The Impact of Unclear Blockchain Regulation on Underrepresented Communities

Blockchain is a rapidly growing ecosystem with uses that stand to benefit all communities.

To ensure all Americans are able to participate, clear policy that supports equity and inclusion must be prioritized.

The global blockchain industry is projected to grow by $78.3 billion by 2030.

Source: Emergen, via World Economic Forum

Global market size in 2021 — $3.2 billion

Projected global market size by 2030 — $81.5 billion

Underserved communities are drawn to potential opportunities.

- 90% of Black and Latinx builders interviewed by CCI cited enhanced opportunities to serve their communities as a motivation for entering Web3.*

- Research by CRADL finds that a lack of access to traditional financial services and economic opportunity drives interest in blockchain among Black Americans.

- 23% of all US cross-border remittances were sent via crypto rails in 2021.

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*Research is ongoing; this sample represents 50+ builders in Web3 located across the United States.

Black builders are advancing innovation across the U.S.
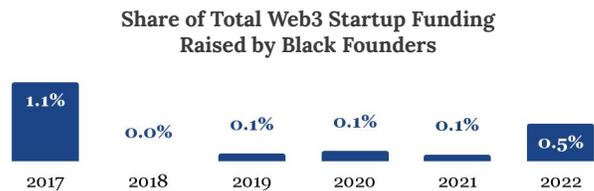
- **Chrissa McFarlane, Atlanta, GA:** Patientory launched in 2015, using blockchain to empower portability and control of personal health data, including for monetization. Patientory facilitates 95% of all electronic medical data in the US.

- **Carmelle Cadet, NY, NY:** Emtech is a platform that modernizes central banking infrastructure to integrate crypto and digital currency payments. There are over 200 fintech companies waitlisted to work on the Emtech platform, with 6 central banks working with them currently, the only company able to say so at the moment.

- **Saba K, Washington, DC:** BLKW3B is a global ecosystem of Web3 builders working to address equity in the industry. BLKW3B is a global alliance with members across regional hubs in 7 cities

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Support for diverse leadership in Web3 is key to a thriving industry and equitable outcomes.

Representation problems in tech contribute to narrow understandings of needs & opportunities.

- A lack of representation can lead to products that are not responsive to community needs – and in many cases, are actively harmful.
- Diversity in leadership is good for the bottom line, driving innovation and growth.

Inequities in legacy tech are also present in Web3.

Share of Total Web3 Startup Funding Raised by Black Founders

2017	2018	2019	2020	2021	2022
1.1%	0.0%	0.1%	0.1%	0.1%	0.5%

Source: CCI Analysis of CrunchBase data

A lack of regulatory clarity on blockchain is negatively impacting underrepresented builders – with knock-on effects for the communities they seek to serve.

Higher operational burdens

- Increased legal fees, particularly harmful to less well-funded Black and Latinx-led firms
- Longer timelines for licensing and approvals that increase costs
- Uncertainty over the future for potential products and services

Decreased competition & dynamism

- Major players with resources to navigate uncertainty dominate
- Public mistrust due to uncertainty jeopardizes adoption and growth of credible use cases
- Perceptions of risk contribute to even lower venture funding for Black and Latinx founders

Talent and capital flight

- Outflow occurring to more more clearly defined regulatory regimes
- Those who can weather are well-resourced, falling along traditional lines of inequity
- Flight contributes to a loss of focus on underserved communities here in the US

"There was definitely an increase of 20% in legal fees for crypto specific edge cases we would not have spent otherwise."

"Add to this that I'm a Black woman founder and can't fundraise? Forget about it."

"The legal issues were one of the main reasons we paused on the development process… It was a lot of, not only financial capital, but also time, resources."

"It is more expensive to stay compliant in the US than anywhere else."

"We can't advance innovation because we don't know if our work will unfairly be deemed a security."

"The regulatory environment is concentrating risk in the hands of a few major players."

"Big companies can survive. This means less competition for service providers, which means higher fees and less freedom for everyone else."

"Everyone who can leave is leaving. And those people do not look like me."

"Biggest thing we see are companies forming and operating outside of the US and not allowing US citizens to participate."

"While global markets are driving growth, the US is missing out on tools that could really help some communities."

"In the US, the perception is that regulation has been politicized."

Source: All quotes from Black and Latinx builders in Web3 sourced via research conducted by the Crypto Council for Innovation via in-field interviews across the United States. Research is ongoing; this sample represents 50+ builders in Web3.

Clear, inclusive regulation will protect U.S. interests and create more equitable opportunities.

One of the greatest challenges facing builders from historically underrepresented communities is a lack of regulatory and legal clarity regarding crypto and digital assets.

H.R.4763, the *Fit for the 21st Century Act*, and **H.R.4766, *Clarity for Payment Stablecoins Act of 2023 Act***, are two pieces of legislation currently moving through Congress which would provide clear rules of the road for the crypto ecosystem in the United States.

For more information, please email *robert@cryptocouncil.org*.

Learn more about CCI's research and use cases benefitting underserved communities.