

PUBLIC STATEMENTS & REMARKS

Opening Statement of Commissioner Brian Quintenz before the CFTC Technology Advisory Committee

February 26, 2020

Good morning and welcome to our fifth meeting of the Technology Advisory Committee (TAC or Committee). Before we begin, I would like extend a warm welcome to all of our guest presenters, as well as express my gratitude to all of the Committee and subcommittee members for so generously giving their time to participate today.

We have a lot of ground to cover. The TAC will hear presentations on wide-ranging and timely topics, including audit trail requirements, stablecoins, specific applications of ISDA's common domain model, the latest in cryptocurrency insurance and custody best practices, and updates regarding cryptocurrency self-regulatory efforts. At the end of the meeting, the cybersecurity subcommittee will present its recommendation that the CFTC join with other organizations in making a statement of support for the Financial Services Sector Coordinating Council (FSSCC) Cybersecurity Profile. The TAC will then discuss and vote on this recommendation.

FIA on Audit Trail

Audit trail requirements are designed to provide the Commission with the information necessary to reconstruct how a transaction was executed after-the-fact. These records are critical to the Commission's ability to conduct surveillance inquiries and investigations in order to protect customers and ensure market integrity.[\[1\]](#) However, the Commission's current audit trail requirements are in some respects redundant, placing similar recordkeeping and review obligations on futures commission merchants, exchanges, and exchange members.[\[2\]](#) The overlapping requirements impose significant costs on market participants and exchanges, which must each store and maintain massive amounts of duplicative transactional data. To address these issues, the FIA formed an Audit Trail Working Group. The panel before us today will present the Working Group's recommendations to the TAC regarding how current audit trail requirements can be streamlined and made more cost-effective.

Stablecoins

Our second panel will present on stablecoins. Although the definition of a "stablecoin" is still evolving, they are commonly thought of as a class of virtual currencies that seek to offer price stability against another asset, frequently by being "backed" by that asset in reserve, like fiat currency(ies) or certain physical commodities (e.g., precious metals). In the furtherance of providing such correlated value, stablecoins have the potential, through tokenization, to function as viable, liquid mediums of exchange and serve as powerful enablers of smart contracts. Stablecoins are early in maturation and our panel will discuss several developing stablecoins.

First, we will hear from Mr. Charles Cascarilla, CEO and Co-Founder of Paxos. Mr. Cascarilla will discuss two of Paxos' current stablecoin projects: the Paxos Standard, or PAX, which is a digital dollar, backed 1:1 with the U.S. dollar; and PAX Gold, which is a digital dollar backed by gold.

We will also hear from Mr. Eddie Wen, Global Head of Digital Markets, about the JPM Coin currently under development. JPM Coin is designed to be a digital representation of U.S. dollars held in designated accounts at JP Morgan Chase that can be used for instantaneous payment transfers on the blockchain between institutional JPM clients.

Mr. Steven Becker, President and Chief Operating Officer of the MakerDAO Foundation, will provide an overview of decentralized finance or DeFi, including some of the benefits and misconceptions associated with decentralized protocols, as well as MakerDAO's Dai stablecoin.

Finally, Mr. Tomasso Mancini-Griffoli, Deputy Division Chief in the Monetary and Capital Markets Department of the IMF, will provide an overview of some of the public policy considerations implicated by stablecoins: financial stability, monetary policy control, privacy, competition, efficiency, consumer protection, and financial integrity.

ISDA Demonstration of the Common Domain Model

Next, Ian Sloyan, Director of Market Infrastructure and Technology at ISDA, will present on some applications of the ISDA common domain model or CDM. Mr. Sloyan will demonstrate via a live run how a swap trade could be reported using ISDA CDM to satisfy the regulatory requirements of CFTC parts 43 and 45 reporting. By providing market participants with an openly available digital code that they can then implement in their own reporting engines and technology platforms, CDM aims to increase the consistency and integrity of reporting. Mr. Sloyan will also present on how the CDM is being applied to improve efficiencies in collateral management, by reducing collateral legal documentation and eligibility schedules into digital form.

Crypto Insurance and Custody

Our fourth panel will discuss how insurance underwriting standards are driving best practices for cryptocurrency custody. First, we will hear from Mr. James Knox, Managing Director and Technology & Communications Industry Regional Practice Leader for Aon. Mr. Knox will explain how the need to secure affordable insurance policies for digital assets is leading to an understanding among insurers, intermediaries, and platforms about cryptocurrency custody best practices. We will also hear from Mr. Itay Malinguer, Co-Founder and CEO of Curv, who will discuss some of the current challenges associated with cryptocurrency custody. Mr. Malinguer will discuss how multi-party computations – or the ability of multiple parties to jointly perform mathematical computations without any party revealing confidential information to the others – may assist firms in developing custody solutions.

Crypto Self-Regulatory Organizations (SRO)

The presenters on our fifth panel will provide updates on their efforts to create SRO-like governance structures for the digital asset and cryptocurrency trading marketplace. Given the lack of federal market regulatory oversight in the digital asset trading environment, I have long called for and been a vocal proponent of a private sector, multi-platform-based solution to furthering market integrity through an SRO-like organization. Today we will hear from three groups which have made substantial progress in advancing this concept and dialogue: the Virtual Commodity Association represented by their president, Mr. Yusuf Hussain, Global Digital Finance represented by their board member Mr. Jeff Bandman, and the Association for Digital Asset Markets represented by their founding board member Mr. Brad Vopni. Each group has their own membership and focus, and I am excited to hear about their progress, goals, and on-going challenges in promoting market integrity in the digital asset trading environment.

TAC Vote on Cybersecurity Subcommittee Recommendation

Finally, the cybersecurity subcommittee will present a recommendation for the consideration of the full TAC that the CFTC should issue a statement of support for the FSSCC Cybersecurity Profile. If the recommendation is adopted by the TAC and addressed by the agency, this would put the CFTC in the company of several other federal agencies, which have also issued statements of support.

Conclusion

Before I conclude my remarks, I would also like to recognize Meghan Tente, Jorge Herrada, John Coughlan, Scott Sloan, and Phil Raimondi for their tireless efforts to make this meeting a success. As always, I would like to express my deep appreciation for Richard Gorelick, the TAC Chair, for his leadership, expertise, and willingness to give so generously of his time to this Committee's work.

With that, I would now like to recognize my fellow Commissioners to make any opening remarks.

[1] Records of Commodity Interest and Related Cash or Forward Transactions, 80 Fed. Reg. 80247, 80250 (Dec. 24, 2015).

[2] See, e.g., 17 C.F.R. § 1.35 (FCMs and members of an exchange); 17 C.F.R. § 38.551-38.552 (DCMs); and 17 C.F.R. § 37.205 (SEFs).