

From: Fischer, Amanda
Sent: Sun, 12 Sep 2021 16:09:52 -0400
To: Elul, Gabrielle (Warren);Fernandez, David
Cc: Burris, Kevin
Subject: RE: Warren hearing q's

Thanks, Gabrielle. Let me run this down internally. Looks good – only addition would be a kicker talking about how this looks a lot like speculation and not a lot like a stable store of value to transact in.

We also have some data on how market volatility correlates with upticks in investor complaints to the SEC regarding exchanges – something we can't do much about unless and until we determine that they're facilitating the trading of unregistered securities, operating as unregistered BDs or exchanges, etc.

We really appreciate you sharing and look forward to the hearing on Tuesday.
Amanda

From: Elul, Gabrielle (Warren) (b)(6)@warren.senate.gov>
Sent: Sunday, September 12, 2021 3:58 PM
To: Fernandez, David (b)(6)@SEC.GOV>; Fischer, Amanda (b)(6)@SEC.GOV>
Subject: Warren hearing q's

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hey David and Amanda, hope you're both enjoying the weekend! I wanted to send along the questions Senator Warren is planning on delivering on Tuesday. She'll probably have another round of editing, but let me know if you're okay with the questions as currently written. The italic responses are just our little placeholders, but let me know if you have any flags and it'd be helpful to chat more – call me anytime.

Thanks for all your help!

Thank you, Mr. Chairman.

We hear a lot about how crypto is all about financial inclusion—a way for people who don't have a lot of money to manage or invest their money. The banks have done a pretty lousy job on financial inclusion, so I want to test out with you whether crypto is the answer.

Last Tuesday, the crypto market tanked again. The prices of Bitcoin and Ether each fell by about 10 percent, while a bunch of other tokens fell by as much as a third. In the space of one afternoon—about the time it takes

to watch a couple of movies^[EWI]--about \$400 billion in market value disappeared. Poof! Meanwhile, several of the biggest crypto exchanges went offline, locking customers out of their accounts for hours.

So how did that affect people who don't have money a lot of money to lose?

Chair Gensler, let's say that last Monday I went on the crypto exchange Coinbase, and I took the last sliver of my savings and bought \$100 worth of Ether. I woke up early Tuesday morning, and I saw the market was beginning to tank, and I thought, "I better sell right now." But when I tried to sell my Ether, Coinbase was locked down.

Q. Chair Gensler, was there anything I could do to get my money out?

[A: No, your Ether would have tanked until the exchange was back online and you cashed out; service outages are common on these platforms and there usually isn't anyone you can call about recourse. We will coordinate with Gensler's staff on a brief response.]

Okay. That sounds pretty risky. But let's say that instead of keeping that \$100 of Ether on Coinbase, I decided last Monday to put that money instead toward buying a cool new token – let's call it "New Coin" – that was being hyped on Twitter.

New Coin is only available on a quote-unquote "decentralized" crypto exchange, so to buy it, I had to pay a fee – about 20 bucks – to the crypto miners who processed the transaction. That's \$20 to buy \$100 worth of tokens, but I figured that was okay because Twitter told me that New Coin is going to make me a lot of money.

But then, of course, I woke up on Tuesday and the market tanked.

Q. So Chair Gensler, on Tuesday I wanted to sell my New Coin and get back to dollars, fast. The exchange hadn't shut down,

but remember I had to pay \$20 on Monday to get into “decentralized finance.” So how much would I have had to pay to get out of “defi” on Tuesday and sell my coins. More than the \$20 fee I paid on Monday?

[A: Yes, a lot more. Mining, or “gas,” fees were as high as a few hundred dollars on Tuesday in some case; the more trades there are and the more congested the network, the higher the mining fees. We will coordinate with his team on a brief response.]

At one point last Tuesday, the fee to swap between two crypto tokens on the Ethereum network was more than \$500 – way more than the \$100 I was trying to trade in the first place. In the face of these high, unpredictable fees, small investors could easily get stuck and then wiped out entirely.

Q. Chair Gensler, crypto advocates say these markets are all about financial inclusion, but the people who are the most economically vulnerable are the ones who’ll need to withdraw their money the fastest when the market drops. Does this sound like the path to financial inclusion to you?

[A: No. In its current state, this market presents severe risks that leave consumers and investors unprotected and if we want to crypto to be an engine for financial inclusion, we need to address those risks. We will coordinate with his team on a brief response.]

There’s a whole list of problems with crypto--unreliable tech, scams, devastating climate impacts. But high, unpredictable fees can make crypto trading really dangerous for people who aren’t rich.

Regulators need to step up to address crypto’s regulatory gaps and ensure that we’re actually building the inclusive financial system we need. And Chair Gensler, I expect you and the SEC to take a leading role in getting that done.

Thank you.

[\[EW\]](#) Or “watch a movie” if it was under 2.5 hours.

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To: Fischer, Amanda;Fernandez, David
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Thank you! Let me see if we can squeeze in something about this being speculation vs. stable store of value. And let me know if it's looking like the Chair has any issues with the framing of the questions – definitely don't want to put him in a tough spot.

From: Fischer, Amanda (b)(6)@SEC.GOV>
Sent: Sunday, September 12, 2021 4:10 PM
To: Elul, Gabrielle (Warren) (b)(6)@warren.senate.gov>; Fernandez, David (b)(6)@SEC.GOV>
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