

# Barefoot Innovation Podcast: Tyler Williams, Counselor to the Secretary for Digital Assets, U.S. Department of the Treasury

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Jo Ann Barefoot:	00:01	We have a fantastic show today because my guest is Tyler Williams, who is the counselor to the Secretary of the Treasury for Digital Assets. Tyler, thank you for joining me.
Tyler Williams:	00:12	Jo Ann, thanks for having me. It's a pleasure to be with you today.
Jo Ann Barefoot:	00:14	It's great to see you again. I've been looking forward to this. And as we get started, let me say that you and I are sitting down to talk in the historic and impressive Cash Room at the Department of the Treasury. Can you just [00:00:30] tell us a couple of words about this amazing room?
Tyler Williams:	00:32	First, it's a beautiful room in the Treasury Department, which in and of itself is quite historic, but the Cash Room has a deep history. The Cash Room originally hosted, beginning in 1869, a banker's bank, it supplied area commercial banks with coins and currency from the Treasury vaults, and it also handled government accounts in the District of Columbia, and it's pretty interesting, actually. It has a physical [00:01:00] vault here. It's funny that we're sitting here now talking about digital assets in the future of finance in the Cash Room. And then one other thing, it actually hosted President Grant's inauguration in 1869 as well.
Jo Ann Barefoot:	01:15	That's fantastic, as you say, very fitting for our topic today. To get started, tell us a little bit about your own background and then your role at the Treasury Department.
Tyler Williams:	01:25	Sure. This is my second go around at the Treasury [00:01:30] Department and the first time I've worked in a capacity solely focused on digital assets, which I believe is the first time the department has had such a role. Let me just start with my job here and then I'll work backwards. My job here really spans across all three verticals of the department. For those who aren't familiar with how Treasury as a building is oriented, there's three core verticals. There's domestic finance, there's international affairs, and then there's the terrorism [00:02:00]

and financial intelligence vertical. And then obviously there's the different bureaus and departments that serve underneath the Treasury Department, such as the Office of the Control of Currency and also the IRS.

Jo Ann Barefoot: 02:13

Vinson.

Tyler Williams: 02:14

Vinson is technically part of the TFI vertical, I see it as part of the three. But there's other bureaus like the Bureau of Engraving Printing and the Mint that also serve underneath Treasury as well. My core job right now is working across the department [00:02:30] on issues and matters that affect the digital asset economy. And you can imagine that's all in domestic finance and the interactions with the market regulators, the interactions with the depository regulators. In international affairs. Many of our counterparties across the globe have also been fulsomely engaged in digital asset policymaking.

02:54

I work quite acutely in some of the international standard sitting bodies and then also on a bilateral with other [00:03:00] foreign sovereigns. And then in TFI, the Terrorism and Financial Intelligence vertical, that's where we have our sanctions authority. That's where the MSB, the Money Service Business Registration framework was born out of. There's interactions across the department. And then I also work with the tax policy and IRS and a host of other things. But prior to this job, I worked in the digital asset industry for three years, and I served in the first Trump administration under Secretary Mnuchin [00:03:30] in a very domestic finance policy role, the DAS for Financial Institution's policy. And then I spent eight years on Capitol Hill, House and Senate always focused on financial services policy matters. And in a much former life, I was in New York as a buy-side research analyst.

Jo Ann Barefoot: 03:49

Great. Something that strikes me about the digital asset space is that there's a striking amount of confusion [00:04:00] about it, it seems to me, even in audiences that you would expect to understand it. I had two conversations recently that stayed on my mind. One was with a very distinguished nonprofit leader and the other was with a very senior finance industry executive, both of whom basically said, "What's the point of cryptocurrency and digital assets? What problems is it solving? And isn't it mostly for crime?" [00:04:30] And you and I work in this space all the time, but I'd love to just go back to the basics and have you talk about the vision for what you think the role is in the financial system for digital assets and crypto and if you care to talk about stablecoins as well, that would be great?

Tyler Williams:	04:49	<p>Sure. I think just generally what we're talking about is the transposition of value on the internet. And there are some people who didn't think the internet was important [00:05:00] when the internet was coming about. However, I think it's fairly safe to say that the advent of the internet has transformed everyone's lives in a positive direction. And what I would say about the digital asset economy is it originally started from the Bitcoin white paper in 2009, and that was the base layer, so to speak, of the industry's movement. And then there's been many other projects, [00:05:30] both in a financial application light and also in commercial use and other non-financial aspects like NFTs and other types of tokenized receipts, et cetera, that are not financial in nature. The industry is quite wide scoping, and that in and of itself presents challenges to people and how they think about the acute policies.</p>
	05:56	<p>I think that's why seen a lot of confusion in Washington about what [00:06:00] to do about the regulatory posture relative to this sector. Regarding stablecoins, I think just in my observation from being an industry for a while, people have been able to wrap their heads around what programmatic money is on the internet, and people understand bank regulation in a different light than some of the other secondary market structure questions in [00:06:30] digital assets.</p>
	06:31	<p>How I think about it is, particularly on stablecoins, what we're talking about is the functionality of having a federal regulatory framework for programmatic dollars on the internet. And we've seen Congress have this debate for many years now, and we've seen them get the farthest that they have thus far in terms of producing durable legislation that could end up being enacted [00:07:00] relative to that. And I think that if you're taking a very earnest look about how they have formulated the bill, it's quite conservative in terms of the nature of what a stablecoin issuer is and is not allowed to do, very high quality forms of reserves that are being treated as the reserve assets to underpin the stablecoin issuance and a tight regulatory framework on a state and federal basis.</p>
	07:28	<p>I think that's where [00:07:30] we have come from and where we have gotten right now in the policy community that's like the leading edge of where we are.</p>
Jo Ann Barefoot:	07:38	<p>Actually, I'm going to come back to stablecoins in a few minutes, because there's a lot going on in that space. But before we go there, talk to us about the administration's basic policy set. What is it that we need to do and that you are undertaking to do</p>

to create the regulatory frameworks, legal [00:08:00]  
frameworks, and market conditions for what you want to say?

Tyler Williams: 08:03 It's a lot. We'll start with that statement. I would say when President Trump was sworn in, one of the early actions that he took was he issued a comprehensive executive order on January 23rd. And that executive order was table setting and resetting where the US government has been on digital asset policymaking. And it established a working [00:08:30] group that is comprised of David Sachs, who is the chair, the crypto and AI czar, and then Bo Hines who serves as the working group's executive director. The working group has participants from across the administration, whether it's the SEC or CFTC, the Treasury Department, DOJ. It's quite wide-scoping. That executive order tasked all of the working group to do three main things, all with the vision of how [00:09:00] do we establish a durable regulatory and legislative framework for digital assets in the United States?

09:06 And those three core things were on a thirty-day basis, each one of the working group participants essentially had to do what I call a retrospective review. They had to go back to each one of their departments and say, "What guidance, documents, forms, what have we done that affects the digital asset industry?" We had to produce that compendium in a retrospective review. And then on 60 days, we had to submit [00:09:30] to the White House into the working group, what do we think that we could make changes upon? And now we're in this phase where we are working on this comprehensive report that is due on July. And in my estimation, that will be a firm position across the administration of what we think should happen for digital asset policymaking, stablecoins, payments, illicit finance, the AML [00:10:00] regulatory regime, plus the market structure conversation.

10:04 It's a wide scoping document, which as you might imagine is difficult to pull together. But it's important because that will be the US position, relative to the industry. And I think not only can it serve as a guiding path for the US, but it can also serve directionally as what messages and what communication we want to [00:10:30] expropriate into other jurisdictions, particularly as the digital asset industry lives on the internet and it is a global environment. That's what we're working on right now. And then I would say there's a second layer of engaging with Congress as they have worked diligently to produce market structure of legislation. We've seen the House Financial Services Committee Act through the Clarity Act, and we've seen

[00:11:00] both the House and the Senate also working in conjunction on stablecoin policy.

Jo Ann Barefoot: 11:06

And as we are recording this, there's a good chance that Congress will pass the stablecoin legislation in the near future and the President will sign it, and it's a bipartisan effort, notably, I think. Talk a little bit more about that legislation [00:11:30] as you said before, but part of the challenge with digital assets and cryptocurrency is that it's broken the molds a little bit from the way we were trying to regulate it in the past, on stablecoins in particular. We're also recording this just a few weeks after the striking impact of the Circle IPO, which has done so well building around a stablecoin strategy. Are you envisioning stablecoins [00:12:00] creating an infrastructure capability in the financial system that we don't have today with our traditional approach, or how are you viewing it?

Tyler Williams: 12:12

I think at its core, and as I said before, we're talking about programmatic dollars on the internet, and to date, we have lived in a regulatory regime in the United States where that exists already, and it exists in the digital asset industry [00:12:30] as well. There's dollar backed stablecoins, and there's a total market cap of 250 billion, whatever the number is today as we're sitting here. But that exists. It exists under a state license framework. What we have not had is a federal regulatory approach to licensing and issuing and the exact rules of the road for those that want to become issuers of payment stablecoin instruments. That's what Congress has decided. [00:13:00] And I think if you look at the bill, there's comprehensive requirements for the reserve assets that can be considered to be eligible collateral to underpin. There's rules on rehypothecation, there's rules on who can become and who can be and who should be issuers.

13:19

There's the application of the BSA and AML rules and regime for the issuers. It's very complementary to the existing rules set that other financial institutions already [00:13:30] have to live with just in a permitted payment, stablecoin issuer lens. The secretary testified last week and he got asked the question about this, and he talked a little bit about where the market is now, what the growth expectation is for the industry. And obviously that's just hypothetical, but if we can extrapolate where the industry has grown from over the past five years into [00:14:00] where it might grow in the next five years, I think that those estimates that are publicly available are good things to look at. And obviously it can serve as a form of demand for treasuries. If you think about the issuers having to hold reserves

against the stablecoins that they're issuing, they need to buy treasuries, which is a good thing for this department.

Jo Ann Barefoot: 14:26 And the game plan would be for the controller of the currency [00:14:30] to be the regulator of-

Tyler Williams: 14:32 The primary federal regulator. Yes, that's right.

Jo Ann Barefoot: 14:34 Exactly. The federal.

Tyler Williams: 14:35 I think I didn't touch upon this a minute ago, there's an important aspect of the legislation that contemplates jurisdictional parity. And essentially how I think about that just from a macro level, not the one that's in the bill, if we have a regulatory regime and when we have a regulatory regime in the United States to support permitted payment, [00:15:00] stablecoin issuers, we have to interact with other foreign sovereigns and how they write their rules relative to those issuers as well. And I think how you can think about it's a unique opportunity for us to expand and export our American values internationally by being able to enter into these types of reciprocal arrangements and agreements with other foreign sovereigns.

Jo Ann Barefoot: 15:26 I was going to ask you about that. Maybe say a few more words about [00:15:30] how you are viewing this issue in relation to the role of the United States in the world, the role of the dollar. You touched on it already, but go ahead.

Tyler Williams: 15:43 There's lots of, I would say, geopolitical risks or considerations. And one of the best ways that we effectuate a lot of our values and influence in the world is through the dollar being the world's reserve currency. I view [00:16:00] stablecoins as a complementary function to ensuring the dollar remains prominent abroad. And I think if you look at the total outstanding float of stablecoins today, they're almost entirely dollars.

16:20 We know that people want dollars. How can we ensure that we have the best opportunity to sell more dollars to the rest of the world? I think this is a pretty natural [00:16:30] colliding incentive for the US policy community to achieve success on. The other thing that I would mention is relative to this, we've seen other foreign jurisdictions move to produce stablecoin policies in a faster degree than the federal government in the US has. We've seen Singapore and we've seen the EU do this as well and many other jurisdictions. I view it [00:17:00] as like us a

little bit catching up to the rest of the world is, but also the rest of the world wants the dollars. It's a good way for us to achieve multiple things in one fell swoop.

- Jo Ann Barefoot: 17:11 That's a great point. We have been slower than most other major countries.
- Tyler Williams: 17:18 And there are pros and cons to it. I think on the pro side, we've had the ability to observe what has worked and what hasn't worked around the rest of the world as they pursue [00:17:30] market structure and stablecoin policies. On the cons, we've lost a little bit of our footing to the rest of the world. And what is a global asset class? I'm using heavy air quotes in an asset class. I think there's pros and cons. I think not trying to retill soil, but if we look back on the last four years where we have, there's been a lot of regulation by enforcement, and I know that can mean a lot of different things to people, [00:18:00] but in sum, what we've seen is a lot of the industry that wants to be domiciled in the US look at the regulatory regime in the US and just functionally say, "This doesn't work for us. This can't work for us." Or there's too much risk associated to being in the US.
- 18:17 We've seen, according to some estimates, a lot of the developers moving ex-US, a lot of the foundations and the labs and the protocol building move from being domiciled in the US to ex-US. And I think [00:18:30] that in and of itself presents another layer of issues that we're thinking about how to solve.
- Jo Ann Barefoot: 18:38 The industry is full of companies that want clear regulatory rules of the road and want to follow them and want to be regulated and make sure they're doing it right. And to do that, you've got to tell them what's needed.
- Tyler Williams: 18:52 And you mentioned some of the IPOs. Without naming any specific names of companies, I think we've seen [00:19:00] a clear desire to enter public markets from digital asset companies over the last six months. I don't have the data at hand, but, I and many people in the industry follow Twitter news feed, we understand that that is a trend.
- Jo Ann Barefoot: 19:19 Just a couple more questions and I'll let you go. Thinking about the risks that need to be managed, we're going to have the bill coming out and we're going [00:19:30] to have unstablecoins and the market structure and a lot of work ahead. If we anticipate a major expansion of digital asset activity and stablecoin activity, from the standpoint of the regulatory lens, what are the main risks that we need to be vigilant about?

Tyler Williams:	19:56	<p>I think the biggest risk is doing nothing, [00:20:00] and I don't think that's going to happen. However, if you want to protect investors, you want to protect the retail community, if you want to protect the ecosystem and ensure that it has appropriate rules for centralized intermediaries, for decentralized intermediaries, whatever it might be, we need a sensible framework that not only works for the participants in the ecosystem, but also the [00:20:30] consumers and the users and the investors in the community. And I would say that we all can agree that if we look back about the formation of our securities and our derivatives markets, which are the global standard setters in those industries, what we did was putting sound, sensible regulatory frameworks around those industries and then incentivize the participants who wanted to do novel activities or wanted to pursue innovation. [00:21:00] We incentivized them to participating with the regulators to achieve those outcomes.</p>
	21:05	<p>That has not happened in the crypto economies. The goal and the expectation is that we create that framework to have that activity in the United States to protect against the risks that do exist. All of that means sensible stablecoin policy, sensible AML regulatory policy, whether it's from Treasury or from the implementing financial [00:21:30] institutions, identity protection, the ability for individuals and consumers to transact on a peer-to-peer level. Those are foundational principles that we should protect in the industry and that people will want to do. I think it's a complicated question and there are many things to achieving that, and I think we have quite a bit of work to do, but we're fast at work trying to achieve it.</p>
Jo Ann Barefoot:	22:00	<p>[00:22:00] Is there anything we haven't talked about that you'd like to add?</p>
Tyler Williams:	22:05	<p>I would just say at Treasury, and I know at other participants in the working group, we have been listening and talking to industry and the public quite a bit on policymaking. And I have taken hundreds of meetings since I started this job in January 30th. [00:22:30] I would say that the community should feel as if they can come in and talk to us and tell us what they're trying to do and tell us how they're building whatever project that they are. And we have an open door policy and we want to hear from people. I guess it's my view that the best policymaking will occur by talking in the government, talking to industry, and somehow trying to define the appropriate path forward. I guess that's my message. I don't know if we didn't talk about anything specifically, but [00:23:00] that's my message.</p>

Jo Ann Barefoot:	23:01	I couldn't agree more. That's the answer to it.
Tyler Williams:	23:03	Yes.
Jo Ann Barefoot:	23:04	Tyler Williams, thank you so much for joining us today.
Tyler Williams:	23:06	Thanks so much for having me, Jo Ann.