Insights On What New SEC Regulations In Crypto Could Mean For Investors and The Digital Currency Industry At Large

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The US Senate passed a $1 trillion infrastructure bill on August 10th. While roads and bridges would not normally be associated with Bitcoin or crypto, this bill did contain a provision about the industry to raise tax revenue for projects in the bill.

The provision would change the definition of “broker” to include just about any actor in the Bitcoin and crypto industry. Concerns were raised that users of Bitcoin who ran validating nodes, engaged in mining, and other non-brokering activities might get caught up in the wording in the bill.

Several attempts were made to improve the wording of the original provision. Bipartisan groups of Senators came forward with amendments to clarify the vague and broad original wording. Lawmakers spoke passionately on the Senate floor about the power of Bitcoin to build a strong foundation for the future of finance and money in the United States.

Throughout the negotiation it became clear that the Bitcoin and crypto industries have large and motivated constituencies. Thousands quickly mobilized to call their Senators and the story was covered by just about every major media outlet.

However, unanimous consent was required to amend the agreement and a lone senator, Richard Shelby of Alabama, refused to let the amended wording into the bill so the original provision remains. It would require node operators, miners, and developers to comply with tax reporting laws despite in no way acting as brokers facilitating sales of cryptocurrencies. The bill did not imply that buying and holding Bitcoin would become taxable. The naive overreach could stifle innovation in a very promising sector of growth to the detriment of the US economy.

Yet there remains some silver linings. Contrary to the majority of reactions around the industry, the willingness to rely on the industry for revenue generation signals the government is not looking to eliminate the industry, but rather legitimize it. This is a positive sign.

The bill still has to go through the House where amendments could be made. Even if the bill becomes law, it won’t go into effect until 2023, leaving time to educate lawmakers. It’s also important to note that agencies will be responsible for interpreting and applying the law. The language is vague and broad, leaving a lot of room for interpretation.

There are many Bitcoin advocates in Washington. Most notably Gary Gensler, the chairman of the SEC, who made public comments about the space in early August in an interview with Bloomberg. Gensler is no newcomer. He previously authored and taught a course on “Blockchain and Money” at MIT.

Gensler’s comments focused primarily on concerns that there is a lot of need for investor protections. Speaking of both his experience as a professor and his current view of the need to regulate against a wide variety of harmful projects, he praised Bitcoin. “I came to believe that though there was a lot of hype masquerading as reality in the crypto field, Nakamoto’s innovation is real.”

The Bitcoin and crypto industries are growing up. They are now at the stage of educating and informing the government so a sensible regulatory framework can be developed for them. But it is clear that many in Washington see Bitcoin as something that stands alone from the crypto industry it created.

About the Author: *Cory Klippsten is CEO at Swan Bitcoin, one of the only platforms that allows both high-net worth and retail individuals to invest in and accumulate bitcoins through automatic deductions and instant buys whereby the user can customize their spend based on their own personal budget.*