

Congress of the United States

Washington, DC 20515

July 19, 2023

The Honorable Gary Gensler
Chair
Securities and Exchange Commission
100 F St NE, Washington, DC 20549

Dear Chair Gensler,

Establishing a comprehensive regulatory framework for digital assets is a priority for the House Committee on Financial Services and House Committee on Agriculture. A well-regulated marketplace is essential to ensure the United States continues to benefit from the innovation and growth in markets, services, and activities utilizing digital assets and blockchain technology.

Over the past four years, our committees have held more than 15 hearings on digital asset policy, including a historic joint hearing of both committees to discuss existing regulatory gaps in the United States. We have also introduced bills to address those regulatory gaps. In October 2021, Chairman McHenry introduced the Clarity for Digital Tokens Act, to provide a regulatory safe harbor for startup digital asset projects, and in April 2022 Chairman Thompson introduced the Digital Commodity Exchange Act, to establish a regulatory regime for digital commodities.

Last month, this work culminated in the release of a digital asset market structure discussion draft that establishes fit-for-purpose requirements for digital asset intermediaries and trading platforms administered by the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC). The draft legislation provides robust consumer protections for Americans trading digital assets and establishes clear rules of the road for all market participants.

While Congress works to close regulatory gaps, the SEC has opted to regulate by enforcement. Additionally, the SEC has sought to regulate digital asset intermediaries through multiple rulemakings and staff actions. In fact, Financial Services Committee Republicans have sent numerous letters to the SEC expressing concern with several proposed rulemakings and staff actions. This approach does not result in compliance and customer protection, but instead creates further confusion, as demonstrated by the recent summary judgement. This concern is exacerbated by certain Commission actions, seemingly timed to coincide with related Congressional activity, which appears calculated for maximum publicity and political impact.

This approach does not protect the public. Legislation would do far more to prevent future collapses of digital asset firms than enforcement actions. A statutory framework would establish a process for firms to come into the regulatory parameter and comply with consumer protections, rather than relying on enforcement actions to punish a bad actor after the damage has already been done. It is critical that we close the digital asset market regulatory gap and provide intermediaries, trading platforms, and market participants with clear rules of the road. We look forward to productive engagement with the Commission on this groundbreaking legislation.

Sincerely,



French Hill
Member of Congress
Chair, Subcommittee on Digital Assets,
Financial Technology and Inclusion



Dusty Johnson
Member of Congress
Chair, Subcommittee on Commodity Markets,
Digital Assets and Rural Development