

IZZI, Inc

www.izzi.global

info@izzi.global

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**U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington DC 20220**

Re: Request for Comment on Ensuring Responsible Development of Digital Assets

IZZI, Inc appreciates the opportunity to submit this comment letter in response to the request for comment posted by the U.S. Department of the Treasury on July 8, 2022, pursuant to Executive Order 14067 of March 9, 2022, *Ensuring Responsible Development of Digital Assets*.

I. INTRODUCTION

IZZI, Inc has been established to advance *Project IZZI: Building global payment infrastructure to pay anyone, anywhere, anytime, instantly, in any currency*.

Vision: The *Project IZZI* vision is a safe, efficient, and truly global payment system that delivers instant, seamless, 24x7, account-to-account payments domestically, across borders, and across currencies.

Approach: *Project IZZI* intends to achieve this vision and to meet the G20 call for faster, cheaper, more transparent, and more inclusive cross-border payments, including remittances, by leveraging the time-tested strengths of the domestic and international banking system.

Solution: The *Project IZZI* solution is new, patented¹ interbank payment infrastructure with four key elements that could be established for the U.S. dollar and for any other fiat currency:

- **A novel digital asset** in the form of commercial bank money matched by central bank balances that is a demand deposit liability of any authorized deposit-taking bank or nonbank payment service provider (PSP).
- **A novel digital payment process** provided by industry-run payment systems that deliver instant, 24x7 single-currency payments and integrated real-time pricing, funding, and settlement of cross-currency payments.

¹ U.S. Patent No. 11,354,662.

- **Streamlined KYC/AML/CFT compliance** through the establishment of a minimum identity standard for each currency's payment system and centralized enforcement of all system-wide and bank/PSP-specific rules.
- **Easy to access state-of-the-art technology** that integrates with existing bank/PSP internal systems, including batch platforms, through simple APIs.

U.S. policy objectives: The *IZZI* interbank payment infrastructure will fully support the policy objectives of Executive Order 14067, namely:

- a. Protection of consumers, investors, and businesses in the United States.
- b. Protection of United States and global financial stability and the mitigation of systemic risk.
- c. Mitigation of illicit finance and national security risks posed by misuse of digital assets.
- d. Reinforcement of U.S. leadership in the global financial system and in technological and economic competitiveness, including through the responsible development of payment innovations and digital assets.
- e. Promotion of access to safe and affordable financial services.
- f. Support of technological advances that promote responsible development and use of digital assets.

In particular, the *IZZI* interbank payment infrastructure will yield significant benefits from multiple perspectives:

- **Public interest benefits** include the support of macroeconomic stability, financial system stability, transparency, accessibility, ubiquity, and financial inclusion.
- **Regulatory benefits** include clarity and acceptability under existing and well-understood supervisory, oversight, and regulatory regimes for monetary policy implementation, payment system operations, international cooperation, and privacy and anonymity requirements.
- **Individual bank benefits** include improved competitiveness, lower costs, and the confidence to grow their payment franchises irrespective of the uncertain future of DeFi, cryptocurrencies, stablecoins, central bank digital currencies (CBDCs) and other proposed payment arrangements.
- **Nonbank PSP benefits** include direct access, improved services, and the ability to introduce new services that are impractical within the limitations of today's interbank payment infrastructure.

Further details regarding *Project IZZI* and the patented *IZZI* interbank payment infrastructure are provided in the accompanying *Project IZZI* white paper and at www.izzi.global.

II. RESPONSES TO REQUEST FOR COMMENT

(A) Adoption to Date and Mass Adoption

(1) What explains the level of current adoption of digital assets?

SUMMARY: *Today's payments do not meet the needs of the increasingly digital world. This growing gap is fueling the demand for digital assets that can be used to pay anyone, anywhere, anytime, instantly, and in any currency. It also fuels the demand for digital payments that are simple, seamless, cheap, transparent, ubiquitous, accessible, and safe. The Project IZZI solution will provide a novel form of digital asset and a novel digital payment process that fully meet the demands of the digital world.*

ELABORATION: Today's payments are inadequate for the digital world. From a payer and payee perspective, payments are often slow, expensive, complex, opaque, uncertain, and inaccessible, especially when the payer and payee are in different countries or time zones, as is often the case for the U.S. dollar given its ubiquitous role in the global economy. On top of this, cross-currency payments depend on underlying foreign exchange (FX) pricing, trading, and settlement practices that increase even further the time, cost, and opacity of the end-to-end payment process, and disproportionately so for remittances and other low-value payments made by individuals, small and medium enterprises (SMEs), and the unbanked and underbanked.

Today's payments are also inadequate from a payment service provider (PSP)² perspective. Banks around the world are struggling to restore their payment profits, flows, and competitiveness under existential threat from current and prospective nonbank PSPs, including cryptocurrencies, stablecoins, and -- if implemented -- potentially CBDCs. At the same time, nonbank PSPs -- including cryptocurrency and stablecoin issuers -- find the attractiveness of their services limited by the significant time and cost it often takes for their customers to fund their payments and to de-fund their receipts. Furthermore, specialized PSPs such as central securities depositories and securities settlement systems, custodians and fund managers, multi-currency payment systems, and central counterparties find it impractical to offer new services such as 24x7 real-time trading and settlement of securities and FX, intraday collateralized borrowing and lending of securities against cash, and multi-currency margin collection and disbursement.

The inadequacies of today's payments can be traced to seven fundamental frictions identified by the G20³:

² The term "payment service provider" ("PSP") is used broadly throughout these comments to include any entity that provides an explicit or embedded payment service, such as bank-run payment networks; credit and debit card networks; retail, corporate, and wholesale nonbank PSPs; cross-border and cross-currency remittance providers; central securities depositories and securities settlement systems; custodians and fund managers; central counterparties; cryptocurrency, stablecoin, and other token issuers; and other novel payment arrangements.

³ CPMI, *Enhancing cross-border payments: building blocks of a global roadmap, Stage 2 report to the G20*, July 2020.

- Long transaction chains
- Funding costs
- Weak competition
- Fragmented and truncated data formats
- Complex processing of compliance checks
- Limited operating hours
- Legacy technology platforms

These seven frictions reflect the combined effect of out-of-date, complex, costly, and risk-filled processes and systems for settling interbank account-to-account (A2A) payments (i.e., the transfer of funds from one bank account to another) and for pricing and settling FX transactions. As confirmed by the BIS-based Committee on Payments and Market Infrastructures (CPMI) through industry outreach, these seven frictions lead directly to the high cost, low speed, limited transparency, and inaccessibility that challenge many of today's payments.

(2) Factors that would further facilitate mass adoption.

SUMMARY: *A digital asset will only achieve mass adoption if it can provide the digital payment functionality and characteristics that fully meet the demands of the digital world. A pre-condition for doing so is to overcome the challenges generated by the seven fundamental payment frictions identified by the G20. The Project IZZI solution will overcome these challenges by removing all seven frictions at their source with new, patented interbank infrastructure that provides a novel form of digital asset and a novel digital payment process for settling domestic, cross-border, and cross-currency payments.*

ELABORATION: Until the seven fundamental payment frictions are adequately addressed, the total "end-to-end" cost, speed, transparency, and accessibility -- and, hence, the overall attractiveness and the potential for mass adoption -- of any digital asset and any digital payment process will remain constrained by the challenges generated by today's interbank payment infrastructure.

To be sure, several attempts to reduce frictions at the interbank payment infrastructure level have been launched or proposed over the years. These include the introduction of "faster" or "real-time" single-currency payment systems; the linking of existing interbank payment systems that operate in different countries or jurisdictions; and the provision of services that pre-validate, pre-authorize, or track payment instructions across the correspondent chain between payer and payee.

While each of these efforts can partially mitigate some of the challenges that are caused by some of today's payment frictions, none address all the challenges faced by all banks/PSPs that are caused by all seven frictions. For instance:

- Each bank/PSP in the correspondent banking chain that connects a payer to a payee would still need to process each individual payment instruction, and that chain can be especially long when the payer and payee are in different cities, countries, or time

zones, as is often the case for the U.S. dollar given its ubiquitous role in the global economy.

- Each bank/PSP in the chain would still need to scan each payment instruction for AML/CFT purposes, whether it is acting as originator, beneficiary, or intermediary.
- Each bank/PSP would still need to handle any exceptions or errors that it or any other intermediary in the chain might identify.
- Any bank/PSP that wishes to offer multi-currency payment services would still need to fund, to trade, or to manage the risks of handling multiple currencies.

In contrast, the *IZZI* interbank payment infrastructure will remove all seven frictions at their source with the establishment of a novel digital asset and a novel digital payment process for domestic, cross-border, and cross-currency A2A payments:

Friction	The Project IZZI solution
Long transaction chains	One payment instruction replaces the multiple payment instructions that currently must be processed and agreed by each party in the often-lengthy correspondent chain that connects a payer to a payee.
Funding costs	Integrated FX pricing, funding, and real-time settlement eliminates the need for multicurrency liquidity and for managing FX risks.
Weak competition	Direct access for all authorized banks and nonbank PSPs, including direct access across borders, promotes competition.
Fragmented and truncated data formats	Straight-through processing and automated reconciliation is provided across all parties with ISO 20022 as the common message format.
Complex processing of compliance checks	The establishment of a minimum identity standard and the central enforcement of all system-wide and bank/PSP-customized rules and restrictions for each currency improves efficiency and simplifies compliance.
Limited operating hours	Payments can be made 24x7 in real time with instant finality, including seamlessly across borders, across currencies, and across time zones.
Legacy technology platforms	Banks and nonbank PSPs can use simple APIs to access and to integrate their existing internal systems (including batch platforms) with systems that use state-of-the-art technology to provide real-time gross execution and settlement of payments.

(B) Opportunities for Consumers, Investors, and Businesses

(3) What are the main opportunities for consumers, investors, and businesses from digital assets?

SUMMARY: *The IZZI interbank payment infrastructure will enable -- and foster competition among -- banks and other PSPs in providing consumers, investors, and businesses the ability to pay anyone, anywhere, anytime, instantly, and in any currency, and to do so with digital assets and digital payments that are simple, seamless, cheap, transparent, ubiquitous, accessible, and safe. The IZZI interbank payment infrastructure will also enable banks and other PSPs to meet the 2027 G20 payment targets⁴.*

ELABORATION: Once the IZZI interbank payment infrastructure is in place, consumers, investors, and businesses will benefit as banks/PSPs compete in providing them with digital assets and digital payments that fully meet their needs in the increasingly digital world. Banks/PSPs will compete in offering their customers instant, final, certain, and cheap payments to and from anyone, anywhere, in any currency, 24x7.

Banks/PSPs will be able to enhance the functionality, to lower the cost, and to improve the profitability of their single-currency and cross-currency payments business due to the unique operational features of the IZZI infrastructure, including:

- Transactions are executed end-to-end at a minimal charge.
- No need for any intermediary in the correspondent chain between the payer's bank/PSP and the payee's bank/PSP to process a payment instruction.
- No need for any bank/PSP to scan a payment instruction for AML/CFT purposes, whether as originator, beneficiary, or intermediary.
- No need for any intermediary to handle exceptions and errors or to reconcile payments across the correspondent chain.
- Any bank/PSP can offer cross-currency payments without the need to fund, to trade, or to manage the risks of handling multiple currencies.
- Internal bank/PSP systems, including batch platforms, integrate easily via simple APIs.

Banks/PSPs will also be able to use the IZZI infrastructure to offer consumers, investors, and businesses new "front-end" services that are impractical with today's "back-end" interbank payment infrastructure, such as:

- Real-time 24x7 point-of-sale payments from card issuers to merchants and acquirers.
- Real-time 24x7 trading of securities and FX with immediate settlement.

⁴ Financial Stability Board, *Targets for Addressing the Four Challenges of Cross-Border Payments: Final Report*, October 13, 2021.

- Intraday swaps, intraday repos, and other forms of intraday collateralized borrowing and lending.
- Real-time 24x7 multi-currency margin collection and disbursement.

All PSPs, including other digital asset providers, will also be able to improve their current “front-end” services with enhanced “back-end” interbank settlement processes, including:

- To provide customers an instant, 24x7, and low-cost funding and defunding option.
- To eliminate any build-up of “back-end” interbank credit exposures and the associated need for “front-end” customer payment limits or other restrictive risk controls.
- To eliminate uncertainty and delays in a customer’s ability to access or to spend its receipts outside the PSP’s payment system, which can often last 1-3 business days plus intervening weekends and holidays.

(C) General Risks in Digital Assets Financial Markets

(4) Please identify and describe any risks arising from current market conditions in digital assets and any potential mitigating factors.

SUMMARY: *The IZZI infrastructure is designed to provide cheap and fully transparent end-to-end payment costs, including competitive and transparent real-time FX rates for cross-currency payments, no matter how long the correspondent chain between a payer and payee may be. The infrastructure also strengthens and simplifies KYC/AML/CFT compliance and will utilize the beneficial elements of blockchain technology without the downsides of blockchain integration, decentralized governance, or decentralized operations.*

ELABORATION: The IZZI infrastructure includes a cross-currency payment process that ensures a cross-currency payment and the associated FX trade are competitively priced, instantly funded, and then seamlessly integrated, confirmed, and settled. The IZZI infrastructure also provides end-to-end payment-versus-payment (PvP) protection for all parties involved in the cross-currency payment and the integrated FX trade.

The IZZI infrastructure strengthens and simplifies today’s KYC/AML/CFT compliance processes by establishing a minimum identity standard for each currency’s payment system and by providing centralized enforcement of all system-wide and bank/PSP-specific rules.

The IZZI infrastructure will be developed and maintained with state-of-the-art technology that will utilize the beneficial elements of blockchain technology to maximize security, resilience, and auditability, but will not be dependent on blockchain integration, decentralized governance, or decentralized operations. Furthermore, banks/PSPs will be able to use simple APIs to access and to integrate their internal systems with the IZZI infrastructure, including banks/PSPs with internal batch platforms.

Detailed explanations of the single-currency payment process, the cross-currency payment process, and the streamlined KYC/AML/CFT compliance process are provided in the accompanying *Project IZZI* white paper.

(D) Risks to Consumers, Investors, and Businesses

(5) Please identify and describe potential risks to consumers, investors, and businesses that may arise through engagement with digital assets.

SUMMARY: *The IZZI interbank payment infrastructure is designed to avoid the regulatory, macroeconomic stability, and financial stability concerns raised by certain cryptocurrencies, stablecoins, and other existing or proposed forms of digital assets that can generate substantial risks for consumers, investors, and businesses.*

ELABORATION: From a regulatory perspective, certain cryptocurrencies, stablecoins, and other existing or proposed forms of digital assets may not fit clearly within -- let alone be acceptable under -- existing supervisory, oversight, or regulatory regimes for monetary policy implementation, payment system operations, international cooperation, or privacy and anonymity requirements. From a macroeconomic stability perspective, the widespread adoption of some digital assets may weaken the fundamental role of commercial banks as intermediaries between savers and borrowers. From a financial system stability perspective, some digital assets may operate outside the protection of the banking safety net (i.e., without the benefits of supervision, regulation, oversight, deposit insurance, and access to intraday and overnight credit from the central bank) or may create the potential for “digital runs” on the overall banking system in times of market stress.

In contrast, the IZZI interbank infrastructure is designed to support the central bank’s ongoing control of its currency and implementation of monetary policy and to fit neatly within, and to be subject to, existing domestic and international regulatory, supervisory, and oversight frameworks for payment systems and for privacy and anonymity requirements. The infrastructure will also strengthen the fundamental role of banks as intermediaries between savers and borrowers, leverage the protection of the banking safety net, and avoid creating the potential for “digital runs” on the overall banking system.

(E) Impact on the Most Vulnerable

(6) Can digital assets play a role in increasing these and other underserved Americans’ access to safe, affordable, and reliable financial services, and if so, how?

SUMMARY: *The IZZI infrastructure can be used to broaden financial inclusion as called for by guidance issued from the CPMI and the World Bank⁵.*

ELABORATION: The IZZI infrastructure provides a novel form of digital asset and a novel digital payment process that are simple-to-use, cheap-to-run, and can be offered at low-to-no cost to the unserved and the underserved. Furthermore, the digital asset is structured as an on-balance-sheet demand deposit account liability at an authorized deposit-taking bank or PSP with the protection of the accompanying banking safety net. Accordingly, and in line with the CPMI-World Bank guidance on the payment aspects of financial inclusion, banks will be able to

⁵ CPMI-World Bank Group, *Payment aspects of financial inclusion*, April 2016.

offer the digital asset to the unserved and the underserved as a basic transaction account that can be used to perform most, if not all, of their payment needs; to safely store some value; and to serve as a gateway to other financial services.

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Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawrence M. Sweet". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Lawrence M. Sweet
Founder and CEO
IZZI, Inc