

Hub Hub Hooray for the SEC's FinHub

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The SEC is set to challenge the old adage — “the more things change, the more they stay the same” — with the establishment of FinHub as a standalone office.

On December 3, the Securities and Exchange Commission (SEC) [announced](#) that FinHub (the Strategic Hub for Innovation and Financial Technology) will become a new office and, importantly, report directly to the SEC chairman.

FinHub was initially established in the wake of the 2017 “Initial Coin Offering” craze as an arm of the SEC’s Division of Corporation Finance, and tasked with “spearhead[ing] agency efforts to encourage responsible innovation in the financial sector.” Over the past three years, FinHub acted as a central resource for information on the application of federal securities laws to emerging financial technologies, and it enabled the SEC to provide prompt regulatory responses on matters relating to, among others, “distributed ledger technology and digital assets, automated investment advice, digital marketplace financing, and artificial intelligence and machine learning.” Part educator, part brain trust, and full-time regulator, FinHub has served as a key liaison between market participants and regulators, often translating technical slang into legal jargon and vice versa, and shaping the agency’s policy on digital assets. Among its notable initiatives, FinHub published leading guidance on the application of the *Howey* test to digital assets — [“Framework for ‘Investment Contract’ Analysis of Digital Assets”](#) — in April 2019.

As a standalone office, FinHub’s mission will expand to help lead “policy across all SEC Divisions and Offices” in furtherance of the SEC’s “commitment to facilitate the introduction of new technologies for the benefit of investors and the efficiency and resiliency of [the United States] markets.” This announcement is timely as financial technologies continue to rapidly evolve, as reflected in the explosive growth of DeFi (decentralized finance) instruments, and highlights the SEC’s recognition of the foundational role that FinTech will continue to play in the financial industry.

FinHub will continue to be led by the experienced hand of Valerie A. Szczepanik who is held in high regard across the industry for her technical understanding of the emerging technologies and forward-thinking approach to the intersection of the federal securities laws and technology. FinHub’s empowerment and Ms. Szczepanik’s continued stewardship may help quell ongoing concerns that the U.S.’ regulatory regime risks stifling innovation, leading key FinTech developers to harbor offshore financial centers with more defined regimes.

Like other key regulators who created similar offices in recent years — the Commodity Futures Trading Commission, which made its “LabCFTC” an independent office in [October 2019](#), and FINRA’s creation of the Office of Financial Innovation in April 2019 — we expect FinHub will quickly bring clarity to this nascent legal space

and expand engagement with market participants and subject matter experts.

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