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Cryptocurrency North America

PDX Global Asks: Crypto Regulation, Will the SEC Ever Approve?

by The Fintech Times December 6, 2021



Shane Rodgers is the founder of PDX Global, a digital banking platform and cryptocurrency and blockchain payments project. Rodgers is on a mission to provide a modern alternative to a 70-year old bank payment system.

In this article, he shares his opinion on the challenges of cryptocurrency regulation in the US.



Shane Rodgers is the founder of PDX Global

With Bitcoin at an all-time high and more mainstream investors purchasing cryptocurrencies from Ethereum to **Dogecoin**, we are living the Wild West days of crypto assets: we can see the promise of significant financial growth and the dangers of unscrupulous operations.

This year, while many benefitted from the rise of **Bitcoin**, Americans lost over \$80 million in cryptocurrency scams between October 2020 and April 2021. Clearly, the time has arrived for regulators to create oversight mechanisms for the \$2+ trillion market.

The problem? The **SEC** has attempted to seize the reins of crypto regulation for itself and asked Congress to expand its jurisdiction. **According to TechCrunch**, the SEC has even sued **Coinbase** and **Ripple**, two crypto companies that have requested regulation for years.

True cryptocurrencies are not securities, they are commodities. Yet the SEC treats them as securities. Using the same logic, the US dollar would be categorised as a security. And like any other asset that replicates fiat money, cryptocurrencies should be regulated by the Office of the Controller of the Currency (OCC) and/or the Commodities Futures Trading Commission (CFTC). Acting CFTC head **Rostin Behnam** is already requesting jurisdiction over this area, but the move has created an interagency feud. Congress must impose itself to dictate the rules and clarify the agencies' mandates.

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Regulation definition

Whatever the outcome, let's define and separate what it is they will regulate. Today there is much confusion about the target of **regulation**. Will the agency regulate the crypto-asset itself, or will it regulate the company that builds and manages the crypto asset?

The SEC should indeed have jurisdiction over the company because companies are securities. It should regulate all the companies in the crypto space as it already does, but not necessarily the underlying digital assets. If the company is selling shares of itself to raise capital, that comes under the SEC's purview.

Similarly, the SEC should oversee any crypto asset that cannot demonstrate conclusively that it can or will function as a currency. This could be tokenized real estate, tokenized natural resources, tokenized stocks or shares, or a venture capital tech project disguised as a crypto asset.

However, if a company sells tokens that serve as a genuine payment or a utility coin, this is for the CFTC to regulate. In this way the CFTC or OCC would regulate all "serious" cryptocurrencies, thereby allowing clear and appropriate oversight of that asset class.

It's not up to me as a crypto CEO to provide ideas on the regulation I'd like to see — I don't know what will help us most in a macro sense. That's the job of the regulators to figure out so that they maximise growth and participation for all stakeholders.

Regulation is key

As co-founder of PDX Coin, a crypto-to-flat digital banking platform, I do know we need guardrails and actual laws — black and white regulation from Congress. It's good for the industry, accelerating financial growth, and protecting against fraud, tax evasion and money laundering. With effective regulation, we know where we stand. We can plan and build our platforms and operations accordingly. Currently, we operate in the dark — all we have from the SEC is a crazy patchwork quilt devoid of cohesive policy or strategy. Congress must step up and empower the agencies.



And if they can't figure it out, they need to look to other countries that have. The UK, Australia, Switzerland, and **Singapore** have effectively defined and regulated cryptocurrencies and are taking the lead as cryptocurrency meccas. Like the traditional currency market, cryptocurrencies are global. If we are unable to establish more uniform cryptocurrency laws, US investment cash will flow to safer crypto markets abroad.

This is not rocket science — we have already regulated the traditional financial industry to reduce tax evasion and money laundering. Now we can use the security and accuracy of the blockchain to our advantage in weeding out bad players. One of the common misperceptions is that crypto-assets are untraceable. In fact, the very nature of the **blockchain**, with its distributed ledger technology, provides a greater degree of traceability than does the standard financial industry, where much can be hidden.

While CFTC and SEC engage in petty feuds, we are left with a spaghetti of rules and loose guidelines. To grow our digital and cash economy so that mainstream consumers and underserved populations participate in that growth is essential. As a company we want consumers and merchants to be able to make payments faster, more easily and more securely for all parties.

ARK Investment said it expects to see 1 to 1.2 billion people in crypto by the end of 2025. But we won't see that many with such regulatory confusion. However, you will see ongoing volatility in asset prices. As a team of veteran bankers, finance executives, payments professionals and technologists, we don't like operating in the dark. We just need some commonsense rules. Let's have the agencies step up to the plate and deliver.

Author


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