



May 11, 2023

Chairman Patrick McHenry  
House Financial Services Committee  
2129 Rayburn House Office Building  
Washington, DC 20515

Ranking Member Maxine Waters  
House Financial Services Committee  
4340 O'Neill House Building  
Washington, DC 20515

Dear Chairman McHenry and Ranking Member Waters:

We commend you for holding hearings this Congress on topics related to the proper regulation of digital assets.

As you work to properly regulate this nascent industry, **we write to correct the record on regulator requests for Congressional action**, and to **offer guidance on the establishment of a legal framework for stablecoins**.

### **Regulators Call for Congressional Action**

During an April 27 hearing<sup>1</sup> on the Future of Digital Assets, participating lawmakers incorrectly claimed that neither the Biden Administration nor financial regulators have asked Congress to develop a legal framework for the crypto industry.<sup>2</sup>

In fact, many regulators have gone on the record about the need for congressional action. Since President Biden entered office, regulators from the SEC, the CFTC, the FDIC, the OCC, and Treasury have all called on Congress to develop a regulatory framework for digital assets, along with providing jurisdictional authority.

In many cases, these calls to action have urged Congress to work in a timely way, providing specific legislative remedies to help guide the regulation of crypto. In the Biden Administration's 2021 *Report on Stablecoins*, the **President's Working Group on Financial Markets (PWG)**, along with the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) jointly recommend that Congress, "act promptly to enact legislation" to ensure that stablecoins are subject to a federal

---

<sup>1</sup> <https://www.youtube.com/live/Q14iLLkAImU>

<sup>2</sup> <https://twitter.com/FSCDems/status/1651672876930461709>

prudential framework on a consistent and comprehensive basis.”<sup>3</sup> The report includes detailed recommendations on what regulatory authority Congress should grant in establishing a stablecoin framework.

The **head of the Commodity Futures Trading Commission** has also called on Congress to act. In testimony before the Senate Agriculture Committee last December, Chairman Rostin Behnam told lawmakers that his agency was limited by its inability to register cash market exchanges, and urged senators to reexamine crypto legislative proposals in the wake of the FTX collapse.<sup>4</sup>

And Behnam is not the only Biden-appointed commissioner from the CFTC to have spoken out. In March of this year, **CFTC Commissioner Summer Mersinger** publicly highlighted the need for legislation that delineates agency authority for oversight of the crypto industry.<sup>5</sup> Mersinger noted that the Securities and Exchange Commission (SEC) and the CFTC are unlikely to independently resolve the jurisdictional question of which agencies should be regulating which assets.

Those same jurisdictional questions have also led SEC Commissioners to call on Congress to establish a regulatory framework for crypto. This January, **SEC Commissioner Hester Peirce** spoke publicly about the need for Congress to hasten its work to develop a regulatory framework that would provide clarity for the multiple executive agencies currently working to regulate the new industry.<sup>6</sup>

Even **Treasury Secretary Janet Yellen** has noted the urgent need for Congress to pass legislation establishing a regulatory framework for crypto. Late last year, at a meeting of the Financial Stability Oversight Council, Yellen noted that in order to address recent shocks and volatility within the crypto-assets system, some necessary agency actions would “require Congress to provide new authorities.”<sup>7</sup>

While some Members of Congress have made well-intentioned efforts to establish a regulatory framework for digital assets, progress has lagged so far in 2023. The continued lack of action around clarity and accountability will only harm consumers, who are starting to view digital assets with a less positive outlook<sup>8</sup> compared to last year.

---

<sup>3</sup> [https://home.treasury.gov/system/files/136/StableCoinReport\\_Nov1\\_508.pdf](https://home.treasury.gov/system/files/136/StableCoinReport_Nov1_508.pdf)

<sup>4</sup> <https://www.reuters.com/technology/us-cftc-chair-be-questioned-over-ftx-collapse-by-lawmakers-2022-12-01/>

<sup>5</sup> <https://beincrypto.com/cftc-congress-crypto-regulators-to-cooperate/>

<sup>6</sup> <https://www.foxbusiness.com/markets/secs-hester-peirce-congress-enact-crypto-regulations-clarity-provided>

<sup>7</sup> <https://tax.thomsonreuters.com/news/treasury-calls-for-tighter-crypto-regulation-oversight/>

<sup>8</sup> <https://www.cnbc.com/2022/12/07/just-8percent-of-americans-have-a-positive-view-of-cryptocurrencies-now-cnbc-survey-finds.html>

The continued lack of a framework emphasizing disclosure and transparency for digital asset companies are driving consumers away. According to a recent Pew Research Survey, 75% of people surveyed familiar with digital assets did not feel confident in their safety or reliability. Due to the delayed response from Congress when major companies like Celsius and FTX collapsed, consumers were left to fend for themselves.<sup>9,10</sup>

**Together, the requests for congressional action from federal regulators make it clear: without congressional action, the current regulatory landscape is not conducive to a healthy marketplace for consumers and investors.** The absence of clear regulation has allowed for an abundance of fraudulent schemes, scams, and other illegal activities that have resulted in millions of dollars lost to consumers. While the current patchwork of state laws is a start, it is not enough to address the growing complexity of the crypto industry.

Lawmakers should heed to the requests of Administration officials and act now to establish a regulatory framework for cryptocurrencies.

### **Stablecoins as a Stepping Stone**

A comprehensive stablecoin framework has been considered low hanging fruit for many countries when they have begun developing digital asset policies. Many of these frameworks include provisions related to consumer protection, anti-money laundering (AML), transparency and disclosure of underlying assets.

The disclosure of underlying assets is especially important, because stablecoins are digital assets that are designed to maintain a stable value (a peg) relative to a specific asset or currency, like the US dollar. Without the proper reserves on hand to maintain its peg, or the regulatory requirement to have adequate reserves, any shock to the market would hinder the ability for stablecoins to remain stable.

While there are a few stablecoin issuers that are transparent about their reserves, the largest stablecoin in the US by market cap, Tether, has not been as forthcoming.<sup>11</sup> Stablecoin issuers should have a responsibility to provide disclosures to the public on their reserves, market conduct, custodial issues and any other material risks that could affect user adoption of these tokens. Congress should require that all crypto exchanges or companies receiving customer deposits to publicly disclose audited financial statements and documents that truthfully represent the companies health.

---

<sup>9</sup><https://www.cnbc.com/2022/08/02/celsius-investors-owed-4point7-billion-beg-judge-to-recover-life-savings.html>

<sup>10</sup><https://www.npr.org/2022/11/18/1137492483/ftx-investors-worry-they-lost-everything-and-wonder-if-theres-anything-they-can->

<sup>11</sup><https://www.bloomberg.com/news/features/2021-10-07/crypto-mystery-where-s-the-69-billion-backing-the-stablecoin-tether?srnd=premium&srref=SCKvL4TY>

We need Congress to **pass legislation requiring stablecoin issuers to disclose their reserves, in order to prevent another FTX-like catastrophe.** By requiring disclosures and audited financial statements from stablecoin issuers, Congress can provide the appropriate clarity needed to increase demand for stablecoins and stablecoin reserves, which will help maintain the US dollar's status as a global currency amid talks of de-dollarization.<sup>12</sup>

Regulatory clarity, transparency and disclosures are very important issues needed to ensure that consumers have reasonable protections when it comes to stablecoins. By Congress addressing issues like market conduct, company integrity and regulatory concerns around product usage, companies and consumers alike will finally get the clarity that they've been craving for so long. Companies need clear guidelines on how to operate within the law, while consumers need to understand the risks associated with investing in digital assets.

Given these challenges, we **strongly urge Congress to take action to create a clear regulatory framework for stablecoins.** We understand that finding consensus on these issues is not easy, but we believe that it is essential for the future of the US payment system. Without proper regulation, the crypto market will continue to be plagued by fraud, uncertainty, and risk, which will only harm consumers and businesses alike.

Sincerely,



Janay Eyo  
Director, Financial Policy  
Chamber of Progress

---

<sup>12</sup>

<https://foreignpolicy.com/2023/04/24/brics-currency-end-dollar-dominance-united-states-russia-china/>