, so think about the fincen role, right? If the fincen rule had come out the other way, and by the way, it might still, right, this rule is not final yet. It's not my expectation that it's going to be as bad as we thought it was going to





be. But if it had been or if it is, we're going to have to challenge that in court. And we're going to have to take that all the way to the Supreme Court. And that costs a lot of money. So that's the kind of thing that we're now well prepared to take on, if we have to. And additionally, you know, some of the most pressing work that we have, is related to example, for things like tax, right, so the law around anti money laundering, yeah, put put aside this particular rule, which we think now has been addressed. The law around money money laundering, around securities regulation around consumer protection, we think it's all pretty good. The law around tax is visible. And we want to do more in that space. But that requires really specialized knowledge. Right. I'm not a tax attorney. And so that's the kind of thing that, you know, requires probably a bigger investment. And we've been able to make today. So anyhow, those are some of the things that we're hoping to do now.

**Jake** 54:04

Yeah, I thought that all sounds great. And makes a lot of sense. Congratulations again, on that, I want to thank you, Jerry, for for taking the time to come on. It's been a, an awesome, you know, conversation. And I've really learned a lot about the regulation and framework around all of that both internationally and within the states. And, you know, regulation isn't like the first thing that I I tend to gravitate towards, but it's super important to, to understand all of this, especially in crypto where it can kind of make and break a lot of things. So, you know, we talked about the donations you guys have been able to raise, but you know, maybe in closing, it'd be great if you could tell people listening how they can go and support as well. And you know, where they can follow you and coin center on progress, you know, in the future.

**Jerry Brito** 54:50

Yeah. So thank you for that. Yeah, if folks want to support us, we'd love to have you you go to coin center.org and you should check out basically everything we we right We make available publicly and you can find on our website. I think at the top right, there's a Donate button, click on that. And there'll be instructions that you could, you know, donate in crypto or in, you know, with your credit card, and we appreciate it. As far as following us. Yeah, I'm at Jerry Brito on Twitter and at coin center. You might also follow my colleague Neeraj Agarwal, who is our spokesperson and he's very active on Twitter. So, yeah, that's that's all how you how you find us.