

**Testimony for the U.S. House Committee on Small Business**  
***Building Blocks of Change: The Benefits of Blockchain Technology***  
***for Small Business***

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**On behalf of the Chamber of Digital Commerce**

**March 4, 2020**

Good morning Chair Velazquez, Ranking Member Chabot and Members of the Committee. Thank you for inviting me to participate on this important topic – the benefits of blockchain technology for small business. Today, I am appearing on behalf of the Chamber of Digital Commerce and my company, Ownum,<sup>1</sup> to offer our specific experiences in starting a small business that improves the lives of consumers by providing quicker and more efficient access to vital records and enhances public safety in doing so.

In the United States, our vital records are used to demonstrate ownership, citizenship, birthright, and much more. However, acquiring these important documents is cumbersome because these records are largely paper-based. For most Americans this is an annoyance at best, and debilitating at worst. For the poorest in our nation, a group disproportionately tilted towards minorities,<sup>2</sup> vital record acquisition and maintenance can represent the worst in life.

Access to important records can help stop financial and domestic abuse and unethical business practices. From a mother who is trapped in an abusive relationship with her husband because he is holding her and their children’s birth certificates and other important documents hostage, to a title loan store that is pressuring a downtrodden individual to relinquish his or her vehicle title in exchange for an exceedingly high interest rate loan, vital records are regularly at the epicenter of physical and economic disadvantage in our most vulnerable communities. Further, when a new or replacement vital record is required – perhaps to sell a car, or to prove birthright for benefits access, or even to prove identity – our government process today requires considerable paperwork and, more importantly, time spent in DMV lines or lines at Departments of Health in each state in our Union. This requires time away from employment and is an event that requires transportation – something many studies indicate our poorest communities lack in quality form in much of our nation.<sup>3</sup>

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<sup>1</sup> Ownum, [www.ownum.io](http://www.ownum.io) (last visited Mar. 02, 2020).

<sup>2</sup> See, U.S. Bureau of the Census, *Income and Poverty in the United States: 2016* (2016), <https://www.census.gov/content/dam/Census/library/publications/2017/demo/P60-259.pdf> (hereinafter, “Census Report”).

<sup>3</sup> See Mikayla Bouchard, *Transportation Emerges as Crucial to Escaping Poverty*, NY TIMES (MAY 7, 2015), <https://www.nytimes.com/2015/05/07/upshot/transportation-emerges-as-crucial-to-escaping-poverty.html> (referencing a Harvard University study on economic mobility).

The question of course becomes why, in this age of technology where we have an abundance of cell phones and readily available internet access, do we still require such antiquated processes as filling out paperwork, spending hours in long lines, and physically showing up at inconvenient locations, all while missing work? Is it the security of physically proving one's identity? That cannot be the case as the most monetarily meaningful transaction we all make in filing taxes is done with very few of us ever having met an agent of the IRS, as we can all file our taxes online with relative ease and low or no cost. Is it because physical assets need to be seen or inspected by an agent of the government to validate ownership? No, as rarely does anyone at the DMV need to leave their desk to walk outside and look at the cars in the lot to prove ownership.

Rather, we have failed to become fully digital because there has been no incentive to change. The ecosystem around vital records – banks, insurance companies, hospital systems, etc. – have accepted the legacy process of using paper as a cost of doing business. That was acceptable twenty years ago when our technology could not support a fully digital process, but that is unacceptable today.

In fact, the process to acquire a vital record could be called discriminatory in its current form, due to the negative impacts non-digital vital records can have on our poorest citizens who are most often minorities according to the Census Bureau.<sup>4</sup> From having to take time off work, to requiring access to transportation to acquire the vital record, to the mere cost of the transaction to acquire a vital record as a percentage of one's income, the poor in our country are disproportionately negatively impacted by a paper process.

At Ownum, we aim to change all of that. Ownum is a holding company, under which companies are created, each with a similar goal. That goal is to digitize a particular vital record and the process to acquire it – no paper, anywhere, anytime. Our first company is Champ Titles – [www.champtitles.com](http://www.champtitles.com) which is digitizing vehicle titles. The second company is Vital Chain – [www.vitalchain.com](http://www.vitalchain.com) which is digitizing birth and death certificates. Each uses blockchain technology to improve accuracy, efficiency, and fight fraud.

Bernie Moreno and I founded Ownum in 2018. Bernie immigrated to the U.S. from Colombia at the age of 5 and through sheer brute entrepreneurial force and hard work, his two parents and 6 siblings became a shining example of living the American Dream. Bernie built a successful business in the automotive retail space, that started, as so many have, as a small business. As an immigrant and minority in the U.S., his path was not always easy, but he persevered and succeeded. I come from a middle-class family and started my first company when I was 21 and sold it a little over 4 years later. I then went on to a small public company which we sold to a larger public company, and then left that company to spend 13 years on Wall Street, only to return to my entrepreneurial roots approximately two years ago to start this company with Bernie. These experiences have shaped this testimony today.

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<sup>4</sup> See Census Report *supra* note 2.

Further, we are proud to be a member of the Chamber of Digital Commerce for much of the time we have had this company.<sup>5</sup> The Chamber is the world's largest blockchain trade association. Its mission is to promote the acceptance and use of digital assets and blockchain technology, and it is supported by a diverse membership that represents the blockchain industry globally. Through education, advocacy, and close coordination with policymakers, regulatory agencies, and industry across various jurisdictions, the Chamber's goal is to develop a pro-growth legal environment that fosters innovation, job creation, and investment for businesses of all sizes. The Chamber helped shape our points of view on the legislative and regulatory environments here today.

For each business under the Ownum flag, we must gain approval in over 50 states and territories to offer our services, as vital records are primarily issued and regulated at the state level. In most cases, we are not seeking to be a vendor to these state governments. Instead, using vehicle titles as an example, most states have invested a lot of resources into their vehicle titling system. States must allow for technological advancement that helps our government processes and consumer access to those benefits. If state governments were encouraged to pursue digitization like what the IRS did when they allowed a multitude of vendors to replace paper tax filing with digital filing, that would be a great step forward. The states need an incentive to allow vendors like us to send in and transact completely in digital form the information they currently acquire and transact in paper form.

Imagine a world where the government has enabled a service for all citizens – a service that protects our poorest and most disadvantaged - merely by allowing a digital form to replace a paper form of submission. Just as the paper-to-digital transformation in tax filing has shown us, consumers will gravitate toward a digital solution, the data would be of higher quality for the agency receiving it, the transactions would have a higher degree of traceability, and incidences of fraud would be reduced. Digitizing vital records will allow people to store their own records through a blockchain-based system. It is through this system that the mother can escape her abusive situation and take her documents with her on her phone or retrieve them anywhere she can find access to the internet. The poor no longer have to take off of work to acquire these vital records for themselves or for their children. The cost savings for consumers will amount to billions of dollars each year!

However, the benefits of digital records are not limited to the poor and disadvantaged. Public safety is served when crucial data held mostly in paper form is moved to a digital ledger. Vehicle recalls are a great example. NHTSA, the National Highway Traffic Safety Administration, notes in a recent study that 42% of all vehicles recalled are not being repaired.<sup>6</sup> This represents a material risk to all drivers on the road today. Further, and unfortunately, the larger the recall

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<sup>5</sup> Chamber of Dig. Commerce, [www.digitalchamber.org](http://www.digitalchamber.org) (last visited Mar. 2, 2020).

<sup>6</sup> U.S. Dept. of Transp. Nat'l Traffic and Highway Safety Admin., *Vehicle Safety Recall Completion Rates Report* (2018), [https://www.nhtsa.gov/sites/nhtsa.dot.gov/files/documents/18-3122\\_vehicle\\_safety\\_recall\\_completion\\_rates\\_report\\_to\\_congress-tag.pdf](https://www.nhtsa.gov/sites/nhtsa.dot.gov/files/documents/18-3122_vehicle_safety_recall_completion_rates_report_to_congress-tag.pdf).

the worse that repair rate becomes. If you have ever received a recall flier in the mail for a car you owned long-ago that is now being recalled, you know why these figures are so high - it is because the car ownership data is not accurate. That data is not accurate because paper processes mean state systems have millions of orphaned or incomplete records as people move from state-to-state or transfer vehicle ownership in paper form. Therefore, when the state releases its title data so manufacturers can conduct a recall, that data is not accurate, and many people unwittingly continue to drive a vehicle with an unaddressed safety risk embedded within it. Digitizing vehicle records helps to eliminate this risk as the data and points of contact could be easily verified, enabling cleaner data and improving public safety.

Ownum's use of blockchain technology is why we are invited to be here today. But sadly, the use of blockchain is often at the source of the most confusion and biggest delays for governments. Unlike in the 1990's and 2000's when government promoted business growth and fostered the internet boom, today our governments seem to be doing the opposite with anything related to blockchain. This is where this Committee can be of great help to any small business or start-up working with blockchain technology today.

At present, people do not understand the benefits of blockchain – whenever the word “blockchain” is used, people hardly think of digitizing vital records or car titles. Something that they typically think of is cryptocurrency, but that is only its first mainstream use case. At its heart, blockchain is just a really sophisticated ledger that is extremely secure, the track record of the activities occurring on it are immutable, and it is great for handling lots of transactions.<sup>7</sup> Further, there are essentially two types of blockchains. The first is permissionless, which is great for cryptocurrency because just like cash, it allows everyone to participate in its use for things such as payment. The Bitcoin blockchain is an example of this type of permissionless blockchain. The second, is permissioned blockchain – it has all the merits of a permissionless blockchain, except that one needs permission to transact on it. This type of blockchain is particularly good for activities related to vital records and to businesses who do not want the information on their blockchain networks to be publicly available. Over time the market will dictate which form is ideal. For our purposes today, the important question is how blockchain technology in general is regarded by government.

The federal government's focus towards this technology has mainly been that of enforcement -- locating the bad actors and mitigating against any potential risks. We and the Chamber are committed to compliance and are actively assisting industry to succeed. Nevertheless, only focusing on risk misses the transformative benefits of this technology. By failing to research and develop those benefits, we are driving innovation overseas and ceding our technical leadership to other nations.

The use of the word “blockchain” often leads to confusion and confusion begets delays. Those delays often force small businesses to abandon their business plans due to the cost of waiting

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<sup>7</sup> For more information, see CHAMBER OF DIG. COMMERCE, LEGISLATOR'S TOOLKIT FOR BLOCKCHAIN TECHNOLOGY (2018), <https://digitalchamber.org/state-legislators-toolkit>.

on government. Ideally, however, government would regard blockchain as merely a new technological innovation and instead focus on what the technology does and how it can transform and enhance the services we provide our citizenry. Thus, the problem we see on a federal and state level is that government is reluctant to engage with this technology for reasons that are not commensurate with the benefits it can bring. For this reason, we are grateful for the opportunity presented by this hearing, which can help bring to light the extraordinary benefits blockchain technology can bring for governments, for businesses, and for consumers.

The following list defines the problems we see in bringing this technology to market:

1. Fragmented state laws create confusion among policymakers and innovators as to what activities are permitted;
2. Some state agencies are reluctant to approve new programs if blockchain technology use is not affirmed expressly in the law, despite the technology neutral application of the federal Electronic Signatures In Global and National Commerce Act (ESIGN Act) that recognizes the legality of digital signatures and records, and pre-empts inconsistent state laws, all of which created the framework for electronic records and signatures in e-commerce in 1999 and 2000.
3. As the Chamber of Digital Commerce noted in their publication – [“Smart Contracts: Is the Law Ready?”](#)<sup>8</sup> the Uniform Electronic Transactions Act (UETA) and the federal ESIGN Act provide the legal framework for smart contracts and blockchain use. Both laws were designed and intended by their drafters to assure that the use of electronic media, in whatever form, would not affect the enforceability of commercial transactions.

Unfortunately, these points of confusion all create inaction. Lack of government understanding of the benefits of this technology is precisely how innovation and technological progress are halted today, particularly at the state level.

The federal government and this Committee, however, can help. By having this hearing and opening the dialogue on these important topics, you have taken the first step. Understanding the benefits of this technology, supported by government, are a crucial factor in enabling progress. The next step is to create a dialogue and a fast-track path towards our government, at the federal and state levels, to embrace doing business with blockchain-related companies and to work to find ways to support these companies bringing innovation to our citizens, particularly in cases where government involvement is required – such as is the case with vital records.

Ideally, the outcomes Ownum seeks are:

- Help the poorest in our country, who are also disproportionately minorities, to gain better access to their vital records in a secure way by encouraging federal and state

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<sup>8</sup> CHAMBER OF DIG. COMMERCE, SMART CONTRACTS – IS THE LAW READY?, 49 (2018), <https://digitalchamber.org/smart-contracts-whitepaper>.

governments to allow for the digitization of not only their vital records, but the process to acquire them.

- Use this Committee's paper reduction authority to promote the digitization of paper-based vital records at the state and federal level in areas where government services are involved.
- Providing financial aid to small businesses seeking to provide digitization of records.
- Incentivize state governments to adopt digitized vital records.
- Affirm publicly that the federal ESIGN Act applies across all 50 states to blockchain technology and other emerging technologies.

Further, we encourage government adoption of many of the principles outlined in the Chamber of Digital Commerce National Action Plan for Blockchain:<sup>9</sup>

- Adopt a light touch regulatory approach, as this country did for the internet, while the industry establishes key innovations;
- Policy and regulation should be clear and established prior to enforcement;
- Any regulation should be based on the function performed, not the technology

In conclusion, we are delighted to see the Committee on Small Business take this important step forward to recognize the business applications of blockchain technology by holding this hearing today. By encouraging and incentivizing all levels of state and federal government to digitize their paper processes and vital records, we will improve the lives of our poor and help to level the playing field for them. Additionally, we will help improve public safety through more accurate data, particularly in the vehicle title arena. Finally, by recommitting, as we did during the internet boom, to focus our government, at all levels, on what a technology enables, we will help our government to pursue digitization strategies for vital records. Doing so will enable many start-ups and small businesses like us to build the next generation of the innovative and entrepreneurial culture in America today.

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<sup>9</sup> *National Action Plan for Blockchain*, CHAMBER OF DIG. COMMERCE, <https://digitalchamber.org/blockchain-national-action-plan> (last visited Mar. 2, 2020).