

STATEMENT FOR THE RECORD

by
WILLIAM MICHAEL CUNNINGHAM
and
CREATIVE INVESTMENT RESEARCH

Submitted to the
U.S. House Committee on Financial Services for a hearing entitled, "Digital
Assets and the Future of Finance: Understanding the Challenges and
Benefits of Financial Innovation in the United States."
December 8, 2021

William Michael Cunningham and Creative Investment Research (CIR)
submit the following statement for the record to the hearing entitled, "Digital
Assets and the Future of Finance: Understanding the Challenges and
Benefits of Financial Innovation in the United States."

We thank the Committee for this opportunity. We urge the Committee to
continue to get opinions from a culturally and economically diverse set of
persons and feel this is especially important as you seek to maintain your
position as "a leader in highlighting issues related to cryptocurrency and
financial technology." As the Committee noted,

*"Given the digital asset sector's growth and evolution, several questions have
arisen as to how regulators can ensure investor protections, ensure
consumer protections, and maintain market integrity. The House Committee
on Financial Services has explored the emergence of cryptocurrencies as an
asset class for investors, implications for consumer privacy and financial
inclusion, and the promises and perils of central bank digital currencies
(CBDCs)."*

Mr. Cunningham states that

*"It is critical to understand that bitcoin was created in direct response to the
failure of global regulators to protect the public in the years leading up to the
financial crisis of 2007/2008. Thus, the social and monetary functionality of
cryptocurrency is superior to that of paper money. Eventually,
cryptocurrency is going to dominate."¹*

¹ From *Blockchain, Cryptocurrency and the Future of Monetary Policy*. Copywritten research report provided in
2019 to the House Financial Services Committee on a confidential, not for distribution basis.

<https://www.prlog.org/12785779-blockchain-cryptocurrency-and-the-future-of-monetary-policy.html>

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Mr. Cunningham (WMC) has long been concerned with the failure of bank and financial institution regulatory agencies to protect the public interest.

We base this on the following:

- On July 3, 1993, WMC wrote to SEC Commissioner Mary Schapiro to notify the Commission about a certain, specific investing "scam." A timely warning was not issued to the investing public and members of the public were damaged. See: <https://www.creativeinvest.com/SECNigerianLetter.pdf>
- WMC designed the first mortgage security backed by home mortgage loans to low- and moderate-income persons and originated by minority-owned institutions. (See: Security Backed Exclusively by Minority Loans, at <https://www.creativeinvest.com/mbsarticle.html>)
- In October, 1995, the Washington Gas Light (WGL) Company retained WMC to create mortgage-backed securities (MBS) consisting of one to four family residential home loans originated by minority-owned financial institutions serving areas of high social need. Mr. Cunningham developed a completely original approach that involved geocoding and mapping, for the first time, the location of every loan in an MBS pool and tying that location to social data. A sample map WMC created in 1997 for this process is attached as Appendix A.
- On April 30, 1997, in Case 97-1256 at the US Court of Appeals for the DC Circuit, Mr. Cunningham opposed the merger of Citigroup and Travelers and the elimination of the Glass-Steagall Act.
- In November, 1997 and, again in December, 2003, WMC wrote to the Division of Market Regulation at the Securities and Exchange Commission, on behalf of WMC and Creative Investment Research to request that CIR be considered a nationally recognized statistical rating organization ("NRSRO"). WMC requested this status only with respect to rating securities issued by financial institutions owned by women and minorities. WMC never received a reply from the Commission. We have attached a copy of a letter sent to Ms. Nazareth, Director, Division of Market Regulation, Securities and Exchange Commission, as Appendix 1.
- On June 15, 2000, WMC testified before the House Financial Services Committee of the U.S. Congress on ways to improve the supervision and regulation of government sponsored enterprises, Fannie Mae and Freddie Mac. See: <https://www.creativeinvest.com/fnma/>
- In 2001, WMC designed an investment vehicle for victims of predatory lending. (See <https://www.creativeinvest.com/PropertyFlipping.pdf>)

- On Monday, April 11, 2005, WMC testified before Judge William H. Pauley III in the U.S. District Court for the Southern District of New York on behalf of the public at a fairness hearing regarding the \$1.4 billion-dollar Global Research Analyst Settlement. See: <https://creativeinvest.com/fairness.html>
- On December 22, 2005, WMC issued a strongly worded warning that system-wide economic and market failure was a growing possibility in a meeting with Ms. Elaine M. Hartmann of the Division of Market Regulation at the SEC.
- On February 6, 2006, statistical models created by WMC using the Fully Adjusted Return ® Methodology signaled the probability of system-wide economic and market failure. (See page 2: <http://www.sec.gov/rules/proposed/s71005/wcunningham5867.pdf>)
- On June 18, 2009, WMC testified before the House Ways and Means Select Revenue Measures Subcommittee at a joint hearing with the Subcommittee on Domestic Monetary Policy and Technology of the Financial Services Committee concerning ways to improve the New Markets Tax Credit Program. See: <https://www.creativeinvest.com/nmtctestimony.html>
- On January 25, 2012, WMC submitted a "Friend of the Court" brief in a case before the United States Court of Appeals for the Second Circuit (Case 11-5227). As a friend to the Court, Mr. Cunningham provides an independent, objective and unbiased view in support of broad public interests. His education and experience uniquely positioned him to provide objective, independent research and opinions concerning the issues central to the case.
- Mr. Cunningham was in the pool of Corporate Governance Advisors and Diversity Investing Advisors to CalPERS. He is currently under contract for Portfolio Assistance (Non-Fiduciary) Investment Consulting Spring-Fed Pool 2020 to the fund. See: <http://www.creativeinvest.com/Calpers1.pdf> <http://www.creativeinvest.com/Calpers2.pdf> and <http://www.creativeinvest.com/Calpers3.pdf>
- Creative Investment Research was one of the first signatories to the UN Global Principles for Responsible Investment (www.unpri.org). See: <http://www.creativeinvest.com/PRINews2009land.jpg>

Mr. Cunningham has a long track record of analyzing proposed regulatory agency rules:

- Our 2003 comments on proposed proxy voting rules that would, under certain circumstances, require companies to include in their proxy materials security holder nominees for election as director.

<https://www.sec.gov/rules/proposed/s71903/wmccir122203.pdf>

- See: Comments on Proposed Rule: Internet Availability of Proxy Materials Release Nos. 34-52926 IC-27182 File No. S7-10-05. Confirmed that system-wide economic and market failure was a growing possibility. (See page 2:
<http://www.sec.gov/rules/proposed/s71005/wcunningham5867.pdf>)
- Shareholder Proposals Relating to the Election of Directors. Release No. 34-56161 File No. S7-17-07 <https://www.sec.gov/comments/s7-16-07/s71607-495.pdf>
- We have requested that the U.S. Securities and Exchange Commission (SEC) develop mandatory rules for public companies to disclose high-quality, comparable, decision-useful information concerning BLM Pledge fulfillment. See: <https://www.sec.gov/rules/petitions/2021/petn4-774.pdf>

Mr. Cunningham has been concerned with using new financial technologies to maximize social and financial return.² As his record shows, over the past 30 years, he has sought to protect the public by working with private sector and Federal regulatory agencies, including the Federal Reserve Board (FRB), the Securities and Exchange Commission (SEC), the Federal Deposit Insurance Corporation (FDIC), the Financial Crisis Inquiry Commission (FCIC), the U.S. Department of Justice (DOJ), the Consumer Financial Protection Bureau (CFPB), the Federal Housing Finance Agency (FHFA), the Department of Commerce (Minority Business Development Agency) and the US Treasury, as an employee or as a contractor. Despite his education and experience, all offers to provide consulting services and all employment applications have been denied (due to age, racial and class discrimination.) Further attempts to work with these institutions would be futile. This leaves Mr. Cunningham no option but to appeal to this Committee in order to have his independent, objective technical knowledge and experience given consideration. Mr. Cunningham's interest in this matter stems from his role as an economist and an expert in marketplace ethics and rests upon his status as a citizen of the United States.

As Mr. Cunningham demonstrates, inadequate consideration of the public interest has clearly damaged the public and investors.³ Current regulatory practices protect the monetary interest of a narrow set of non-minority

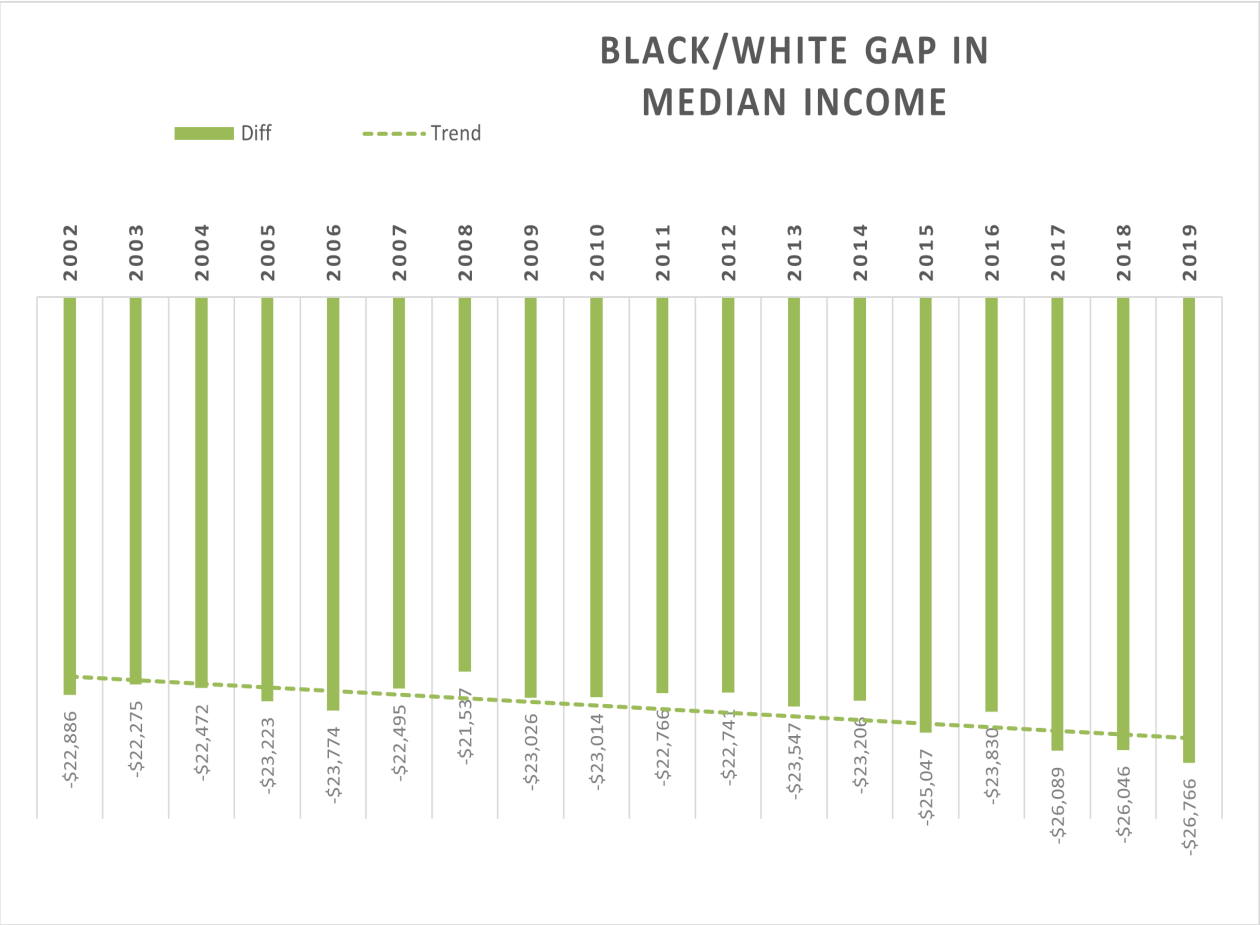
² Bitcoin and Blockchain Explained IN 30 MINUTES FOR FREE. <https://www.udemy.com/course/bitcoin-explained/>

³ For example, see: Fed Unveils Stricter Trading Rules Amid Fallout From Ethics Scandal. Jeanna Smialek, Oct. 21, 2021. The New York Times. Online at: <https://www.nytimes.com/2021/10/21/business/federal-reserve-trading-ethics.html> and Bankers Cast Doubt On Key Rate Amid Crisis https://www.wsj.com/articles/SB120831164167818299?reflink=desktopwebshare_twitter via @WSJ

persons, fail to protect the interest of the general public, and damage the Country’s long term economic prospects.

Inclusion Myths

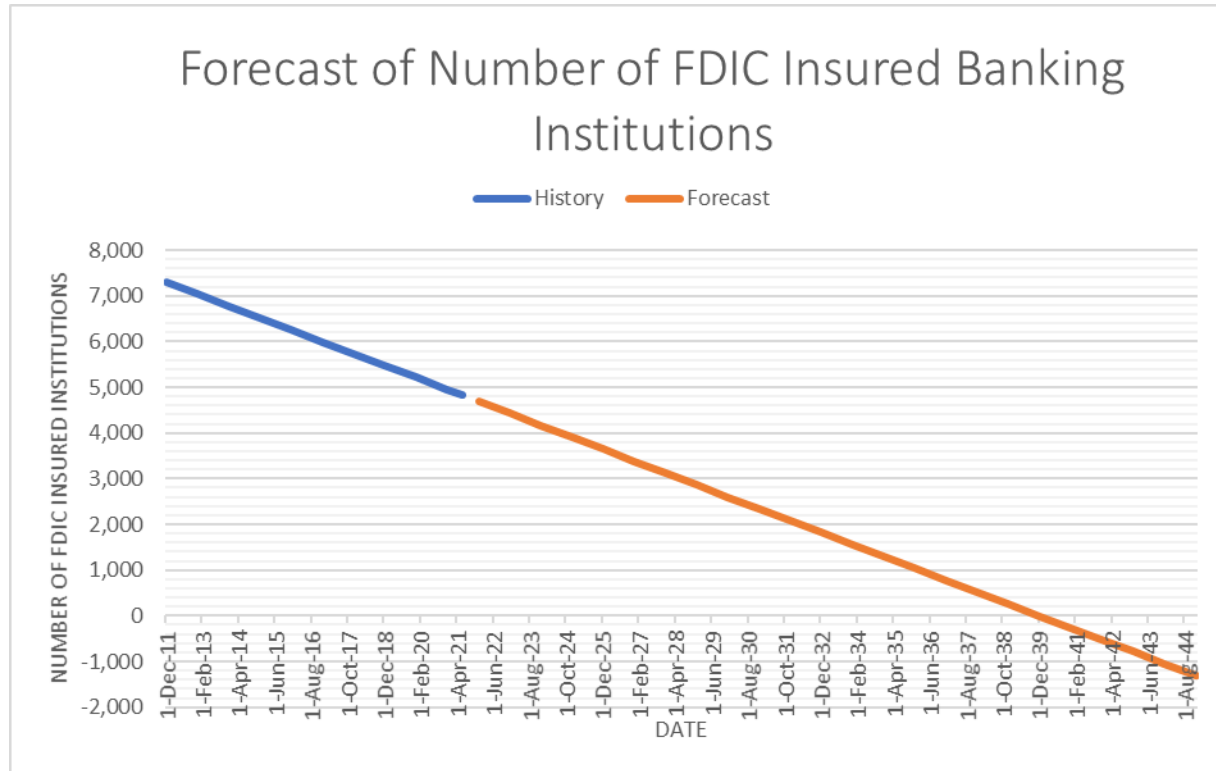
We warn the Committee not to believe, at face value, claims by participants in this field that rest upon the ability of these new technologies to increase financial inclusion. These are the same faulty arguments used to promote subprime lending in the years leading up to the financial crisis of 2008. We note that there is no objective, fully independent data to support this contention, thus, we consider these statements false.



We also note the lack of any African Americans on the hearing witness panel.

Cryptocurrency and Industry Concentration Issues

Regulatory ethical failings have real implications for the banking industry and for the public. Regulators may have abdicated their responsibility to



consider the public interest, if that interest includes maintaining a competitive industry. Our forecast indicates that by 12/31/2039, if current trends continue in a linear manner, the number of FDIC insured institutions will be approximately 1-2. Note that, with growing competition from fintech firms and alternatives, like bitcoin, this may imply the wholesale exit of banking institutions from both the FDIC and Federal Reserve systems. This would not be in the public interest.

Functions of Money

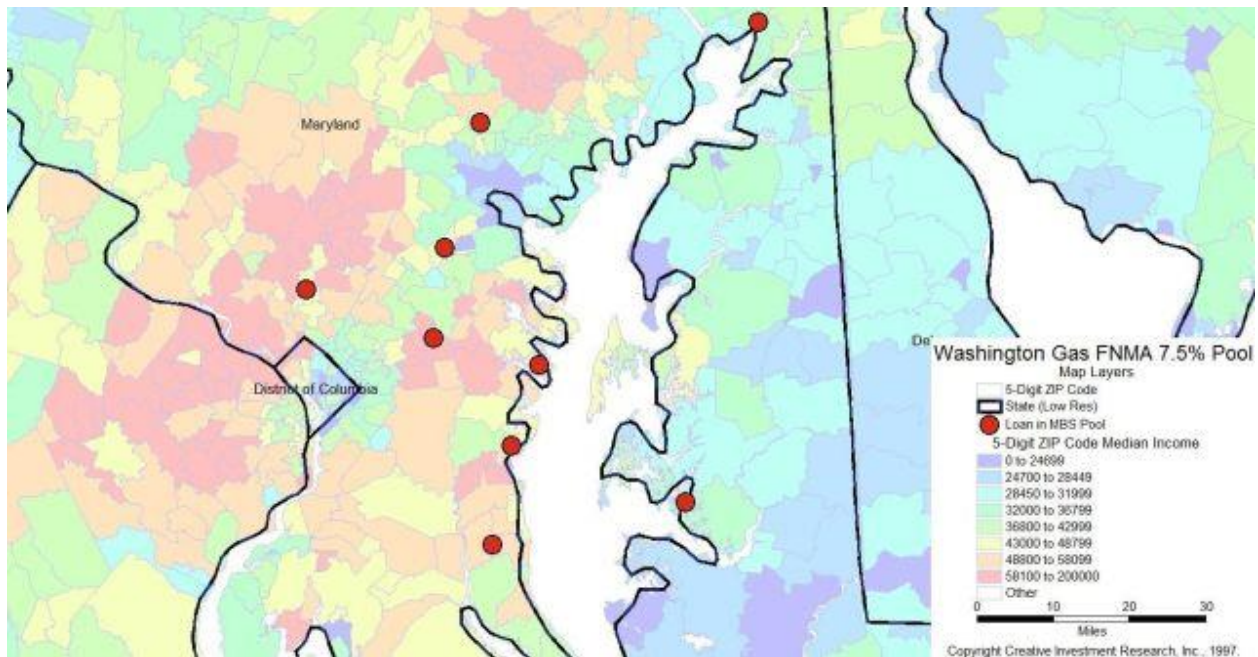
Further, cryptocurrency and blockchain highlight the hidden, fourth function of money. The three widely recognized main functions of money are as: a medium of exchange, a unit of account, a store of value. There is a fourth function of money that is hidden and rarely discussed: as a means of social control. Crypto currency forces this function into the open.

Appendix A

William Michael Cunningham manages an investment advisory and research firm, Creative Investment Research, founded in 1989 to expand the capacity of capital markets to provide capital, credit and financial services in minority and underserved areas and markets.

We have done so by creating new financial instruments and by applying existing financial market technology to underserved areas. The Community Development Financial Institution Fund of the US Department of the Treasury certified the firm as a Community Development Entity on August 29, 2003. The Small Business Administration certified the firm as an 8(a)-program participant on October 19, 2005. (We did not receive any benefit or revenue due to our participation in the 8(a) program.)

In 1991, Mr. Cunningham created the first systematic bank analysis system using social and financial data, the Fully Adjusted Return® methodology. In 1992, he developed the first CRA securitization, a Fannie Mae MBS security backed by home mortgage loans originated by minority banks and thrifts.



In 2001, he helped create the first predatory lending remediation/repair MBS security.⁴

Also see:

BLACK LIVES MATTER: CORPORATE AMERICA HAS PLEDGED \$1.678 BILLION SO FAR. June 10, 2020.

<https://www.blackenterprise.com/black-lives-matter-corporate-america-has-pledged-1-678-billion-so-far/>

BLACK WOMENOMICS Maternal Mortality Reparation Facility

<https://blackwomenomics.com/>

CHILD TAX CREDIT <https://www.childtaxcredit.net/>

FIFTEEN DOLLAR MINIMUM WAGE <https://fifteendollarminimumwage.com/>

THE FAIRNESS ECONOMY <https://thefairnesseconomy.com/>

The Crisis in Black Housing

<https://drive.google.com/file/d/11jfEtWfQY5Rpdbpw0s6stHhawY0iero6/view>

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Pool	Client	Originator	Social Characteristics
FN374870	Faith-based Pension Fund	National Mortgage Broker	Mortgages originated by minority and women-owned financial institutions serving areas of high social need.
FN296479			
FN300249			
GN440280	Utility Company Pension Fund	Minority-owned financial institutions	
FN374869			
FN376162			
FN254066	Faith-based Pension Fund	Local bank	Predatory lending remediation

Appendix B

December 8, 2005

Ms. Elaine M. Hartmann
Division of Market Regulation
U.S. Securities and Exchange Commission
450 5th Street, NW
Washington, DC 20549

Dear Ms. Hartmann,

Creative Investment Research (CIR) has requested that the Division of Market Regulation not recommend enforcement action to the U.S. Securities and Exchange Commission if CIR is recognized as a Nationally Recognized Statistical Rating Organization (NRSRO) for purposes of applying Rule 15c3-1 under the Securities and Exchange Act of 1934, as amended and codified at 17 C.F.R. 240.15c3-1 with respect to rating short term debt vehicles issued by women and minority owned financial institutions.

As part of the NRSRO recognition process, we have provided you and your staff with information regarding our qualifications, including confidential, nonpublic information on our trade secret protected Fully Adjusted Return ® methodology.

Thank you.

Sincerely,

William Michael Cunningham
CEO and Social Investment Advisor

Sample page below

Creative Investment Research, Inc. Minority Bank & Thrift Report

Page No.:71

Dryades Saving Bank

233 Carondelet St
 New Orleans

LA 70130

Phone: (504) 581-5891
 Fax: (504) 598-7233

Route #: 265070516

Certificate #: 1470512650

INSTTYPE: Savings Bank

Branches: 4
 Employees: 54
 Ethnic Group: Black

Community Reinvestment Act Rating:

Latest Rating: Outstanding
 Rating t-1: Outstanding
 Rating t-2: Satisfactory
 Rating t-3: Satisfactory

Management

President: Virgil Robinson
 CFO: Frank J Oliveri
 Loan Officer: Tomorr LeBeouf
 Operations Officer: Hedy Hebert

Fully Adjusted Return (TM): 173

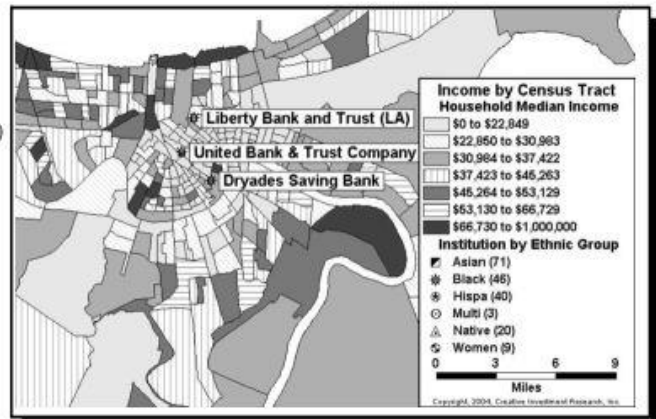
Index of social and financial performance.
 Range 300 to 0. (Higher is better.)

Regulatory and Business Status

Trading Status: Not Publicly Traded
 Insurance Type: Savings Association Insurance Fund(SAIF)
 Holding Company: Dryades Bancorp, Inc.

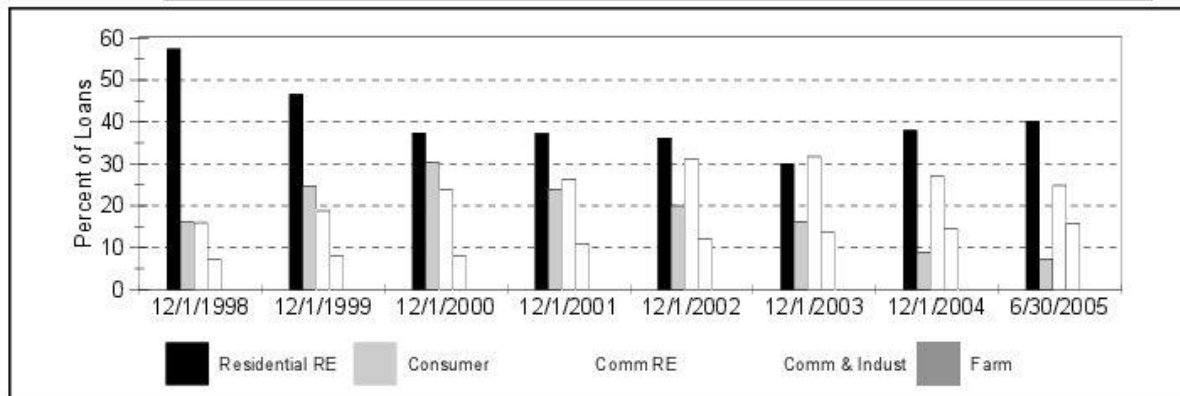
Social Data

COUNTY: Orleans
 Unemployment, %, 7/1/2005: 5.60
 Population, 7/1/04: 462,269
 Population change, % 2000 to 2004: -4.6 %
 Offices of FDIC-Insured Inst, 8/22/05: 108
 Minority population, % of total in County: 73.4 %
 Per Capital personal income, 2003: \$30,152
 Minority firms in County, % of total, 1997: 28.6 %
 Women-owned firms in County, % of total, 1997: 26.6 %



Year

	12/1/1998	12/1/1999	12/1/2000	12/1/2001	12/1/2002	12/1/2003	12/1/2004	6/30/2005
Assets	\$68,946	\$95,937	\$105,717	\$122,844	\$123,349	\$92,773	\$103,456	\$111,051
GrLns	\$68,952	\$74,217	\$82,735	\$76,801	\$61,982	\$56,390	\$62,766	\$66,165
Deposits	\$79,132	\$83,939	\$87,046	\$116,073	\$114,874	\$75,938	\$86,965	\$94,535
Equity	\$6,112	\$5,886	\$5,779	\$5,832	\$7,119	\$8,484	\$7,046	\$6,978
Salaries	\$2,697	\$3,039	\$3,151	\$3,132	\$2,921	\$2,793	\$2,839	\$1,428
Net Inc.	\$365	\$292	\$3	(\$44)	\$302	\$1,733	(\$427)	(\$4)
Net Ch	0.14	0.16	0.61	0.43	0.30	2.16	0.66	1.35
Offs%	0.56	0.82	1.42	1.03	1.50	2.83	2.23	1.34
NonPerfLns	0.44	0.32	0.00	-0.04	0.23	1.71	-0.42	-0.01
%	6.21	4.85	0.05	-0.75	4.66	20.00	-5.35	-0.11
ROA								
ROE								



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