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Warren Writes Letter to SEC on Authority to Regulate Crypto

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On July 7, Senator Elizabeth Warren penned a letter to Chairman Gary Gensler of the U.S. Securities and Exchange Commission (SEC), requesting information on the SEC's authority to regulate cryptocurrency exchanges. Warren's letter seeks to confirm whether the SEC has authority to regulate cryptocurrency or if Congress needs to pass legislation.

Warren specifically notes her concerns of fraud, scams, consumer protection, and the lack of a "safe cryptocurrency marketplace." Moreover, she states that the lack of regulation causes cryptocurrency exchanges to inflate their volumes to attract additional cryptocurrency listings and exchange users.

Warren posits that, "the SEC regulates national securities exchanges, and cryptocurrency exchanges that operate in a similar manner should be subject to similar regulatory standards."

Specifically, Warren presents a list of questions for the SEC to answer. These questions include issues concerning problems the SEC has previously identified with cryptocurrency exchanges, the SEC's authority to regulate cryptocurrency exchanges, the need for increased cryptocurrency investor protections beyond those protections for investors on traditional exchanges, and international coordination needed to address the regulation of cryptocurrency exchanges.

Warren also asks the SEC questions regarding DeFi trading systems, which are peer-to-peer platforms that interact over a software platform with no intermediary. She requests clarity regarding whether DeFi platforms create the same investor and consumer protection concerns and if these platforms warrant additional protections to those of a centralized cryptocurrency exchange.

We expect Chairman Gensler to respond within a month.

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