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<u>The Keep Your Coins Act of 2025</u>

<u>BLUF:</u> The *Keep Your Coins Act* ensures that the federal government cannot infringe on an individual's right to control their digital assets. Self-custody is a key tenet of the digital asset ecosystem because it allows people to avoid the risks associated with centralized, third-party custodians. (*see* FTX, Terra/LUNA, Celsius).

If digital assets are going to be digital cash, we should protect an individual's right to keep their digital cash in a digital wallet they control.

<u>Issue:</u>

- The original tenet of the digital asset ecosystem is decentralization. The ability of an individual to have the power and control over their own digital assets that does not rely on centralized intermediaries like banks or governments.

- In 2020, the Financial Crimes Enforcement Network (FinCEN) proposed a rule that would have required additional reporting for transactions involving self-hosted wallets. The U.S. Treasury withdrew the rule in January 2021.

    - What the rule would have required:
        - Banks and money service businesses to report transactions over $10,000.
        - Self-hosted wallet users to collect and report counterparty information for each transaction.
        - The identification of all self-hosted wallet users.

- This rule would have resulted in the federal government having access to and surveillance of all transactions in the digital asset ecosystem.

<u>Solution:</u>

- This legislation would prohibit any federal agency from promulgating a rule that would impair a person's ability to act as a self-custodian.

- The bill would protect an individual's right to conduct peer-to-peer transactions with their digital assets without the need to utilize a third-party intermediary. This would essentially cut out any need for a financial institution or money service business to facilitate a transaction.

- By empowering individuals to maintain control over their digital assets through self-hosted wallets, the legislation aims to foster financial freedom and a decentralized cryptocurrency ecosystem.

Please contact Warner Allison (Warner_Allison@budd.senate.gov) for additional information or to be added as a cosponsor.

What is self-custody?

- Self-custody is the ability of individuals to maintain direct control over their own assets without relying on third-parties like banks, exchanges, or custodial services.
- In the digital asset ecosystem, self-custody means holding private cryptographic keys personally, without depending on another party. This is typically done using a digital wallet.
- Unlike custodial wallets, like those controlled by exchanges or banks, no third-party can access, surveil, freeze, or control your funds.

What are the types of self-custodial wallets to keep crypto?

- *Hardware Wallets*: Physical devices that hold your digital assets by storing your private keys completely offline. These are more secure from hackers and spyware.
- *Software Wallets*: Wallets where you download software on your mobile device or computer. These are apps that store your private keys on your device in an encrypted form.
- *Paper Wallets*: Printed documents containing your keys (usually with a QR code), they are very secure if stored safely but hard to manage.

What are the benefits of keeping your crypto in a self-hosted wallet?

- Users control and have access to their own digital assets without depending on a third-party.
- No government or service provider can block, access, or limit the person’s use of their digital assets.
- Many self-custodial wallets don’t require identity verification, enhancing privacy. Public wallet addresses also remain completely anonymous in most cases.
- Allows users access to dApps, DeFi, NFTs, and governance tools, which gives them control, privacy, and broader access across blockchains.