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Regulator gears up for Bitcoin crackdown amid digital coin frenzy

Gary Gensler, the incoming chair of the US Securities and Exchange Commission, is expected to tough up rules

By James Titcomb SAN FRANCISCO

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Bitcoin and other [cryptocurrencies](#) are set to face new regulation and oversight under the Biden administration as interest in the digital coins rises.

Gary Gensler, the incoming chair of the US Securities and Exchange Commission (SEC), is expected to establish rules that allow more firms to handle Bitcoin but will come with strings attached that increase protection for customers.

Jeff Bandman, a former fintech official at the Commodities and Futures Trading Commission (CFTC) where Mr Gensler pioneered new financial protection laws under Barack Obama, said the SEC could push for similar regulations around cryptocurrencies.

“There will be things that promote regulatory certainty but that will require extra measures, additional customer protection measures and checks and balances,” Mr Bandman said.

“Right now there’s no federal regulator that directly supervises the spot crypto market for Bitcoin and others. If Chairman Gensler makes that a priority, there could be further steps.”

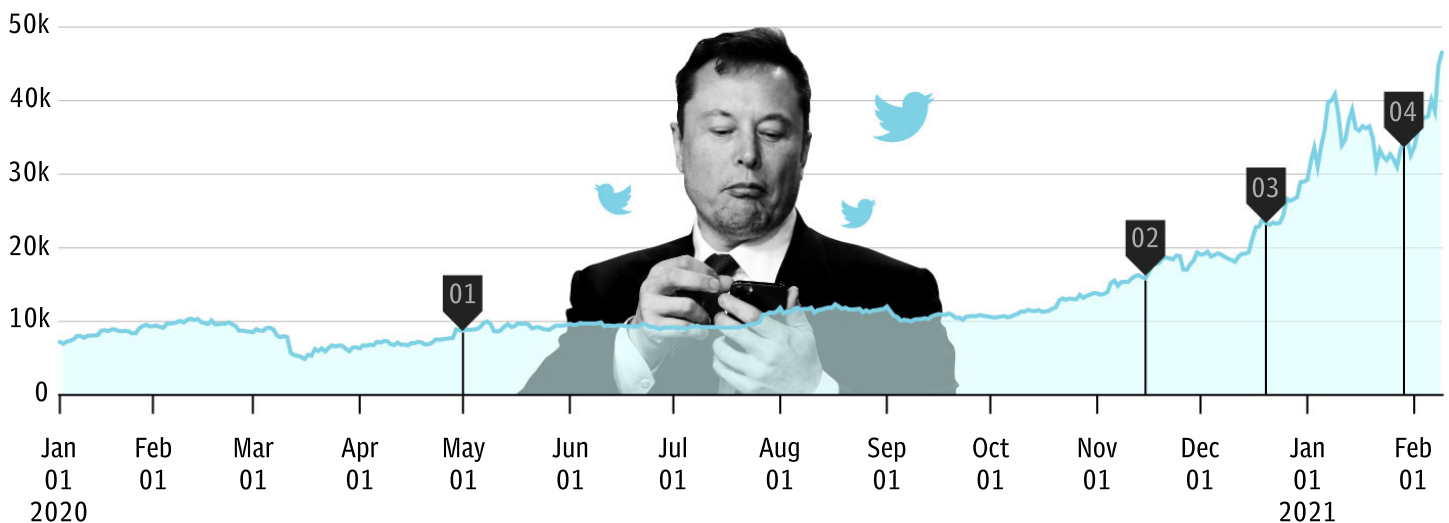
Mr Gensler, a former Goldman Sachs partner, pushed heavily for new laws and regulations to make financial derivative trading more transparent after the financial crisis.

He has been a close follower of cryptocurrencies, teaching about and researching blockchain technology at MIT after leaving the CFTC.

Mr Gensler is believed to support cryptocurrencies but believe they need stricter supervision. Legal experts said this could mean more financial institutions being able to trade and hold Bitcoin, but being subject to stricter checks than currently exist. For example, they might have to follow security guidelines to ensure that the virtual assets cannot be stolen.

Elon Musk has been charging up Bitcoin's value

Bitcoin value (\$)



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- Elon asks if a large Bitcoin transaction is possible
- Meme of a monk tempted by Bitcoin

04 **January 29, 2021**
Elon Musk changed his Twitter bio to "#bitcoin"

SOURCE: BLOOMBERG/ TWITTER

Broker-dealers have so far struggled to gain licences to hold cryptocurrencies, and previous SEC boss Jay Clayton denied approval to Bitcoin-based exchange traded funds. If approved

under Mr Gensler, both would be likely to attract new investors, but could face rules about how they protect customers' investments.

“The approach under Chairman Clayton appeared to be to try to limit crypto activities that could be done within entities regulated by the SEC. [Mr Gensler] may take a more regulatory approach, perhaps he would want to bring some of that activity within the scope of the SEC’s regulatory purview,” said Jai Massari, a financial regulation lawyer at Davis, Polk & Wardwell.

Mr Gensler has said he wants to see greater cryptocurrency adoption but that this would go along with stricter regulation. “You want some form of regulation, you want traffic lights and speed limits, because then the public is confident to drive on the roads,” he told Bloomberg in 2018.

Regulators have worried about cryptocurrencies’ volatility and their association with cybercriminals but Bitcoin’s price has climbed to a new high this week when Elon Musk’s [Tesla announced that it was putting \\$1.5bn](#) (£1.1bn) into the virtual currency.

Charles Hoskinson, chief executive of IOHK and co-founder of Ethereum, said: “We will soon see a crypto marketplace with billions of users but it will also be a much more regulated marketplace than in 2017, with regulations covering everything from taxes to how we recover someone’s private keys if they die. ”

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