

The Digital Chamber
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March 31st, 2025

Re: Electronic Fund Transfers Through Accounts Established Primarily for Personal, Family, or Household Purposes Using Emerging Payment Mechanisms; Docket No. CFPB-2025-0003

Mr. Karithanom,

The Digital Chamber (“**TDC**”) welcomes the opportunity to submit this letter for consideration by the Consumer Financial Protection Bureau (the “**CFPB**”) with respect to its request for comment on the proposed interpretive rule “Electronic Fund Transfers Through Accounts Established Primarily for Personal, Family, or Household Purposes Using Emerging Payment Mechanisms,” (the “**Interpretive Rule**”).¹

About TDC

Founded in 2014, The Digital Chamber is the world’s first and largest digital asset and blockchain trade association. TDC represents more than 150 diverse members of the blockchain industry globally, including established industry leaders, vanguard startups, blockchain gaming companies, self-hosted wallet providers, stablecoin issuers, digital asset exchanges, NFT issuers, layer 1 and

¹ Consumer Financial Protection Bureau, Electronic Fund Transfers Through Accounts Established Primarily for Personal, Family, or Household Purposes Using Emerging Payment Mechanisms, 90 Fed. Reg. 2100 (proposed Jan. 15, 2025) (to be codified at 12 C.F.R. pt. 1005).

layer 2 blockchains, financial institutions, investment firms, brokers, compliance technology providers, global consultancies, and law firms.

Guided by the principle of promoting industry compliance with applicable law, TDC seeks to foster a legal and regulatory environment in which digital asset users can enjoy regulatory certainty as they apply blockchain technologies to an array of commercial, technological, and social purposes. Through education, advocacy, and close coordination with policymakers, regulatory agencies, and industry members across the United States, we are working to foster a sound regulatory environment that allows this innovative industry, its technological advances, and the economic opportunities it creates to thrive within our borders.

Setting the Stage

The digital asset industry has been calling for regulatory clarity for the better part of the last decade. As such, we commend and appreciate the CFPB's efforts to address Regulation E ("**Reg. E**") in the scope of blockchain gaming platforms. However, the Interpretive Rule contains several technical inaccuracies regarding self-hosted wallets (also referred to as unhosted wallets in this comment letter) and blockchain gaming platforms (also referred to in this comment letter as blockchain-based game publishers). TDC and our members have coordinated this comment letter to help the CFPB better understand the underlying technologies, and we request that the Interpretive Rule not be implemented as is.

As written, the Interpretive Rule could be construed to require blockchain-based game publishers and platforms to take actions that are technologically impossible. As such, the Interpretive Rule would impose such severe constraints on blockchain gaming platforms that many would likely be forced to shut down or undertake costly overhauls to their technology stacks, rendering their games unplayable while such overhauls are implemented. More importantly, subjecting blockchain-based gaming publishers and platforms to the Interpretive Rule

would stifle innovation without achieving the stated goal of meaningfully protecting consumers.

We applaud the CFPB’s previous report, “Banking in Video Games and Virtual Worlds,²” which explored, among other topics, the use of virtual currencies (which we refer to as digital assets) in video games and metaverse platforms. While this report primarily focused on centralized, non-blockchain-based, video games and platforms like Steam, Roblox, and Horizon Worlds, it provides a helpful backdrop for comparing traditional incentive and payment structures of Web2 games (games that employ traditional, non-blockchain-based technological structures) with those created by blockchain game developers.

TDC also recognizes that, via multiple official statements,^{3,4} inquiries, reports⁵, and rulemaking procedures over the past few years, the CFPB has raised significant concerns regarding large technology companies such as Meta developing their own virtual currencies like “Libra,” and providing users with centralized, company-controlled accounts and wallets. The definitions of “accounts” and “wallets” used in these statements, inquiries, reports, and rulemaking procedures *fundamentally differ* from the form and function of “accounts” and “wallets” utilized in blockchain gaming platforms and addressed by the Interpretive Rule.

² See CFPB, *Banking in video games and virtual worlds* (Apr. 4, 2024), <https://www.consumerfinance.gov/data-research/research-reports/issue-spotlight-video-games/>

³ CFPB Prepared Remarks of CFPB Director Rohit Chopra at the Federal Reserve Bank of Philadelphia’s Annual Fintech Conference. (Sep. 7, 2023). <https://www.consumerfinance.gov/about-us/newsroom/prepared-remarks-of-cfpb-director-rohit-chopra-at-the-federal-reserve-bank-of-philadelphias-annual-fintech-conference/>

⁴ CFPB Prepared Remarks of CFPB Director Rohit Chopra at the Brookings Institution Event on Payments in a Digital Century. (Oct. 6, 2023). <https://www.consumerfinance.gov/about-us/newsroom/prepared-remarks-of-cfpb-director-rohit-chopra-at-the-brookings-institution-event-on-payments-in-a-digital-century/>

⁵ CFPB Office of Competition and Innovation and Office of Markets Issue Spotlight “Analysis of Deposit Insurance Coverage on Funds Stored Through Payment Apps.” (June 1, 2023). <https://www.consumerfinance.gov/data-research/research-reports/issue-spotlight-analysis-of-deposit-insurance-coverage-on-funds-stored-through-payment-apps/full-report/>

Finally, in its Final Rule “Defining Larger Participants of a Market for General-Use Digital Consumer Payment Applications” issued November 21, 2024, the CFPB stated that it recognizes that self-hosted wallets are unable to “collect the data necessary to administer the larger-participant test that would be applied to establish supervisory authority,” and that “based on the limited data and information these commenters provided in their comments, the CFPB is not prepared in this Final Rule to determine whether and how to distinguish between hosted and unhosted wallets.”⁶

The Interpretive Rule in fact contradicts these statements by creating new rules for self-hosted wallets. Our goal with this comment letter is to help the CFPB better understand self-hosted wallets and blockchain games. In the following sections, we explain how blockchain games adopting a “bring your own wallet” model are inherently more consumer-friendly than the traditional Web2 model of asset custody by publishers, as they empower players with genuine ownership, enhanced security, and direct control over their digital assets.

We also share the technically and functionally correct categorizations of certain terms and share the associated policy stances that we believe balance the CFPB’s goal of protecting consumers without unnecessarily detracting from consumer-friendly technological innovations.

Key Considerations

1. Self-Hosted Wallets and Their Developers Are Not Subject to EFTA and Regulation E

The Interpretive Rule provides that “virtual currency wallets (self-hosted digital asset wallets) that can be used to buy goods and services or make person-to-

⁶ CFPB Final Rule “Defining Larger Participants of a Market for General-Use Digital Consumer Payment Applications.” (Nov. 21, 2024). <https://www.consumerfinance.gov/rules-policy/final-rules/defining-larger-participants-of-a-market-for-general-use-digital-consumer-payment-applications/>

person transfers” could constitute “other consumer accounts” and, therefore, “could be considered ‘accounts’ under EFTA.” We urge the CFPB to clarify that self-hosted wallet providers fall outside the scope of the Electronic Fund Transfer Act (EFTA), as self-hosted wallets do not satisfy the Act’s statutory definitions.

a. Self-Hosted Wallets Are Not Financial Accounts

The EFTA and Regulation E generally define the term “account” to mean “a demand deposit (checking), savings, or other consumer asset account...established primarily for personal, family, or household purposes.”⁷ Under Regulation E, the term “account” means accounts held directly or indirectly by a “financial institution.”⁸ The Interpretive Rule argues the definition of “financial institution” includes “nonbank entities that directly or indirectly hold an account belonging to a consumer, or that issue an access device and agree with a consumer to provide EFT services.”⁹

Self-hosted wallets are software applications that allow users to securely control their digital assets without relying on a third party or intermediary. Rather than storing assets directly, these wallets generate special cryptographic private keys—similar to unique digital passwords—that enable users to access and manage their assets on blockchain networks. The blockchain itself acts as a transparent, decentralized ledger that records ownership and transactions tied to unique addresses. These addresses function like secure digital safes, and the private keys act as the “keys” to unlock them.

⁷Consumer Financial Protection Bureau, “The Convergence of Payments and Commerce: Implications for Consumers.” (Aug. 2022) https://files.consumerfinance.gov/f/documents/cfpb_convergence-payments-commerce-implications-consumers_report_2022-08.pdf

⁸12 C.F.R. § 1005.2(b)(1). The Interpretive Rule does not address whether a virtual currency wallet would be considered an “account” by virtue of being an access device issued by an entity agreeing to provide electronic fund transfer services. Self-hosted virtual currency wallets plainly do not meet the definition of an “access device,” because they do not provide access to a consumer account controlled by a third party. Self-hosted wallet service providers typically license software to persons for the purpose of generating self-hosted wallets and do not provide electronic fund transfer services to persons using self-hosted wallets.

⁹ CFPB, Electronic Fund Transfers, 90 Fed. Reg. at 2110.

Wallet providers typically offer interfaces resembling familiar online financial dashboards to simplify the user experience, leading many to mistakenly believe their assets are held within the wallet itself. However, this common misconception is technically incorrect. Wallets do not store or custody assets; they merely provide the tools (keys) for users to directly access and manage assets recorded on a blockchain network. This distinction is crucial for regulatory clarity, as it emphasizes that wallet providers are not third parties managing user accounts—they simply create software enabling direct interaction with blockchain networks.

b. Self-Hosted Wallets are Not Controlled by Intermediaries

The Interpretive Rule suggests that accounts into which funds can be deposited by a consumer or on their behalf and which have features of deposit or savings accounts will meet the definition of “account” under the EFTA and Regulation E.¹⁰ While self-hosted wallets can “receive” funds deposited by or transferred to a consumer, they do not have the features of deposit or savings accounts because they are not managed or controlled by a third party.

Prepaid, savings, or demand deposit accounts—which do have such intermediation features and *are* subject to EFTA regulation—are fundamentally different from self-hosted digital asset wallets. These financial accounts are controlled by intermediaries, such as banks, fintechs, exchanges, or payment service providers, that manage funds on behalf of consumers. These intermediaries maintain centralized ledgers, impose transaction rules, and can freeze or reverse transactions to ensure consumers are protected from fraudulent or unauthorized transfers. Consumers must trust the intermediary to safeguard their funds and execute transactions according to their instructions.

In contrast, self-hosted digital asset wallets operate without an intermediary. These wallets are merely software applications—computer code—that enable

¹⁰ Id. at 2114.

users to interact directly with decentralized blockchain networks. Users retain full control over their private cryptographic keys and execute their own transactions independently. Unlike financial accounts, there is no central entity with the ability to access, modify, or control funds, making self-hosted wallets distinct from traditional financial accounts regulated under the EFTA.

c. Wallet Developers Are Not Financial Intermediaries

Users of self-hosted wallets initiate and authorize transactions independently, without relying on the wallet provider, and maintain exclusive control over their private keys—and therefore their digital assets—at all times. Once generated, private keys cannot be modified or reset like passwords, and wallet providers have no ability to access or intervene with a user’s wallet after publishing the wallet software. Clearly recognizing this distinction is essential for accurate CFPB rule interpretation.

To summarize, EFTA is intended to regulate *financial institutions* that provide *EFT services* to consumers through *accounts* they establish or maintain on behalf of those consumers. Applying the EFTA to self-hosted wallets, and to wallet providers, is clearly not in scope of the EFTA’s definition of “financial institutions,” “accounts,” or “EFT services.”

2. Consistency with FinCEN’s 2019 Guidance on Self-Hosted Wallets

Agencies regulating similar activities should apply consistent principles to avoid regulatory contradictions, ensure fairness, and prevent unnecessary compliance burdens. The Financial Crimes Enforcement Network (FinCEN) has made clear in its 2019 guidance that self-hosted wallet providers are not subject to regulation as money services businesses (MSBs) under the Bank Secrecy Act (BSA).¹¹ FinCEN determined that an entity is only an MSB if it engages in the transmission, custody, or control of value on behalf of others. Because self-hosted wallet

¹¹ Financial Crimes Enforcement Network, Application of FinCEN’s Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9, 2019).

providers do not have custody of or control over a user's funds, and because wallets are merely tools for users themselves to effectuate transactions, FinCEN does not regulate them as MSBs.

We encourage the CFPB to align its stance accordingly. The EFTA applies to financial institutions that provide EFT services via accounts under their control. Just as FinCEN recognized that self-hosted wallet providers do not transmit or control value for users, the CFPB should acknowledge that these providers do not operate consumer accounts or process EFTs. Extending the EFTA to self-hosted wallets would create regulatory confusion and contradict existing federal guidance.

3. Blockchain Gaming Platforms Do Not Provision Users with Financial Accounts

Given the CFPB's interpretation that certain self-hosted digital asset wallets and video game accounts could be considered "(financial) accounts" under Regulation E, it is important to distinguish between different types of video game accounts and whether they exhibit characteristics of demand deposit, savings, or consumer asset accounts, and in which ways, if any.

a. Profile Accounts vs. Financial Accounts

Blockchain gaming platform users typically create accounts within these games by entering basic information such as an email address, username, and password. Such accounts ("Profile Accounts") are digital identities created by users to that allow them to access a gaming platform and interact with other players on these gaming platforms. As an additional option, blockchain games may allow users to associate their own self-hosted wallet with their Profile Account, but these video game platforms do not custody or have access to users' assets or private keys, and therefore do not provide "(financial) accounts" as defined under the EFTA and Reg. E.

b. Blockchain Gaming Platforms Standardize a “Bring Your Own Wallet” Approach

This “bring your own wallet” (BYOW) approach is a cornerstone of blockchain gaming that empowers players with true ownership and control over their digital assets, eliminating the risks of centralized custody. In contrast, the Web2 model—where game publishers hold assets and provision combined profile and financial accounts—exposes consumers to potential loss, mismanagement, and arbitrary restrictions.

The CFPB highlighted its concern over risks presented by Web2 gaming practices in its report titled “Banking in Video Games and Virtual Worlds,”¹² but it did not analyze how those risks are mitigated or eliminated by blockchain games adopting the BYOW model. In an effort to guide the CFPB in assessing the impact and necessity of the Interpretive Rule as applied to blockchain games, we provide a specific example below of how blockchain games employ the BYOW approach and how this approach offers users greater protection over their assets.

Blockchain games usually allow players full gameplay through Profile Accounts alone, making the BYOW feature both optional and modular. To use this feature, players independently sign into their self-hosted wallet outside the gaming platform, typically through a separate app or browser extension. After signing in, the player connects their wallet to the game, granting the gaming platform read-only access. Importantly, the gaming platform cannot initiate transactions or manage the wallet’s assets.

With read-only access, gaming platforms create in-game representations of users’ digital assets, limited to Non-Fungible Tokens (NFTs). When a player connects their wallet, the game generates a visual and functional copy of the NFT (e.g., an NFT sword) for use within the game environment. This copy is

¹² Consumer Financial Protection Bureau. *Banking in Video Games and Virtual Worlds*. Apr. 4, 2024. Available at: <https://www.consumerfinance.gov/data-research/research-reports/issue-spotlight-video-games/>

exclusively an in-game representation, cannot be transferred externally, does not have monetary value, and does not duplicate the actual NFT.

c. Third Party Marketplaces and Payment Processors

Players typically acquire NFTs through third-party marketplaces or direct peer-to-peer transactions, both of which are external to gaming platforms.

Marketplaces are independent platforms unaffiliated with the game provider.

Within blockchain gaming platforms, players may interact with NFTs listed on third-party marketplaces through in-game “storefronts.” Although players can browse and select NFTs within the game, purchases are completed externally. After selecting an option to purchase the NFT within the gaming platform, the player is redirected to the marketplace’s website, where they connect their self-hosted wallet and complete the transaction.

Marketplaces allow NFTs to be purchased using digital assets (like Ethereum or stablecoins) stored in self-hosted wallets. Such transactions are effectuated via the self-hosted wallet and broadcast to the blockchain. Alternatively, many marketplaces partner with licensed third-party payment processors that permit transactions via credit cards or bank accounts. These processors handle all compliance checks and financial transfers. In either manner, once purchased, the NFT transfers to the player’s self-hosted wallet address, enabling the game to read this data and create an in-game representation accessible through the player’s Profile Account.

In summary, blockchain gaming platforms provide complete gaming experiences through Profile Accounts, with optional functionality via self-hosted wallets. The gaming platforms do not control financial transactions or provide financial accounts. Instead, transactions involving NFTs occur externally through licensed third-party marketplaces and payment processors. Therefore, blockchain gaming platforms and their associated Player Accounts do not meet Regulation E’s definition of “(financial) accounts” or payment processors.

4. Irreversible Transactions Render EFTA Compliance Impossible for Blockchain Game Publishers

A foundational feature of blockchain-based systems is the irreversibility of transactions once initiated and confirmed through a self-hosted wallet. When a user signs a transaction using their private key and broadcasts it to the blockchain network, the transaction is recorded on an immutable public ledger and cannot be reversed, modified, or canceled by any party, including the user or the game publisher.

This feature has significant implications for the application of the Electronic Fund Transfer Act (EFTA). Regulation E contemplates a framework in which financial institutions can investigate, resolve, and even reverse unauthorized or disputed transactions. These protections rely on the presence of a centralized intermediary that controls user accounts and has the authority to halt, adjust, or refund transactions.

Blockchain game publishers, however, have no such authority or technological capability. They do not custody user assets or private keys and cannot access or interfere with transactions executed through a user's self-hosted wallet. Further, because this architecture inherently precludes reversal of consumer-authorized transactions, regulating game publishers under the EFTA would offer no additional consumer protection benefit.

Instead, it would create regulatory expectations that are inconsistent with how blockchain technology functions and would burden developers and platforms with compliance obligations they cannot fulfill, giving them no path to comply, and forcing these publishers to pull out of the US. Accordingly, the CFPB should recognize this structural limitation and refrain from applying Regulation E as written to blockchain-based game publishers. Instead, we encourage the CFPB to leverage the inherent technical capabilities of blockchain networks to protect consumers.

5. Blockchain Architecture Enhances Player Protection Against Loss and Theft

The CFPB has expressed concern about users' lack of recourse in the face of hacking, unauthorized transactions, and a game publisher's termination of a game without reimbursement for the loss of game assets.¹³ However, these risks are significantly reduced in blockchain gaming platforms.

According to the CFPB, in scenarios where users are accused of violating a game's terms of service or if a game is terminated altogether, Web2 game publishers often claim no obligation to compensate players for lost assets or to refund the money players have invested. However, in blockchain games, players who leverage self-hosted wallets maintain full control over their assets. Consequently, even if they lose access to their Profile Account due to alleged violations of the game's terms of service, if a game ceases operation, or if a publisher shuts down, players' digital assets remain secure and independent of the game publisher's control.

The thoughtful design of self-hosted wallets significantly reduces risks of theft and unauthorized transactions by requiring multiple intentional steps from users, including secure wallet logins, explicit wallet connection approvals, and manual transaction confirmations via third-party marketplaces. Unlike Web2 environments, where transactions often occur automatically with a single click, this multi-step, user-controlled process—strengthened by multi-factor authentication at each of the aforementioned steps—dramatically decreases vulnerabilities to unauthorized access or single points of failure. Furthermore, innovative solutions like multi-party computation wallets are being developed to mitigate the risk of a single point of failure for a private key.¹⁴

¹³ Consumer Financial Protection Bureau. *Banking in Video Games and Virtual Worlds*. Apr. 4, 2024. Available at: <https://www.consumerfinance.gov/data-research/research-reports/issue-spotlight-video-games/>

¹⁴ MPC wallets provide robust protection against unauthorized access, while still ensuring that the transaction is executed only upon explicit, multi-party consent.

If unauthorized access to a user’s wallet occurs, blockchain’s inherent transparency and immutability enable users and law enforcement to readily trace stolen assets to their destination. Digital assets, including NFTs, typically must be converted into fiat currency through centralized, regulated marketplaces. These marketplaces are obligated to file Suspicious Activity Reports¹⁵ once an asset is reported stolen or transferred without authorization. Furthermore, advanced recovery tools now enable law enforcement agencies to access criminal-controlled wallets and facilitate the return of stolen assets to the rightful owners.

6. CFPB Correctly Excludes NFTs from the Definition of Funds

We agree with the CFPB’s statement that “most nonfungible tokens (“NFTs”) are unlikely to be ‘funds.’”¹⁶ This conclusion aligns with the legal definitions of “funds” and electronic fund transfers (EFTs) under 15 U.S.C. § 1693a(7) and 12 C.F.R. § 1005.2(g), as well as the fundamental characteristics of NFTs.

“Funds” generally refer to money, currency, or a monetary equivalent that can be transferred electronically between financial institutions or stored in an account for consumer use.¹⁷ The term encompasses legal tender (fiat currency), digital dollars, and prepaid assets that function as money. By contrast, NFTs are unique, non-fungible digital assets that do not function as a medium of exchange or a unit of account—instead functioning similarly to consumer goods, collectibles, or structured data—distinguishing them from financial instruments that Regulation E covers.

If NFTs were considered “funds,” digital goods like MP3s, e-books, identity documents, and in-game items could also fall under the definition of “funds,” which is inconsistent with Regulation E’s purpose. The CFPB’s Interpretive Rule

¹⁵ 12 CFR § 21.11 - Suspicious Activity Report

¹⁶ Interpretive Rule n. 36.

¹⁷ 12 C.F.R. § 1005.2(g)

reinforces that only assets used in financial transactions for transferring monetary value qualify as “funds” under EFTA.

Conclusion

TDC and its members greatly appreciate the CFPB’s initiative to enhance consumer protections and provide regulatory clarity for digital assets and blockchain gaming platforms. While well-intentioned, applying the “Interpretive Rule” on Regulation E to self-hosted wallets and blockchain-based gaming environments presents technological impossibilities for compliance. Such an application could unintentionally hinder innovation and reduce the consumer benefits unique to blockchain technologies.

TDC stands ready provide the CFPB with technical insights, educational resources, and thoughtful policy recommendations on these technologies and activities, ensuring consumer protections are effectively advanced without inadvertently restricting innovation in this rapidly evolving sector.

Sincerely,

Cody Carbone

Cody Carbone
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The Digital Chamber