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Emerald Advisers, LLC Research Note on President Biden's Executive Order on Crypto

***Bottom Line:** We believe the Executive Order removes the fear of a ban on crypto currencies in the U.S. but provides no additional regulatory clarity.*

The much-anticipated Executive Order that was first “signaled” to the market in October of 2021 finally arrived as President Biden signed an Executive Order on March 9th. While we believe the Executive Order has taken the risk of an outright ban of crypto currencies off the table, we also believe that the Executive Order simply continues to prolong any regulatory clarity. We believe President Biden's order simply requires additional studies, reports and coordination by designated regulators regarding the regulation of digital assets and crypto currencies. There have already been several reports issued by Treasury, the Fed and the President's Working Group just to name a few. The Executive Order does not lay out specific positions the administration wants agencies to adopt, or impose new regulations on the sector.

A senior administration official struck a neutral tone on digital assets by telling reporters the growth of the crypto currency sector could threaten the U.S. financial system, national security or business stability. Without “sufficient oversight,” criminals can use crypto currencies to launder funds or evade sanctions. “At the same time, however, digital assets can also provide opportunities for American innovation and competitiveness and promote financial inclusion,” the official said. “Innovation is central to America's story and our economy, generating jobs and opportunities, creating and building new industries, and sustaining our global competitive edge and leadership.”

The Executive Order also asked agencies to evaluate how the U.S. could issue a central bank digital currency, “should issuance be deemed in the national interest.” The U.S., when it held the Group of 7 presidency, established a digital payments experts group to evaluate CBDCs, as well as stablecoins and “other digital payments issues.” President Biden's Executive Order asks the Fed, as well as any other relevant agencies or departments within the federal government, to look at the possible risks of a CBDC in addition to the possible benefits. Implications to national security, human rights and financial inclusion are other factors that these agencies will have to consider in answering the question of whether issuing a CBDC is in the national interest. The privacy of the dollar remains a key issue.

Steven E. Russell, Esq., MBA
Vice President & Portfolio Manager
Emerald Advisers, LLC

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