



Crypto Industry Amasses Washington Insiders as Lobbying Blitz Intensifies

Crypto Industry Amasses Washington Insiders as Lobbying Blitz Intensifies

Revolving Door Hiring Has Helped Industry Fend Off Regulation, Could Blunt New Rules

Faced with mounting legal and regulatory pressure in Washington, the cryptocurrency industry has turbocharged its D.C. lobbying machine, assembling a remarkable roster of former government officials with insider connections and knowledge to help mold the policy landscape in the industry's favor.

New research from the Tech Transparency Project (TTP) reveals an explosion of recent “revolving door” traffic between federal institutions and the cryptocurrency sector, with nearly 240 examples of officials with key positions in the White House, Congress, federal regulatory agencies, and national political campaigns moving to and from the industry.

In a sign of crypto’s growing influence in Washington, the industry’s stable of advocates now includes two former chairs of the Securities and Exchange Commission (SEC), two former chairs of the Commodity Futures Trading Commission (CFTC), and one former chairman of the Senate Finance Committee.

The hiring binge creates a risk that the industry will undermine the foundational rules that will govern this \$3 trillion industry in the future.¹ At a moment when cryptocurrency firms are pushing to make crypto investments available to millions of ordinary investors on the same exchanges where they buy and sell mutual funds and other instruments, at least five veterans of a key SEC division that will help make that decision have gone to work for crypto firms.

Meanwhile, at least five former top executives at Circle Internet Financial, the biggest stablecoin company in the U.S., have recently joined the Federal Reserve in Boston—even as the firm is seeking a bank charter from the Fed. The moves also give a cadre of people who have worked to advance the use of private digital dollars a role in helping to shape how the central bank might approach its own version of digital currency—posing an apparent conflict of interest. A highly anticipated white paper issued by the Boston Fed in early February 2022, on the code that could be used for a digital dollar, listed three former Circle executives among its eight authors, and another co-authored the foreword to the report.

The group of Washington insiders who have joined the crypto industry have used their ties to top policymakers and deep understanding of the federal bureaucracy to help it avoid the sort of regulatory crackdown it has faced in China and elsewhere.² Now—amid growing concern about cryptocurrency’s potential to destabilize the global economy, facilitate crime, and wipe out personal fortunes, while consuming massive amounts of energy—lawmakers and regulators appear poised to take action on the industry.

Perhaps the clearest sign came on November 1, 2021, when a group of top regulators warned that stablecoins, which are pegged to the value of a national currency, carry “the potential for

¹ <https://www.moneyweb.co.za/moneyweb-crypto/bitcoin/crypto-world-hits-3trn-market-cap-as-ether-bitcoin-gain/>

² <https://www.euronews.com/next/2021/09/24/bitcoin-ban-these-are-the-countries-where-crypto-is-restricted-or-illegal2>
<https://www.reuters.com/technology/eu-tighten-rules-cryptoasset-transfers-2021-07-20/>

destabilizing runs, disruptions in the payment system, and concentration of economic power.”³ The regulators called on Congress to take quick action to treat issuers of stablecoins like banks, and warned that failure to do so could prompt regulators to act on their own.

However, crypto’s collection of well-connected former officials stands poised to blunt any such efforts. A review of lobbying disclosures, corporate filings, nonprofit tax records, legal filings, LinkedIn profiles, press reports and other public records reveals the breadth of the industry’s reliance on former government officials.⁴ The analysis, completed in late 2021, reveals:

- At least 235 officials from Congress, the White House, federal agencies, the Federal Reserve, and national political campaigns who have moved to or from dozens of crypto companies, exchanges or trade associations, where they have served as advisers, board members, investors, lobbyists, legal counsel, or in-house executives.
- 78 examples of moves between government agencies that directly regulate the financial sector and companies involved in crypto. The moves include at least 31 former Treasury officials; 28 from the SEC; 15 from the CFTC; five Comptroller of the Currency officials; and three Consumer Financial Protection Bureau (CFPB) officials. Most of the moves have occurred in just the last two years.
- Jay Clayton, who served as the chair of the SEC during the Trump administration, joined crypto platform Fireblocks and One River Asset Management, a startup cryptocurrency fund manager. Arthur Levitt, SEC chair during the Clinton administration, advises at least three crypto startups. Former Trump CFTC Chair Christopher Giancarlo advises three crypto companies, a crypto trade association, and the nonprofit Digital Dollar Foundation.
- 32 former White House officials who have joined companies involved in cryptocurrency. The moves include former Obama Deputy Chief of Staff Jim Messina, who now advises Blockchain.com; Larry Summers, former Clinton Treasury secretary and Obama National Economic Council (NEC) director, who serves as an adviser to three crypto companies; and Trump’s former NEC Director Gary Cohn, who advises at least two crypto-related technology companies.
- 87 moves between Congress and companies involved in the cryptocurrency or blockchain industries. Those involved at least eight former members of Congress, including Max Baucus (D-MT), former chairman of the Senate Finance Committee, who advises crypto exchange Binance on regulatory issues, and former Rep. Mike Conaway (R-Texas), who retired in January 2021 after introducing legislation supported by the crypto industry to streamline regulation of trading platforms—and started a firm that is now registered to lobby for Ripple.⁵

³ <https://home.treasury.gov/news/press-releases/jy0454>

⁴ <https://www.techtransparencyproject.org/sites/default/files/Crypto-Revolving-Door-List.xlsx>

⁵ <https://www.nytimes.com/2021/05/09/us/politics/cryptocurrency-regulation-sec-ripple-labs.html>

- Former Sen. Bill Bradley (D-NJ) is an adviser to Paxos, a technology company offering cryptocurrency brokerage services, asset tokenization, and settlement services. Blanche Lincoln, a former Senate Democrat from Arkansas, lobbies for the Blockchain Association, which serves as “the unified voice of the blockchain and cryptocurrency industry.” Former Rep. Harold Ford (D-TN) is advising One River Digital Asset Management.

Some companies appear particularly dependent on former officials to help make their case. Ripple, which was charged in late 2020 with violating securities laws after raising more than \$1.3 billion through an unregistered securities offering, has hired at least 20 former government officials as advisers over the past 10 years. The most prominent among them is Gene Sperling, who held top economic posts in both the Clinton and Obama administrations.

The full scope of crypto’s D.C. hires has largely gone unnoticed. They’re part of a broader scramble by the industry to defend its interests in Washington, with large campaign contributions to key lawmakers, bigger lobbying budgets and a proliferation of trade associations and other nonprofits dedicated to advocating for the sector.⁶

In all, the TTP analysis found at least 25 former government officials who represent nine different trade associations, industry groups, or nonprofits that have emerged in just the last few years to influence crypto regulatory policy.

The Chamber of Digital Commerce, which represents more than 180 crypto companies, law firms and payment processors, has recruited two former SEC officials and a former DOJ prosecutor to advise it on regulatory policies. It has also tapped three former CFTC officials: Christopher Giancarlo, chairman of the commission in the Trump administration; Jim Newsome, chair during the Bush administration; and Mark Wetjen, a commissioner during the Obama administration.

Facebook’s Diem Association, a trade group that pushed for regulatory approval of the social media giant’s Diem digital currency, hired at least six top government officials including Stuart Levey, a former Treasury undersecretary for terrorism and financial intelligence; Steve Bunnell, the former general counsel to the Department of Homeland Security; and Saumya Bhavsar, a top official with the Office of the Comptroller of the Currency.

⁶ <https://twitter.com/sollenbergerrc/status/1460366852262178816?s=21>

GROWING CAUSE FOR ALARM

The crypto age is still in its infancy, launching just 13 years ago when the mysterious and pseudonymous Satoshi Nakamoto published a groundbreaking white paper titled “Bitcoin: A Peer-to-Peer Electronic Cash System.”⁷ Now, there are more than 259 exchanges like Coinbase and Binance around the world that allow customers to trade in and out of cryptocurrencies, and more than \$6 billion in bitcoin transactions occur every day, by some estimates.⁸

It’s a critical moment for the nascent sector. China’s intensifying crackdown on crypto trading and mining means that the industry needs a friendly environment in the U.S. or it could effectively be locked out of the world’s two biggest economies.⁹ Until now, the industry has largely avoided regulation in the U.S., aided by its stable of former government insiders. Many of them have argued that any moves to limit cryptocurrency risk stifling innovation and pushing the fast-growing market overseas.

U.S. regulators have taken narrowly targeted enforcement actions against cryptocurrency firms and actors, though not in any systematic way. In 2020, for example, the SEC charged the NAC Foundation, its CEO Marcus Andrade, and convicted lobbyist Jack Abramoff with conducting a fraudulent, unregistered offering of AML Bitcoin, a cryptocurrency the defendants claimed was a new and improved version of Bitcoin.¹⁰ In September 2021, the Treasury Department sanctioned a cryptocurrency exchange called SUEX that it said laundered the proceeds of ransomware attacks.¹¹

In all, U.S. regulators have imposed more than \$2.5 billion in fines on crypto businesses since 2009, mostly for fraud and unregistered securities violations.¹²

But now, with a growing understanding of the threats posed by cryptocurrency, broader action appears imminent. Several new bills have been introduced in the current legislative session by both crypto proponents and skeptics, including the Eliminate Barriers to Innovation Act (H.R. 1602); the Token Taxonomy Act (H.R. 2144); and the Digital Asset Market Structure and Investor Protection Act (H.R. 4741), among others.¹³

In the Senate, a bipartisan proposal introduced in late September 2021 would require the Treasury Department to increase its oversight of cryptocurrency mining in other countries.¹⁴

⁷ <https://bitcoin.org/bitcoin.pdf>

⁸ <https://www.cryptimi.com/guides/how-many-cryptocurrency-exchanges-are-there>

<https://www.wsj.com/articles/new-approach-regulating-crypto-bitcoin-coinsbase-armstrong-digital-asset-policy-proposal-11634226117>

⁹ <https://www.reuters.com/world/china/china-central-bank-vows-crackdown-cryptocurrency-trading-2021-09-24/>

¹⁰ <https://www.sec.gov/news/press-release/2020-145>

¹¹ <https://home.treasury.gov/news/press-releases/jy0364>

¹² <https://markets.businessinsider.com/news/currencies/crypto-industry-bitcoin-racked-up-25-billion-fines-penalty-sec-2021-6>

¹³ <https://www.congress.gov/bill/117th-congress/house-bill/1602?rq=%7B%22search%22%3A%5B%22Eliminating+Barriers+to+Innovation+Act%22%2C%22Eliminating%22%2C%22Barriers%22%2C%22to%22%2C%22Innovation%22%2C%22Act%22%5D%7D&s=3&r=1>

<https://www.congress.gov/bill/117th-congress/house-bill/1628?rq=%7B%22search%22%3A%5B%22Token+Taxonomy+Act%22%2C%22Token%22%2C%22Taxonomy%22%2C%22Act%22%5D%7D&s=4&r=1>

<https://www.congress.gov/search?q=%7B%22source%22%3A%22legislation%22%2C%22search%22%3A%22stablecoin%20classification%20and%20regulation%20act%20of%202020%22%7D>

¹⁴ <https://www.hassan.senate.gov/news/press-releases/senator-hassan-introduces-bipartisan-bill-to-improve-oversight-of-cryptocurrency-mining-operations-in-foreign-countries>

The industry has already suffered one significant defeat. The \$1.2 trillion infrastructure bill signed by President Biden in November 2021 included a provision requiring digital currency brokers to report transactions to the IRS, generating an estimated \$28 billion in tax revenue; industry advocates fear the measure could also apply to miners and wallet developers.¹⁵ Crypto advocates mounted an intense lobbying effort against the provision, which they said would be impossible for miners, software developers, and others in the industry to comply with.¹⁶

In October 2021, the Treasury Department warned that the growing use of digital currencies and other alternative payment systems could lessen the effectiveness of sanctions: “These technologies offer malign actors opportunities to hold and transfer funds outside the traditional dollar-based financial system. They also empower our adversaries seeking to build new financial and payments systems intended to diminish the dollar’s global role.”¹⁷

Also in October, the Biden administration said it was weighing a wide-ranging executive order to coordinate regulation of cryptocurrencies among government agencies, including the possibility of appointing a White House cryptocurrency czar to serve as a point person on the issue.¹⁸

And on November 1, top U.S. regulators warned that stablecoins, which are pegged to the value of a national currency like the U.S. dollar, pose serious risks stemming from “the potential for destabilizing runs, disruptions in the payment system, and concentration of economic power.”¹⁹ The regulators called on Congress to take quick action to treat issuers of stablecoins like banks, and said failure to do so could prompt regulators to act on their own.

A separate Treasury report issued in mid-November noted that the market capitalization of stablecoins had increased “about fivefold” over the previous year, and warned that the currencies “can suffer from structural vulnerabilities.”²⁰

Meanwhile, the SEC is weighing a proposal to require publicly traded companies to disclose information about the climate impact of their operations, which could draw fresh scrutiny to the high electricity demands of crypto-mining.²¹ And the Federal Reserve is considering whether to introduce its own digital currency.²²

¹⁵ <https://www.theverge.com/2021/11/8/22770798/biden-infrastructure-cryptocurrency-bitcoin-crypto-tax-irs-treasury>

¹⁶ <https://www.opensecrets.org/news/2021/08/cryptocurrency-industry-spending-big-against-senates-infrastructure-bill/>
<https://www.politico.com/news/2021/08/09/cryptocurrency-influence-washington-infrastructure-fight-502792>

¹⁷ <https://apnews.com/article/technology-joe-biden-business-bills-cryptocurrency-92628a41124230448f65fdeb89ffad7d>

¹⁸ <https://home.treasury.gov/system/files/136/Treasury-2021-sanctions-review.pdf>

¹⁹ <https://www.bloomberg.com/news/articles/2021-10-08/white-house-weighs-wide-ranging-push-for-crypto-oversight?srnd=cryptocurrencies>

²⁰ <https://www.federalreserve.gov/publications/files/financial-stability-report-20211108.pdf>

²¹ https://www.wsj.com/articles/crypto-miners-struggle-to-cut-carbon-emissions-11634808781?st=erzdhab2wl56z12&reflink=desktopwebshare_permalink
https://www.wsj.com/articles/climate-change-accounting-for-companies-looms-with-all-its-complexities-11628608324?mod=article_inline

²² <https://www.federalreserve.gov/publications/money-and-payments-discussion-paper.htm>

UPPING THE INFLUENCE GAME

The growing scrutiny of blockchain technology, bitcoin, and other cryptocurrencies has prompted a sharp increase in Washington lobbying efforts, as the industry seeks to shape any nascent regulation in its favor.²³

Crypto companies and trade associations spent a reported \$2.2 million on federal lobbying in the third quarter of 2021, more than double their spending during the same period in 2020.²⁴ From July to September of last year, at least 17 new blockchain or cryptocurrency lobbying contracts were signed, more than three times the number signed in the previous quarter.²⁵ This flurry of new registrations includes several new trade groups, and it brings with it a marked increase in spending, much of which was targeted at the infrastructure bill’s tax provision.

The largest players in the industry, Coinbase, Stellar and Ripple, have all recently increased their lobbying spending. In the third quarter of 2021 alone, Coinbase hired three new lobbying firms to represent its interests.²⁶ In 2021, it spent more than \$1.3 million on lobbying, with a total of 23 lobbyists working on its behalf, a sharp increase from just two years earlier, when it spent a total of \$200,000 and had just seven lobbyists.²⁷

Coinbase also uses third-party groups to press its policy interests.²⁸ Coinbase was a founding member of a new lobbying effort in 2021, the Crypto Council for Innovation.²⁹ Its partners in that effort include asset management giant Fidelity and Square, the digital payment company, which is developing a “decentralized financial services” business using bitcoin.³⁰

Coinbase’s main competitor, Ripple, has traditionally spent the most on lobbying out of all of the purely crypto-focused companies. In 2021, it spent more than \$1.1 million on lobbying, up from just \$380,000 in all of 2019.³¹ The company hired Michael Best Strategies in early 2021, and

²³ <https://www.opensecrets.org/news/2021/08/cryptocurrency-industry-spending-big-against-senates-infrastructure-bill/>
<https://theblockchainassociation.org/more-than-100-crypto-ecosystem-stakeholders-support-wyden-lummis-toomey-amendment-in-infrastructure-bill/>
<https://www.nytimes.com/2021/05/09/us/politics/cryptocurrency-regulation-sec-ripple-labs.html>
<https://www.coindesk.com/policy/2021/10/18/crypto-learns-to-play-the-dc-influence-game/>

²⁴ <https://www.politico.com/newsletters/politico-influence/2021/10/26/crypto-lobbying-soared-in-q3-amid-fight-over-tax-provisions-798474>

²⁵ Calculations based on a review of lobbying documents at <https://lda.senate.gov/>, includes firms that registered using the terms “blockchain” or “cryptocurrency” in the description

²⁶ <https://lda.senate.gov/filings/public/filing/72799e9d-2911-4aa3-bcc2-599582ae4c4b/print/>
<https://lda.senate.gov/filings/public/filing/a3b60f0a-0612-4c3a-83b7-9a53852df43c/print/>
<https://lda.senate.gov/filings/public/filing/77262c8b-2ae6-47ca-8540-b3cc00ba4577/print/>

²⁷ https://lda.senate.gov/filings/public/filing/search/?registrant=®istrant_country=®istrant_ppb_country=&client=coinbase&client_state=&client_country=&client_ppb_country=&lobbyist=&lobbyist_covered_position=&lobbyist_conviction_disclosure=&lobbyist_conviction_date_range_from=&lobbyist_conviction_date_range_to=&report_period=&report_year=&report_dt_posted_from=&report_dt_posted_to=&report_amount_reported_min=&report_amount_reported_max=&report_issue_area_description=&affiliated_organization=&affiliated_organization_country=&foreign_entity=&foreign_entity_country=&foreign_entity_ppb_country=&foreign_entity_ownership_percentage_min=&foreign_entity_ownership_percentage_max=&search=search

²⁸ CORRECTION: An earlier version of this report incorrectly said that Coinbase is part of the Proof of Stake Alliance, which has lobbied the SEC over potential industry regulation and regularly provides public analysis of tax matters relating to the industry, such as the infrastructure bill. Instead it is Coinbase Custody, a separate entity, that was part of the group.

<https://www.coindesk.com/markets/2020/01/30/coinbase-custody-bison-trails-join-proof-of-stake-alliance-to-push-for-clearer-crypto-regulations/>
<https://www.coindesk.com/policy/2021/09/17/crypto-lobbying-group-warns-of-another-tax-provision-in-senate-infrastructure-bill/>

²⁹ <https://www.wsj.com/articles/fidelity-square-coinbase-launch-bitcoin-trade-group-11617710402>
<https://lda.senate.gov/filings/public/filing/5b108fd-a504-435f-a71a-3a7e82503f1e/print/>

³⁰ <https://www.businesswire.com/news/home/20210406005392/en/The-Crypto-Council-for-Innovation-Launches-With-Industry-Leading-Member-Organizations>

<https://www.cnbc.com/2021/07/16/square-is-building-a-decentralized-finance-business-for-bitcoin.html>

³¹ https://lda.senate.gov/filings/public/filing/search/?registrant=®istrant_country=®istrant_ppb_country=&client=ripple&client_state=&client_country=&client_ppb_country=&lobbyist=&lobbyist_covered_position=&lobbyist_conviction_disclosure=&lobbyist_conviction_date_range_from=&lobbyist_conviction_date_range_to=&report_period=&report_year=&report_dt_posted_from=&report_dt_posted_to=&report_amount_reported_min=&report_amount_reported_max=&report_issue_area_description=&affiliated_organization=&affiliated_organization_country=&foreign_entity=&foreign_entity_country=&foreign_entity_ppb_country=&foreign_entity_ownership_percentage_min=&foreign_entity_ownership_percentage_max=&search=search

paid the firm \$700,000 over the course of the year. The lobbying firm is now headed by former Trump chief of staff and Republican National Committee Chair Reince Priebus.³²



After Sen. Kyrsten Sinema collected nearly \$200,000 from crypto interests, she backed away from a proposal the industry opposed.

Stellar, an alternative bitcoin-type currency, is a large and recent entrant to Washington lobbying. It first registered to lobby in 2020 and spent a total of \$650,000 in 2021.³³

The crypto industry has also begun to use campaign cash to court key lawmakers. Top among them is Sen. Kyrsten Sinema (D-AZ), who recently collected nearly \$180,000 from cryptocurrency interests, mostly at a July fundraiser in Silicon Valley, according to an account by a *Daily Beast* reporter.³⁴ A short time later, Sinema backed away from a provision of the infrastructure bill she had authored that the industry opposed.³⁵

The crypto industry has other allies in Washington, including policymakers and government officials who have financially benefitted from their cryptocurrency investments. In July 2021, Sen. Pat Toomey (R-PA) disclosed that he held investments in Grayscale Ethereum Trust and Grayscale Bitcoin Trust, each worth \$1,000 to \$15,000.³⁶ He has written several letters to Treasury Secretary Janet Yellen to raise concerns regarding proposals to regulate cryptocurrency transactions and other elements of the Biden administration's approach to virtual currency.³⁷

Tim Wu, a top antitrust adviser to the Biden administration, reported owning between \$1 and \$5 million worth of Bitcoin, according to his personal financial disclosure. His Bitcoin investment is the largest holding in his financial portfolio.³⁸

³² <https://michaelbeststrategies.com/about/reince-priebus/>

³³

https://lda.senate.gov/filings/public/filing/search/?registrant=®istrant_country=®istrant_ppb_country=&client=stellar+development+foundation&client_state=&client_country=&client_ppb_country=&lobbyist=&lobbyist_covered_position=&lobbyist_conviction_disclosure=&lobbyist_conviction_date_range_from=&lobbyist_conviction_date_range_to=&report_period=&report_year=&report_dt_posted_from=&report_dt_posted_to=&report_amount_reported_min=&report_amount_reported_max=&report_issue_area_description=&affiliated_organization=&affiliated_organization_country=&foreign_entity=&foreign_entity_country=&foreign_entity_ppb_country=&foreign_entity_ownership_percentage_min=&foreign_entity_ownership_percentage_max=&search=search

³⁴ https://docs.google.com/spreadsheets/d/1GakS5Jp5epIhMtdtR4F5-00HrMI7w_Y7_g7fS0iV2zw/edit#gid=937680075

³⁵ <https://twitter.com/SollenbergerRC/status/1460366852262178816?s=20>

³⁶ <https://efdsearch.senate.gov/search/view/ptr/b1deab19-2db4-481b-97eb-8b616f00d7f9/>

³⁷ <https://www.barrons.com/articles/sen-pat-toomey-bitcoin-ethereum-51625763320>

https://www.banking.senate.gov/imo/media/doc/toomey_letter_to_yellen_on_pwg_report.pdf

³⁸ <https://www.politico.com/news/2021/06/07/white-house-tech-critic-bitcoin-492093>

TURNING TO THE REVOLVING DOOR

Nearly 100 cryptocurrency companies, exchanges, and trade associations have turned to the revolving door to advance their interests.



Sen. Pat Toomey, who has reported up to \$30,000 in cryptocurrency holdings, has raised concerns about several proposals to regulate the industry.

door, serving in several top roles on Capitol Hill, including communications director for Sen. Chuck Schumer, now the Senate Democratic Leader, and deputy staff director of the Joint Economic Committee.⁴⁰

The tactic is a familiar one in Washington, where former government officials can be counted on to tap their old connections on behalf of new employers. But the crypto industry has moved particularly quickly in tapping bold-faced names and backroom bureaucrats to help make its case.

Those involved in the industry's influence campaign say the particularities of cryptocurrency make it especially important to use Washington insiders to deliver the message. "When you have a new technology and new platforms in older and heavily regulated spaces, you need as many legitimate voices and boots on the ground that you can get," Izzy Klein, a lobbyist whose firm has represented several digital currency clients, told *Politico* in 2019, as the industry began to scale up its Washington presence.³⁹

Klein himself has passed through the revolving

"When you have a new technology and new platforms in older and heavily regulated spaces, you need as many legitimate voices and boots on the ground that you can get."

Today, one of his clients is Digital Currency Group (DCG), the parent company of Grayscale, a digital currency asset manager valued at \$10 billion.⁴¹ DCG, which only started lobbying in 2021, paid Klein's firm \$180,000 during the year to lobby Congress on "digital asset and

³⁹ <https://www.politico.com/newsletters/politico-influence/2019/03/18/inside-the-blockchain-lobbying-boomlet-549283>

⁴⁰ <https://lda.senate.gov/filings/public/filing/aed3846d-ccef-4d07-890e-c918fe7eb13d/print/>

⁴¹ <https://www.wsj.com/articles/digital-currency-group-wants-to-be-cryptos-standard-oil-11635764400>

currency issues,” as well as the infrastructure bill.⁴² The fund also recently hired Capitol Counsel for additional lobbying around the infrastructure bill.⁴³ Digital Currency’s portfolio company, Galaxy Digital, is involved in a new lobbying effort called the Global Digital Asset and Cryptocurrency Association, which has recently hired its first outside lobbyists, also to work on the infrastructure bill as well.⁴⁴

Dozens of companies have taken Klein’s advice in recent years, hiring senior regulators and little-known bureaucrats from federal agencies, as well as elected officials from both parties. In all, nearly 240 have moved to and from the crypto industry from Congress, the White House, and federal agencies, bringing decades of knowledge and deep connections with them.

Loading Up on Regulators

At least five of the crypto industry’s SEC hires are alumni of the agency’s Division of Trading and Markets (DTM), a regulatory bottleneck the industry has been seeking to navigate for years. The division regulates the middlemen that sit between investment-grade assets and the investors themselves—securities exchanges, broker dealers, clearing agencies and transfer agents. The crypto firms are keen for the agency’s approval to offer crypto investments to tens of millions of ordinary American investors, ideally on the same exchanges where they buy and sell mutual funds, exchange-traded funds, and the underlying stocks and bonds of companies that, unlike crypto vehicles, sell actual products or services.

At the center of the regulatory action inside the agency was Brett Redfearn, the DTM director, who was the target of a recent lobbying blitz by the industry as it sought approval for bitcoin trusts to trade on the New York Stock Exchange.⁴⁵ The SEC took a step in the industry’s direction in mid-2019, when it approved one of the first listed bitcoin funds, the Van Eck SolidX Bitcoin Trust—a major step toward the acceptance of bitcoin-focused investment vehicles by U.S. financial markets and regulatory bodies.⁴⁶

As the SEC was weighing that decision, a team of seven Bitcoin Trust boosters met at the agency with Redfearn and a slew of other SEC officials in November 2018. The SEC officials in the room included at least three who would soon join Redfearn in going through the crypto revolving door: Christian Sabella and Alexander Zozos of the Division of Trading and Markets and Bill Hinman, the director of the Division of Corporate Finance.⁴⁷

⁴²

https://lda.senate.gov/filings/public/filing/search/?registrant=®istrant_country=®istrant_ppb_country=&client=Digital+Currency+Group&client_state=&client_country=&client_ppb_country=&lobbyist=&lobbyist_covered_position=&lobbyist_conviction_disclosure=&lobbyist_conviction_date_range_from=&lobbyist_conviction_date_range_to=&report_period=&report_year=&report_dt_posted_from=&report_dt_posted_to=&report_amount_reported_min=&report_amount_reported_max=&report_issue_area_description=&affiliated_organization=&affiliated_organization_country=&foreign_entity=&foreign_entity_country=&foreign_entity_ppb_country=&foreign_entity_ownership_percentage_min=&foreign_entity_ownership_percentage_max=&search=search

⁴³ <https://lda.senate.gov/filings/public/filing/8584dc74-e951-449a-925f-a6d4ba32b560/print/>

⁴⁴ <https://global-dca.org/membership/>

<https://lda.senate.gov/filings/public/filing/1c692f96-7938-4387-87d2-85ac274048ff/print/>

<https://lda.senate.gov/filings/public/filing/b45b4b1e-05c5-4438-a144-efd1ed707ecf/print/>

⁴⁵ <https://www.sec.gov/comments/sr-nysearc2019-39/srnysearc201939-6856217-210494.pdf>

⁴⁶ <https://www.cnbc.com/2019/09/12/bitcoin-etf-like-product-just-hit-the-marketheres-how-it-works.html>

⁴⁷ <https://www.sec.gov/comments/sr-cboebzx-2018-040/srcboebzx2018040-4691015-176590.pdf>

In the midst of the drawn-out regulatory process over whether Wall Street should be allowed to market crypto funds like mutual funds or ETFs, Redfearn switched sides, joining Coinbase, the largest crypto exchange, in March 2021 to head up its capital markets group. He immediately declared himself a devotee of the crypto religion.⁴⁸ The SEC, however, remained unenthusiastic about crypto ETFs for the masses, and Redfearn quit Coinbase just a few months later.⁴⁹ Redfearn, however, hasn't given up on bringing crypto speculation to the masses via the regulated securities exchanges. In October 2021, he joined Securitize Capital, which describes itself as "a fully-regulated digital-asset securities firm."⁵⁰

Meanwhile, Coinbase's lagging business is giving added urgency to its attempts to win SEC approval for additional crypto products.⁵¹ And even without Redfearn, Coinbase remains well connected at the SEC. In February 2021, just before he arrived, the exchange hired another DTM alumnus, Alexander Zozos, who was named senior counsel for products.⁵² And in June 2021, it hired Redfearn's successor at the SEC, DTM acting chief Christian Sabella, to lead the crypto exchange's legal work on capital markets.⁵³ Sabella was already familiar with Coinbase's business plans: He was one of the SEC staff recipients of a 2021 letter from Coinbase calling on the agency to allow the listing and trading of shares in another bitcoin fund, the Wisdom Tree Bitcoin Trust.⁵⁴

Hinman has also gone to work in the crypto industry, advising Andreessen Horowitz, the venture capital firm, which has funded dozens of cryptocurrency startups and is mounting an intensive campaign to shape the rules that will govern digital currency.⁵⁵ He was an early champion of the cause, announcing at a crypto summit in 2018, while he still worked for the SEC, that the agency would continue to treat bitcoin and ether as currencies and not as securities.⁵⁶ Hinman left the agency in January 2021 and is at the center of a court fight and media controversy over whether his ties to the crypto industry influenced the SEC to give ether and bitcoin "a free pass."⁵⁷

Two other SEC veterans, Dhawal Sharma and Alan Reed, were working at Tagomi, a crypto exchange, in 2019, when the company was lobbying their old colleagues at the agency to begin allowing bitcoin ETFs.⁵⁸ After Coinbase acquired Tagomi in 2020, Sharma joined his fellow veterans of DTM there.⁵⁹ Reed now works at Domain Money, another crypto company.⁶⁰

Carla Carriveau, another DTM alum, followed a similar path. While at the SEC, she "advised as to the potential application of securities regulations to virtual currency."⁶¹ In 2018, she joined

⁴⁸ <https://blog.coinbase.com/coinbase-hires-brett-redfearn-as-vp-capital-markets-41df20c7a934>

⁴⁹ <https://www.wsj.com/articles/coinbase-says-capital-markets-head-brett-redfearn-has-left-company-11628531644>

⁵⁰ <https://www.prnewswire.com/news-releases/former-sec-trading-and-markets-director-brett-redfearn-joins-securitize-leadership-team-301404033.html>

⁵¹ <https://www.ft.com/content/e76ecfec-b676-46fb-b949-54ba1951dc81>

⁵² <https://www.linkedin.com/in/alexander-zozos-57211019/>

⁵³ <https://twitter.com/ampaulgrewal/status/1404483956163059713>

⁵⁴ <https://www.sec.gov/comments/sr-cboebzx-2021-024/srboebzx2021024-8771280-237581.pdf>

⁵⁵ <https://www.linkedin.com/in/bill-hinman-8a03831/>

<https://www.nytimes.com/2021/10/29/us/politics/andreessen-horowitz-lobbying-cryptocurrency.html>

⁵⁶ <https://cassels.com/insights/sec-declares-bitcoin-and-ether-as-non-securities/>

<https://www.sec.gov/news/speech/speech-hinman-061418>

⁵⁷ <https://www.nytimes.com/2021/10/29/us/politics/andreessen-horowitz-lobbying-cryptocurrency.html>

<https://www.crypto-law.us/wp-content/uploads/2021/08/Exhibit-B-to-SEC-Motion-Redacted-Version-of-Hinman-Deposition-08172021.pdf>

<https://twitter.com/JohnEDeaton1/status/1454182285734039555>

<https://www.linkedin.com/in/bill-hinman-8a03831/>

⁵⁸ <https://www.sec.gov/comments/sr-nysearca-2019-01/srnysearca201901-6154168-192327.pdf>

⁵⁹ <https://www.linkedin.com/in/dhawalsr/>

⁶⁰ <https://www.linkedin.com/in/alan-reed-69a50a/>

⁶¹ <https://www.fintechsv.com/blog/cryptocurrency/video-interview-with-carla-carriveau-former-senior-counsel-sec-cryptolaw/>

Circle, a stablecoin company, and soon was back at her old agency for a meeting with SEC Chairman Jay Clayton.⁶²

Thursday, February 21, 2019

- 9:30 am Meeting with Katie Biber, General Counsel, Anchorage; Carla Carriveau, Senior Regulatory Counsel, Circle; Georgia Quinn, General Counsel, CoinList Capital; Ruby Sekhon, General Counsel & Chief Compliance Officer, Polychain Capital; Craig Salm, Director, Grayscale Investments; Brandi Reynolds, Chief Compliance Officer-US, eToro; Kristin Smith, Director of External Affairs, Blockchain Association; Zachary Zweihorn, Counsel, Davis Polk & Wardwell; and Annette Nazareth, Partner, Davis Polk & Wardwell

Meeting logs show that Carla Carriveau, a former SEC official, went back to her old agency as a representative of Circle, a stablecoin company.

The Case of the Boston Fed

The revolving door has spun the other direction in Boston, where at least five former top executives of cryptocurrency firm Circle Internet Financial have recently abandoned lucrative private positions to go work for the Federal Reserve Bank of Boston. The moves came amid an effort by Circle, the biggest stablecoin company in the U.S. and the second largest worldwide, to obtain a federal bank charter.⁶³ And they have left the Fed relying on people who have worked to advance the use of private digital dollars to help shape the central bank's approach to a system that would give the government a monopoly on such currency—posing what appears to be an irreconcilable conflict of interest.

In 2018, Robert Bench was a top executive at Circle when it was pursuing a federal banking license from the Office of the Comptroller of the Currency—where he had worked for more than two decades before entering the private sector—as well as registration as a broker and trading venue from the SEC.⁶⁴ Bench was a key player in the firm's decision to pursue federal regulation as a way of superseding state rules. "You're able to have a single conversation," Bench told *Bloomberg*. "It's hard to have 50 conversations."⁶⁵

⁶² <https://www.sec.gov/foia/docs/secchaircalendar/chairman-clayton-calendar-2019-2.pdf>

⁶³ <https://coinmarketcap.com/view/stablecoin/>

⁶⁴ <https://www.linkedin.com/in/robert-bench-a7134220/>

<https://www.bloomberg.com/news/articles/2018-06-06/circle-in-talks-with-u-s-to-become-licensed-bank-trading-venue?sref=VDXBDESF>

<https://www.bostonfed.org/people/bank/robert-bench.aspx>

⁶⁵ <https://www.bloomberg.com/news/articles/2018-06-06/circle-in-talks-with-u-s-to-become-licensed-bank-trading-venue?sref=VDXBDESF>



At least four former Circle executives went to work at the Boston Fed.

In 2019, Bench left Circle for the Boston Fed, where he is working on cryptocurrency policy as assistant vice president in the Secure Payments group. According to his Fed bio, “In this capacity, Bob is tasked with performing FinTech market research and experimentation to inform Federal Reserve System policy and decision makers about the implications of FinTech on the financial services industry and Federal Reserve’s mission broadly. The group’s current focus is blockchain or Distributed Ledger

Technology (DLT) and private and fiat digital currencies.”⁶⁶

Several other former Circle executives have also made recent moves to the Boston Fed. They include John DiThomas, who worked as director of Compliance Risk Management at Circle from 2018 to 2020 and at another financial technology startup before becoming the Boston Fed’s Compliance Program Manager in May 2021.⁶⁷ Kevin Karwaski, who was responsible for Circle’s trading infrastructure until May 2019, became “principal architect” at the Boston Fed in January 2021.⁶⁸ Anders Brownworth, who was “chief evangelist” at Circle, joined the Boston Fed in April 2020, and Tyler Frederick, who works on FinTech research, joined the central bank from Circle in October 2019.⁶⁹

The presence of so many of its former executives at the central bank comes as Circle seeks key approvals from the Federal Reserve. In August, the company said it would apply to the Fed and other agencies for a bank charter. “Circle intends to become a full-reserve national commercial bank, operating under the supervision and risk management requirements of the Federal Reserve, U.S. Treasury, OCC, and the FDIC.”⁷⁰ Circle, which is backed by Goldman Sachs, is also in the process of listing itself on the New York Stock Exchange through a SPAC merger.⁷¹

Perhaps as importantly for Circle and the broader crypto industry, the Boston Fed is studying digital currency, with several former Circle executives playing a leading role in the research.⁷² A highly anticipated report by the Boston Fed on the code that could be used for a potential central bank digital currency that was released in early February 2022 listed three former Circle executives—Frederick, Karwaski, and Brownworth—among its eight authors.⁷³ The foreword to the white paper was co-authored by Bench.

⁶⁶ <https://www.bostonfed.org/people/bank/robert-bench.aspx>

⁶⁷ <https://www.linkedin.com/in/jd-john-dithomas/>

⁶⁸ <https://www.linkedin.com/in/kevinkarwaski/>

⁶⁹ <https://www.linkedin.com/in/andersbrownworth/>

<https://www.linkedin.com/in/tyler-frederick/>

⁷⁰ <https://www.circle.com/blog/our-journey-to-become-a-national-digital-currency-bank>

⁷¹ https://www.sec.gov/Archives/edgar/data/1876042/000110465921122565/tm2124445-1_s4a.htm

⁷² <https://www.bostonherald.com/2020/08/14/boston-fed-bank-explores-cryptocurrency-with-mit/>

<https://www.bostonfed.org/news-and-events/news/2020/08/boston-fed-exploring-the-tech-benefits-and-tradeoffs-of-a-digital-dollar.aspx>

⁷³ <https://www.bostonfed.org/news-and-events/press-releases/2022/frbb-and-mit-open-cbdcb-phase-one.aspx>

It's not clear if the former Circle executives at the Boston Fed retained any economic interest in Circle that would allow them to benefit personally from the pending SPAC listing. The potential conflict of interest posed by the involvement of several former Circle executives in setting Fed policy toward digital currency comes amid a broad ethics controversy at the Fed over whether bank officials should be permitted to trade stocks. The head of the Boston Fed and his counterpart in Dallas stepped down in September 2021 after their personal trading during the pandemic prompted conflict-of-interest concerns.⁷⁴

The Fed announced new rules in October that prohibit top officials from owning individual stocks and require disclosure of other investment moves.⁷⁵ The new policy does not mention virtual currency, nor does it specify the senior staff positions covered by the new rules.

Tapping the Enforcers

The crypto industry has also turned to former federal prosecutors, including several with experience in just the kinds of cases that are confronting some companies.

Back when she was a special assistant U.S. attorney, Caroline H. Friedman successfully prosecuted dozens of major financial crime cases, including the conviction of a supporter of the ISIL terrorist group for teaching its members how to use bitcoin to hide its fundraising activities.⁷⁶ Since 2020, she has been chief of staff for global compliance at Kraken Digital Asset Exchange, a controversial exchange that agreed to pay a \$1.25 million fine in September 2021 for unregistered margin trading.⁷⁷ The exchange has also been ensnared in an IRS investigation into the use of cryptocurrency for tax evasion, and forced to turn over details about its users.⁷⁸ One of her predecessors at Kraken was former U.S. Attorney Mary Beth Buchanan, who resigned as general counsel in 2020 as Kraken's enforcement issues mounted.⁷⁹

Kraken, which claims to operate the first U.S. cryptocurrency bank, also brought on former Federal Reserve Bank of Atlanta lawyer Aba Habib and has been lobbying the Fed for access to its payments system.⁸⁰

Another longtime prosecutor with considerable experience in prosecuting cryptocurrency crimes is Marie Dalton, who prosecuted a heroin dealer who took in \$72,000 in bitcoin.⁸¹ In September 2021, fresh off that case, she was named associate general counsel for financial crimes at Coinbase.⁸²

⁷⁴ <https://www.cnn.com/2021/09/27/economy/boston-fed-president-retirement/index.html>

⁷⁵ <https://www.federalreserve.gov/newsreleases/other20211021b.htm>

⁷⁶ <https://www.justice.gov/opa/pr/virginia-man-sentenced-more-11-years-providing-material-support-isil>

⁷⁷ <https://www.cftc.gov/PressRoom/PressReleases/8433-21>

⁷⁸ <https://www.cfo.com/tax/2021/05/crypto-exchange-kraken-ordered-to-provide-user-records-to-irs/>

⁷⁹ <https://news.bloomberglaw.com/business-and-practice/cryptocurrency-exchange-bitstamp-sees-two-top-lawyers-depart>

⁸⁰ <https://www.wsj.com/articles/crypto-firms-want-fed-payment-systems-accessand-banks-are-resisting-11630143002>

⁸¹ <https://usdoj.today/2021/05/24/dark-web-heroin-dealer-sentenced-to-5-years-in-prison-usao-wdwa/>

⁸² <https://www.linkedin.com/in/marie-dalton-5b02058/>

Corporate Courtship

Several crypto companies have been particularly keen to hire former government officials. The revolving door hires have involved Republicans and Democrats alike, as well as little-known regulators and staffers with deep Washington knowledge.

Ripple

When the SEC charged Ripple and two of its top executives with violating securities laws in late 2020, the company was already among the top spenders on lobbying in the crypto industry. But Ripple has only upped its spending since then, and tapped a stable of Washington insiders for key advisory roles both inside and outside the company. In all, at least 16 former government officials, regulators, and staffers have joined Ripple Labs or served as advisers to the company in recent years.

Founded in 2012, Ripple operates a currency exchange and remittance network supporting tokens representing fiat currency, its native cryptocurrency XRP, and even commodities such as frequent flyer miles or mobile minutes.⁸³

And the company has a history of turning to the revolving door, particularly in times of trouble. In January 2015, Ripple announced that Gene Sperling—a top economic adviser to both Presidents Clinton and Obama—had joined its board.⁸⁴

The hiring came at a critical time. Just a few months before, the Treasury Department’s Financial Crimes Enforcement Network (FinCEN) had concluded an investigation into Ripple.⁸⁵ In May 2015, just a few months after Sperling’s arrival, in what it called the “first civil enforcement action against a virtual currency exchanger,” FinCEN fined the company \$700,000 for willfully violating several requirements of the Bank Secrecy Act by acting as a money servicing business and selling XRP without properly registering. The regulator also said Ripple had failed to have adequate anti-money laundering programs in place.⁸⁶

Sperling’s role at Ripple gave the company access to an array of powerful politicians and policymakers. At Ripple’s annual Swell conference in 2017, he chatted with former Federal



Gene Sperling spoke with former Fed chairman Ben Bernanke at a Ripple conference in 2017.

⁸³ <https://dlt.mobi/ripple-foundation/>

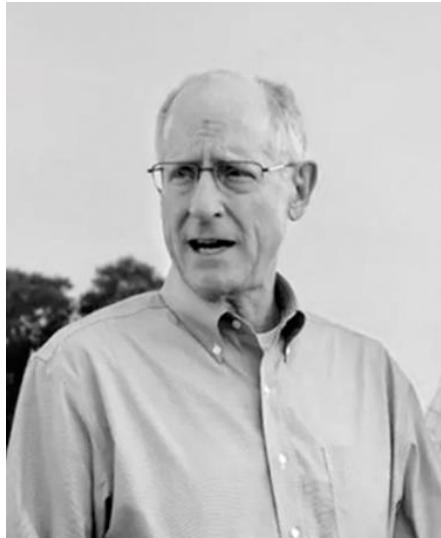
⁸⁴ https://ripple.com/ripple_press/former-chief-white-house-advisor-gene-sperling-joins-ripple-labs-board-of-directors/

⁸⁵ https://www.fincen.gov/sites/default/files/shared/Ripple_Assessment.pdf

⁸⁶ <https://www.fincen.gov/news/news-releases/fincen-fines-ripple-labs-inc-first-civil-enforcement-action-against-virtual>

Reserve Chairman Ben Bernanke.⁸⁷ The following year, Sperling led a conversation with Bill Clinton, who said, “The permutations and possibilities [of blockchain technology] are staggeringly great.”⁸⁸

Today, Ripple is again under scrutiny. In late 2020, the SEC charged Ripple and two of its top executives with violating securities laws after raising more than \$1.3 billion through an unregistered securities offering.⁸⁹ The case is ongoing.



Former Rep. Mike Conaway started a firm that is registered to lobby for Ripple.

Against that backdrop, the company has again turned to the revolving door. Former Trump Treasury official Craig Phillips serves on Ripple’s board, as does former U.S. Treasurer Rosa Gumataotao Rios and current Treasury and FDIC adviser Sandie O’Connor. All three were named to the positions in 2020 and 2021.⁹⁰ A fourth board member, Anja Manuel, is a former State Department official.⁹¹

The company has also recruited heavily from Congress. Former Rep. Mike Conaway, an eight-term Texas Republican who retired in January 2021, founded a lobbying firm with his former chief of staff just two months after leaving office. The firm, Conaway Graves, is now registered to lobby for the company.⁹²

In September 2020, in the final months of his tenure in Congress, Conaway introduced the Digital Commodity Exchange Act.⁹³ The legislation, backed by the crypto

industry, would support the growth of digital token and cryptocurrency businesses by streamlining the regulation of trading platforms into a single federal framework overseen by the CFTC.⁹⁴

Lobbying disclosures show that Ripple Labs began lobbying on the Conaway bill soon after it was introduced.⁹⁵ While post-employment restrictions require a “cooling-off period” of at least one year before former members of Congress can lobby their former colleagues, the disclosures show that Scott Graves, Conaway’s former chief of staff and a co-founder of his firm, began lobbying for Ripple just months after his boss left office.⁹⁶

In all, the revolving door analysis shows that Ripple has built a team of current and former legal advisers and lobbyists with a combined 114 years of senior experience with the White House,

⁸⁷ <https://www.forbes.com/sites/tomgroenfeldt/2017/11/01/leading-banks-in-using-ripple-blockchain-value-its-speed/?sh=767865d53930>

⁸⁸ <https://www.yahoo.com/news/bill-clinton-permutations-possibilities-blockchain-003100185.html>

⁸⁹ <https://www.sec.gov/litigation/complaints/2020/comp-pr2020-338.pdf>

⁹⁰ <https://ripple.com/company/board-of-directors/>

⁹¹ <https://www.linkedin.com/in/anja-manuel-0b02673/>

⁹² <https://www.nytimes.com/2021/05/09/us/politics/cryptocurrency-regulation-sec-ripple-labs.html>

<https://lda.senate.gov/filings/public/filing/405768a8-4b89-4820-8c0d-707875c4f68b/print/>

⁹³ <https://www.texastribune.org/2019/07/30/us-rep-mike-conaway-retire-congress/>

⁹⁴ <https://www.coindesk.com/policy/2020/09/24/a-new-bill-proposes-to-put-us-crypto-exchanges-under-a-national-framework/>

⁹⁵ <https://lda.senate.gov/filings/public/filing/fc2d8492-7f8c-4c06-bde7-4fa1df3ad000/print/>

⁹⁶ <https://projects.propublica.org/represent/lobbying/301022216>

SEC, CFTC, Federal Reserve, Department of Justice, and the Department of the Treasury among other government agencies.

Binance

Binance, the world's largest crypto exchange, is also under intense scrutiny in Washington, including an investigation of the exchange for money laundering and tax offenses that was launched in May 2021.⁹⁷ And it, too, has turned to a set of influential Washington insiders from both parties to help it navigate the situation, with at least eight former government officials joining as advisers or lobbyists in 2021.

Founded by Chinese Canadian billionaire Changpeng Zhao in 2017, Binance became the world's largest digital asset exchange in less than eight months. In only its second quarter of existence, the company realized a \$200 million profit, handing Zhao a personal fortune of as much as \$2 billion.⁹⁸

The company's meteoric rise has also attracted increasing scrutiny from global regulators and financial watchdogs. Originally based in China, Binance later moved its headquarters to tax havens in the Cayman Islands and the Seychelles following the Chinese government's crackdown on cryptocurrency in 2017.⁹⁹ In October 2020, leaked documents revealed that the company's elaborate corporate structure was designed to intentionally deceive regulators by undermining the ability of U.S. anti-money laundering officials to detect illicit activity.¹⁰⁰



Former Sen. Max Baucus is an adviser to Binance, the world's largest cryptocurrency exchange.

through Binance than any other crypto exchange.¹⁰²

In addition, the crypto exchange's lax policies—requiring just an email address to open a trading account and allowing customers to withdraw the equivalent of two Bitcoins (\$57,000) per day—have also drawn scrutiny.¹⁰¹ In May 2021, the Department of Justice and the IRS opened a probe of the exchange for money laundering and tax offenses. According to the blockchain forensics firm Chainalysis, whose clients include several U.S. regulators, more funds tied to criminal activity flow

⁹⁷ <https://www.bloomberg.com/news/articles/2021-05-13/binance-probed-by-u-s-as-money-laundering-tax-sleuths-bore-in>

⁹⁸ <https://www.bloomberg.com/news/articles/2018-03-28/crypto-s-billionaire-trading-king-has-suddenly-run-into-problems>

⁹⁹ <https://decrypt.co/19191/binances-real-headquarters-are-in-the-cayman-islands>

¹⁰⁰ <https://www.forbes.com/sites/michaeldelcastillo/2020/10/29/leaked-tai-chi-document-reveals-binances-elaborate-scheme-to-e evade-bitcoin-regulators/?sh=702215172a92>

¹⁰¹ <https://www.bloomberg.com/news/articles/2018-03-28/crypto-s-billionaire-trading-king-has-suddenly-run-into-problems>

¹⁰² <https://www.bloomberg.com/news/articles/2021-05-13/binance-probed-by-u-s-as-money-laundering-tax-sleuths-bore-in>



As acting comptroller of the currency, Brian Brooks had dozens of meetings on crypto-related issues. After leaving the Trump administration, he became Binance's CEO.

issues or with someone from the industry during his time as comptroller, according to calendars recently released as part of an open records request. The meetings involved a wide range of participants, including crypto companies, founders of decentralized finance (DeFi) protocols, and Fortune 500 executives. During the same period, he pursued an aggressive pro-crypto agenda, approving financial institutions' entry into the digital asset and stablecoin markets.¹⁰⁷

Brooks served just three months at Binance, leaving in August amid the exchange's increasing regulatory and legal problems, reported disagreement with the company's founder, and the collapse of a \$100 million venture capital deal he was pursuing.¹⁰⁸

The company has also recently retained five lobbyists, all former Hill staffers, to work the halls of Congress. And in August, it hired Greg Monahan, a former IRS criminal investigator, to serve as the exchange's global money laundering reporting officer.¹⁰⁹

The company has turned to key Washington insiders to help it deal with the unwanted attention. In September 2021, the exchange hired its first Washington lobbyists, tapping several former Hill staffers to help it navigate the capital.¹⁰³ Six months earlier, in March 2021, Binance named former U.S. Sen. Max Baucus (D-MT) as a policy and government relations adviser.¹⁰⁴ Baucus served for more than three decades in the U.S. Senate, including a seven-year term as the chairman of the powerful Senate Finance Committee and later as the U.S. ambassador to China during the Obama administration.

In April 2021, Binance hired Brian Brooks as its new CEO.¹⁰⁵ Brooks, who served as Trump's acting comptroller of the currency, has made two spins through the government-crypto revolving door. He left Fannie Mae in 2018 to serve as the chief legal officer at Coinbase before joining the Trump administration in 2020.¹⁰⁶

Brooks' time in the Trump administration illustrates just how beneficial it can be for the industry to have an ally who has passed through the revolving door. Brooks had about 40 meetings on crypto-related

¹⁰³ <https://lda.senate.gov/filings/public/filing/36d98459-4446-4c72-b2fd-33e62fa8f26d/print/>
<https://lda.senate.gov/filings/public/filing/4fafc78e-e4e2-49d2-90aa-d9c0ba97a29b/print/>
<https://www.politico.com/newsletters/politico-influence/2021/10/04/binanceus-rover-add-first-lobbyists-798018>

¹⁰⁴ <https://www.bloomberg.com/news/articles/2021-03-11/largest-crypto-exchange-names-ex-u-s-senator-baucus-as-adviser>

¹⁰⁵ <https://www.coindesk.com/business/2021/04/20/binanceus-hires-former-bank-regulator-brian-brooks-as-ceo-former-head-coley-to-depart/>

¹⁰⁶ <https://www.linkedin.com/in/brian-brooks-bb14b648/>

¹⁰⁷ <https://www.coindesk.com/policy/2021/07/26/who-in-crypto-met-with-brian-brooks-when-he-ran-occ-heres-his-calendar/>

¹⁰⁸ <https://www.wsj.com/articles/brian-brooks-quits-as-ceo-of-crypto-exchange-binance-us-11628289690>

<https://www.ledgerinsights.com/nyt-brian-brooks-left-binance-us-when-100m-funding-fell-through/>

<https://www.cnbc.com/2021/08/19/cryptocurrency-traders-seek-damages-from-binance-after-major-outage.html>

¹⁰⁹ <https://www.linkedin.com/in/greg-monahan-cpa-19561863/>

Paxos

Paxos, which offers cryptocurrency brokerage services, asset tokenization, and settlement services, has also turned to the revolving door, bringing on at least three high-level Washington insiders to help advance its interests.¹¹⁰ Those relationships may be particularly useful amid attempts to win favorable rulings from the SEC and fend off fraud allegations.

The New York-based financial institution and technology company runs the iBit exchange, a Bitcoin exchange that was the first exchange to be licensed by regulators in the state.¹¹¹ The company also manages Paxos Standard (PAX), one of the industry's first stablecoins.¹¹² As of 2021, the company has received more than \$500 million in funding from investors including PayPal Ventures, Declaration Partners, and Mithril Capital.¹¹³



Former Sen. Bill Bradley and former FDIC Chair Sheila Bair are on the board of Paxos.

In 2015, former U.S. Sen. Bill Bradley (D-NJ) was named to Paxos' board of directors, along with former Federal Deposit Insurance Corporation (FDIC) Chair Sheila Bair.¹¹⁴ During his tenure as Bradley specialized in complex financial reform initiatives, including the 1986 overhaul of the U.S. tax code.¹¹⁵

¹¹⁰ <https://www.politico.com/newsletters/politico-influence/2021/10/04/binanceus-rover-add-first-lobbyists-798018>

¹¹¹ <https://paxos.com/>

¹¹² <https://ibit.exchange/>

¹¹³ <https://www.nytimes.com/2015/05/08/business/dealbook/bitcoin-exchange-receives-first-license-in-new-york-state.html>

¹¹⁴ <https://www.reuters.com/article/us-cryptocurrency-dollar-paxos-winklevoss/new-york-regulator-approves-winklevoss-paxos-dollar-linked-tokens-idUSKCN1LQ1O5>

¹¹⁵ <https://www.paxos.com/paxos-raises-300-million-in-series-d-funding-at-2-4-billion-valuation/>

¹¹⁶ <https://www.latimes.com/business/la-fi-bitcoin-new-york-20150508-story.html>

<https://paxos.com/company/>

¹¹⁷ <https://www.washingtonpost.com/archive/opinions/1986/05/18/the-real-hero-of-tax-reform/4ce6b8dc-226e-4eed-b853-b3a5c21dde10/>

Bair, who also serves as an adviser to cryptocurrency trading platform Omniex, has been an advocate for central bank digital currencies.¹¹⁶ In 2019, she told a Senate panel that cryptocurrency technologies were maturing rapidly and that central banks ought to consider the distributed ledger technology on which cryptocurrencies are based.¹¹⁷

Andrew Blake, a former SEC special counsel and partner at Sidley Austin, has represented Paxos on legal matters. In 2019, he helped the company win approval from his former agency to avoid registering as a clearing agency.¹¹⁸ SEC rules require companies to register as clearing agencies when they act as intermediaries in securities transactions.¹¹⁹



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

DIVISION OF
TRADING AND MARKETS

October 28, 2019

Charles G. Cascarilla & Daniel M. Burstein
Paxos Trust Company, LLC
c/o Andrew Blake, Partner
Sidley Austin LLP
1501 K Street, NW
Washington, DC 20005

Re: Clearing Agency Registration Under Section 17A(b)(1) of the Securities Exchange Act of 1934

Andrew Blake, a former SEC special counsel, helped Paxos navigate his former agency.

In recent years, the company has faced allegations of fraud occurring with use of its products. In June 2020, several news reports alleged that a cryptocurrency Ponzi scheme made up at least 40% of Paxos' stablecoin trading, prompting charges that the company was turning a blind eye to the wrongdoing.¹²⁰

Building Industry Alliances

The crypto craze has also spurred the creation of dozens of new trade associations, foundations, and other nonprofits that seek to shape the debate in Washington. In all, our analysis found more

¹¹⁶ <https://www.reuters.com/article/us-cryptocurrency-omniex-idUKKBN1KS1DS>

¹¹⁷ <https://www.forbes.com/sites/jasonbrett/2019/10/05/as-congress-asks-the-fed-to-look-into-a-digital-dollar-former-fdic-chair-sheila-bair-is-ahead-of-the-curve--again/?sh=2e41d5f93c14>

¹¹⁸ <https://www.sec.gov/divisions/marketreg/mr-noaction/2019/paxos-trust-company-102819-17a.pdf>

¹¹⁹ <https://www.sec.gov/tm/clearing-agencies>

¹²⁰ <https://coinmetrics.substack.com/p/coin-metrics-state-of-the-network-49c>

than two dozen former government officials who represent nine different trade associations, industry groups, or nonprofits that have emerged in just the last few years to influence crypto regulatory policy.

Chamber of Digital Commerce



Mick Mulvaney, who was chief of staff to former President Trump, is an adviser to the Chamber of Digital Commerce.

Founded in 2014, the Chamber of Digital Commerce has emerged as one of the most influential crypto trade associations in Washington. The 180-member association includes some of the best-known brands in crypto, finance, banking, and venture capital, including Goldman Sachs, Citi, Wells Fargo, Winklevoss Capital, Visa, Binance, Bitpay and Circle Tech

giants Microsoft and IBM are members, as are some of the top white shoe law firms in the country like Debevoise and Plimpton, Davis Polk, and Perkins Coie.¹²¹

In recent years, the Chamber's revenue and Washington lobbying presence have grown significantly. In 2014, it reported just \$66,000 in annual contributions. By 2020, that number had jumped to more than \$3.4 million, according to Chamber tax filings.¹²² And it spent more than \$690,000 on lobbying in 2021, up from the \$145,000 it spent in 2020.¹²³

As its fortunes have grown, the Chamber has tapped several influential former government officials to serve as advisers. Former Trump Chief of Staff Mick Mulvaney is one of them. After leaving government in 2020, Mulvaney founded Exegis Capital, a hedge fund.¹²⁴ While it's unclear whether Mulvaney's new fund will invest in crypto companies, he joined the Chamber as an adviser the same year.¹²⁵

¹²¹ <https://digitalchamber.org/membership/>

¹²² <https://projects.propublica.org/nonprofits/organizations/471183361>

¹²³

https://lda.senate.gov/filings/public/filing/search/?registrant=®istrant_country=®istrant_ppb_country=&client=chamber+digital+commerce&client_state=&client_country=&client_ppb_country=&lobbyist=&lobbyist_covered_position=&lobbyist_conviction_disclosure=&lobbyist_conviction_date_range_from=&lobbyist_conviction_date_range_to=&report_period=&report_year=&report_dt_posted_from=&report_dt_posted_to=&report_amount_reported_min=&report_amount_reported_max=&report_issue_area_description=&affiliated_organization=&affiliated_organization_country=&foreign_entity=&foreign_entity_country=&foreign_entity_ppb_country=&foreign_entity_ownership_percentage_min=&foreign_entity_ownership_percentage_max=&search=search

¹²⁴ https://www.sec.gov/Archives/edgar/data/0001832885/000183288520000001/xslFormDX01/primary_doc.xml

¹²⁵ <https://digitalchamber.org/board-advisors-mulvaney-goldman-visa-sdx/>

Christopher Giancarlo, Trump’s former CFTC chairman, who is known as “Crypto Dad” for his early advocacy of cryptocurrencies and other digital assets, is another. After leaving the commission in 2019, he co-founded the Digital Dollar Foundation, a nonprofit to promote a central bank digital currency.¹²⁶ He also advises Baton Systems, a distributed ledger platform to synchronize asset movements.¹²⁷ In 2021, Giancarlo joined the board of directors of BlockFi, a crypto exchange and wallet provider, to help the company craft its regulatory strategy.¹²⁸

Giancarlo is also an investor in crypto companies. In May 2021, he participated in a \$20 million financing round for Solidus Labs, a company that develops market surveillance tools to flag manipulation across cryptocurrency platforms and exchanges. Former SEC Commissioner Troy Paredes and the CFTC’s former chief innovation officer, Daniel Gorfine, also participated in the funding round.¹²⁹



Perianne Boring was a Hill staffer and RT America host before she founded the Digital Chamber of Commerce.

Other Chamber advisers include Jim Newsome, CFTC chairman during the Bush administration; Mark Wetjen, CFTC commissioner during the Obama administration; former SEC Commissioner Paul Atkins; and former deputy assistant attorney general for the DOJ’s Criminal Division, Jason Weinstein.¹³⁰

The Chamber’s rapid growth, and its ability to attract so many Washington insiders, may be explained, at least in part, by its founder, Perianne Boring, a former Florida beauty queen who began her career as an intern in the Obama administration and was later a staffer for Dennis Ross, a Republican member of Congress from Florida.¹³¹

In 2013, Boring jumped to RT America, a U.S.-based news channel funded and controlled by the Russian government, where she hosted “Prime Interest,” an international finance program aired in over 100 countries.¹³² The RT America network has been routinely criticized for broadcasting conspiracy theories to U.S. audiences and is widely regarded as a propaganda tool of Russian foreign policy.¹³³

¹²⁶ <https://newsroom.accenture.com/news/digital-dollar-project-to-launch-pilot-programs-to-explore-designs-and-uses-of-a-us-central-bank-digital-currency.htm>

¹²⁷ <https://digitalchamber.org/about/>
<https://financefeeds.com/cryptos-revolving-door-ex-cftc-chairman-giancarlo-joins-baton-systems/>

¹²⁸ <https://blockfi.com/j-christopher-giancarlo-former-cftc-chairman-joins-blockfi-board-of>

¹²⁹ <https://www.coindesk.com/business/2021/05/24/solidus-labs-raises-20m-from-vcs-ex-regulators-to-fight-crypto-market-manipulation/>

¹³⁰ <https://digitalchamber.org/about/>

¹³¹ https://www.havennmagazines.com/haven_lakeland/profiles/perianne-boring-advocating-for-a-blockchain-future/article_6d3c2278-4c9e-11e8-be20-5f4ac527c7d6.html

¹³² <https://www.linkedin.com/in/perianne-boring-43363991/>

¹³³ <https://www.reuters.com/article/us-usa-election-qanon-russia-idUSKBN25K13T>

In 2014, Boring founded the Digital Chamber of Commerce with Margaux Avedisian, a cryptocurrency investor, adviser, and standup comedian.¹³⁴ A close relative also appears to be employed at the Chamber: Jon Boring, serves as a Chamber board member and as its business manager.¹³⁵

In late 2020, the Chamber’s political action committee launched “Crypto for Congress,” contributing \$50 in bitcoin to all 535 members of Congress. The PAC used the contributions as an opportunity to educate lawmakers on crypto policy and regulatory issues.¹³⁶

Diem Association

In 2019, Facebook launched the Libra Association, a Geneva-based trade association to support the social network’s Libra token, a cryptocurrency backed by a basket of currencies and U.S. Treasury securities.¹³⁷

According to the association’s ambitious founding documents, a key goal of the new initiative was to “empower billions of people by creating a global monetary and financial system.”¹³⁸



The CEO of Facebook’s Diem Association is Stuart Levey, a former DOJ and Treasury department official.

Facebook later scaled back its plans in favor of stablecoins backed by individual currencies to accommodate government and central bank critics who feared that Libra would become too powerful, threaten monetary stability and user privacy, and facilitate money laundering.¹³⁹

In late 2020, the Libra Association was renamed the Diem Association, a rebranding made in part to move beyond the growing concerns of policymakers and regulators around the world that the project could cause massive disruptions to the global financial system.¹⁴⁰ The new association withdrew its application for a payments system license from the Swiss Financial Markets Authority (Finma) and moved its primary operations to the U.S. as it sought approval from the Treasury Department’s FinCEN to register as a money services business.¹⁴¹

As part of Diem’s rebranding effort, it recruited at least six top former government officials to press U.S. policymakers for regulatory approvals. In 2020, it named Stuart Levey, a former DOJ official and Treasury undersecretary for terrorism and financial intelligence, as its new CEO.¹⁴²

¹³⁴ <https://cfc-stmoritz.com/profiles/margaux-avedisian>

¹³⁵ https://projects.propublica.org/nonprofits/display_990/471183361/02_2020_prefixes_47-47%2F471183361_201812_990O_2020020417102652

¹³⁶ <https://www.corescientific.com/core-knowledge/exploring-core-scientifics-key-role-in-the-chamber-of-digital-commerces-crypto-for-congress-initiative>

¹³⁷ <https://www.cnn.com/2019/06/18/tech/facebook-libra-cryptocurrency/index.html>

¹³⁸ <https://www.zefix.ch/en/search/entity/list/firm/1402963>

<https://www.diem.com/en-us/updates/introducing-libra/>

¹³⁹ <https://financefwd.com/de/libra-wahrungskorb/>

<https://www.ft.com/content/d6b0c0da-54c9-11ea-8841-482eed0038b1>

¹⁴⁰ <https://www.cnbc.com/2020/12/01/facebook-backed-libra-digital-currency-has-been-renamed-diem.html>

¹⁴¹ <https://www.bankingdive.com/news/facebook-backed-diem-withdraws-finma-application-shifts-to-us/>

¹⁴² <https://www.linkedin.com/in/stuart-levey-91ab2a108/>

Diem also hired Steve Bunnell, the former general counsel to the Department of Homeland Security, as its new chief legal officer.¹⁴³ Its new general counsel, Saumya Bhavsar, served as counsel for the Office of the Comptroller of the Currency from 1995 to 2003.¹⁴⁴

Katie Haun, a partner at venture capital firm Andreessen Horowitz who manages the firm's \$350 million crypto fund, served on Diem's board of directors.¹⁴⁵ As a former DOJ prosecutor who formed the government's first cryptocurrency task force, Haun prosecuted multiple cases where cryptocurrencies were used for extortion and white-collar crimes, including a famous 2015 case in which two FBI agents stole 20,000 bitcoins during an undercover operation to unmask Ross Ulbricht, the convicted mastermind behind the online black market Silk Road.¹⁴⁶

Despite the hires, Diem's ambitions so far appear to still be colliding with U.S. government officials, who continue to worry that the Facebook-driven crypto could create financial instruments beyond the reach of government regulators or lead to a digital bank run during a financial crisis.¹⁴⁷ Diem recently confirmed reports that it sold its assets and is winding down operations.¹⁴⁸

Blockchain Association

Founded in 2018, the Blockchain Association bills itself as the "unified voice of the blockchain and cryptocurrency industry."¹⁴⁹ Like the Diem Association and Chamber of Digital Commerce, the Blockchain Association represents crypto companies seeking to influence the regulatory treatment of cryptocurrencies, and it also relies on several high-ranking former officials to press its case.

The Blockchain Association reported spending \$900,000 on lobbying by its own staff in 2021, nearly double the \$480,000 it spent in 2020.¹⁵⁰ The trade group also paid three outside firms a total of \$480,000 in 2021.

The nonprofit's 51 members are some of the largest companies and investors in the crypto space and include companies like Binance, Blockchain Capital, Ripple and Union Square Ventures.¹⁵¹ According to corporate registration and tax filings, the key officers are all top executives at crypto companies such as Ripple, crypto investors Anchorage and the Digital Currency Group, and DeFi app company Uniswap.¹⁵²

¹⁴³ <https://www.linkedin.com/in/steve-bunnell-9090aa14/>

¹⁴⁴ <https://www.linkedin.com/in/saumya-bhavsar-1a417719/>

¹⁴⁵ <https://www.linkedin.com/in/kathryn-haun-0791456>

<https://www.diem.com/en-us/updates/ceo-announcement/>

<https://www.diem.com/en-us/updates/inaugural-meeting-minutes/>

¹⁴⁶ <https://www.forbes.com/sites/katevinton/2015/03/30/two-former-federal-agents-charged-with-stealing-bitcoin-during-silk-road-investigation/?sh=7869c0a614e8>

¹⁴⁷ <https://www.washingtonpost.com/us-policy/2021/09/10/facebook-crypto-diem-treasury/>

¹⁴⁸ <https://www.prnewswire.com/news-releases/statement-by-diem-ceo-stuart-levey-on-the-sale-of-the-diem-groups-assets-to-silvergate-301471997.html>

¹⁴⁹ <https://theblockchainassociation.org/>

¹⁵⁰ https://lda.senate.gov/filings/public/filing/search/?registrant=®istrant_country=®istrant_ppb_country=&client=blockchain+association&client_state=&client_country=&client_ppb_country=&lobbyist=&lobbyist_covered_position=&lobbyist_conviction_disclosure=&lobbyist_conviction_date_range_from=&lobbyist_conviction_date_range_to=&report_period=&report_year=&report_dt_posted_from=&report_dt_posted_to=&report_amount_reported_min=&report_amount_reported_max=&report_issue_area_description=&affiliated_organization=&affiliated_organization_country=&foreign_entity=&foreign_entity_country=&foreign_entity_ppb_country=&foreign_entity_ownership_percentage_min=&foreign_entity_ownership_percentage_max=&search=search

¹⁵¹ <https://theblockchainassociation.org/members/>

¹⁵² <https://corponline.dera.dc.gov/BizEntity.aspx/ViewEntityData?entityId=4219699>

In the past, the association has filed legal briefs and lobbied regulators to prevent the SEC from requiring digital assets to be registered as securities.¹⁵³

The group is also well represented by at least five former policymakers and Hill staff. Kristin Smith, the current executive director, is a former staffer to Sens. Olympia Snowe (R-ME) and Conrad Burns (R-MT).¹⁵⁴ Ron Hammond, the current director of government relations, served as a staffer to Reps. Pete Olson (R-TX) and Warren Davidson (R-OH).¹⁵⁵ Cleve Mesidor, a former Hill staffer and Commerce Department public affairs official, advises the association on public policy.¹⁵⁶ Former Sen. Blanche Lincoln (D-AR) and her former aide Hannah Lambiote Smith are members of the group's outside lobbying team.¹⁵⁷

The Blockchain Association appears well positioned to influence crypto policy from inside the Biden administration as well. In another example of a revolving door move from the crypto industry to government, Jason Somensatto, a former board member and Ox Labs senior counsel, became the acting director of LabCFTC in April.¹⁵⁸ As an independent office of the CFTC, it serves as the focal point for government efforts to promote new fintech technologies like cryptocurrency.¹⁵⁹

<https://www.linkedin.com/in/markdimurphy75/>
<https://www.linkedin.com/in/georgia-quinn-287bb733/>
<https://www.linkedin.com/in/stu-alderoty/>

¹⁵³ <https://theblockchainassociation.org/blockchain-association-stands-up-for-crypto-industry-in-amicus-brief-for-telegram-case/>

¹⁵⁴ <https://www.linkedin.com/in/smithk1>

¹⁵⁵ <https://www.linkedin.com/in/ron-william-hammond-38ab8a3a/>

¹⁵⁶ <https://www.linkedin.com/in/cmesi/>

¹⁵⁷ <https://theblockchainassociation.org/members>

¹⁵⁸ <https://lda.senate.gov/public/filing/dc4780e9-912c-4019-a571-afc8088358d2/print/>

¹⁵⁹ <https://www.cftc.gov/LabCFTC/index.htm>