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Summary and recommendations of the Building True Change Coalition to the US authorities following the meetings in January-February 2024

1. Building True Change Coalition presented testimonials about the unintended consequences of enacting the now-processed Digital Asset Anti-Money Laundering Act¹ (DAAML), which potentially leads to financial exclusion of ordinary law-abiding citizens, civil society organizations (NGOs), political refugees, diaspora communities and other vulnerable to political persecution in the form of transnational repression as well as various marginalized groups of society;
2. The DAAML, as well as initiated by the Congressman Sean Casten "Blockchain Integrity Act",² appears to lack a basic understanding of the nature of crypto-assets and blockchain infrastructure, devising provisions that would subject technology providers and users (such as millions of individual Bitcoin miners) **to enormous overreporting, resulting in the law being effectively unenforceable or paralyzing/shutting down the entire independent crypto-assets market in the US.**³
3. It is necessary to reconsider the approach to third-country financial institutions, including FATF's "travel rule", which are being used as a key tool of war against Ukraine. In this way, serious economic damage will be inflicted on Russia, and its economic and military potential will be reduced. Central Asian countries (mainly Kazakhstan, Kyrgyzstan and Uzbekistan) are actively helping Russia to circumvent sanctions, produce industrial products, support its business and replenish its budget. Kazakhstan handed to Russia the second-largest uranium deposit in the world, worth USD 16 billion, free of charge; will pay Russia USD 2 billion to build three thermal power plants in Kazakhstan; will sign a contract with the Russian state corporation Rosatom to build the first nuclear power plant in Kazakhstan (the project cost is at least USD 10 billion). Uzbekistan intends to produce drones jointly with a Russian company for further export to Russia. Central Asian countries are also assisting Russia in reorienting its crude oil, gas and other exports. This is allowing Russia to reduce its economic dependence on Western countries and replenish its budget to wage war against Ukraine.
4. Similarly, the absence of sanctions on the Eurasian Economic Union (EEU) leads to increased co-operation between the EEU, primarily Russia, and Iran, which is also under sanctions. In December 2023, the EEU countries signed a free trade zone agreement with Iran. As a result, duty-free trade with Iran will affect industrial goods critical for the Russian military-industrial complex.

¹ <https://www.warren.senate.gov/newsroom/press-releases/warren-expands-coalition-of-banking-committee-support-for-bill-cracking-down-on-cryptos-use-in-money-laundering-drug-trafficking-sanctions-evasion>

² <https://casten.house.gov/media/press-releases/casten-foster-herman-cleaver-introduce-legislation-to-temporarily-prohibit-crypto-mixers>

³ <https://blockworks.co/news/senators-crypto-miners-validators-aml>

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BTC Coalition calls on the US authorities:

- 1) Ensure regulatory approach which has a neutral tone and allows to use Convertible Virtual Currency mixing (CVC mixing), peer to peer Bitcoin and stablecoin transactions, use of self-hosted wallets, as tools for protection against transnational repressions, safeguarding privacy and human rights, and facilitation the work of civil society initiatives and the delivery of humanitarian aid;
- 2) Facilitate adoption of the S.831 - Transnational Repression Policy Act⁴ to stop abuses of means of international cooperation by authoritarian regimes, including AML/CFT regulations; establish of additional security measures for protection against weaponization of personal banking and crypto-assets services providers data by authoritarian regimes.
- 3) Following the OSCE PA Vancouver Declaration recommendations, ensure that legitimate credit and financial institutions shall provide measures to prevent unwarranted de-risking, ensuring non-discrimination and financial inclusion for customers, including those associated with higher-risk categories such as refugees, human rights defenders, immigrants, individual users of crypto-assets, NGOs, and their representatives and associates;⁵
- 4) Review the FATF travel rule, which equates the financial institutions of democratic countries and authoritarian countries, while authoritarian financial systems are a weapon against dissenters at home and abroad for dictators, and serve as a mechanism for circumventing international sanctions;
- 5) Set exceptions for certain crowdfunding providers that use self-hosted cryptocurrency wallets for legitimate purposes such as humanitarian fundraising and introducing more flexible criteria for risk assessment; provide clarity on additional sources of information used to determine risk, which should be reliable and credible. This includes information from civil society organizations, the media, and commercial entities, such as risk reports.
- 6) Conduct public hearings to ensure inclusion of the positions of all interested parties, including human rights defenders, civil society representatives, software developers and crypto-assets investors. Ensure that FinCEN and US FATF representatives conduct regularly consultation addressing terrorism financing and money laundering abuses.
- 7) Analyze the use of Bitcoin blockchain technology to protect electoral processes, following the example of Guatemala.⁶ This is particularly important to support young pro-democracy activists in autocratic states and illiberal democracies.
- 8) Western countries and Ukraine need to change their policy towards dictatorial countries — they should switch from “close co-operation” to imposing personal sanctions against the beneficiaries of Russia’s war against Ukraine, including TASMAGAMBETOV Imangali Nurgaliyevich (Kazakhstan); KULIBAYEV Timur Askarovich (Kazakhstan); TURLOV Timur Ruslanovich (Kazakhstan); TASHIYEV Kamchybek Kydyrshaevich (Kyrgyzstan); MAKSUTOV Altynbek Askarovich (Kyrgyzstan); ISABEKOV Samat Satarovovich (Kyrgyzstan); Collective Security Treaty Organisation; Eurasian Economic Union.⁷

⁴ <https://www.congress.gov/bill/118th-congress/senate-bill/831/titles?s=1&r=15>

⁵ <https://www.oscepa.org/en/documents/annual-sessions/2023-vancouver/declaration-29/4744-vancouver-declaration-eng/file>

⁶ <https://pace.coe.int/en/files/33522/html>

⁷ <https://en.odfoundation.eu/a/725388,strengthening-the-axis-of-evil-dictatorships-against-ukraine/>