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with RIC EDELMAN

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THE WAITING GAME FOR A BITCOIN ETF: Highlights from a Conversation with SEC Commissioner Caroline Crenshaw

The SEC has again rejected spot bitcoin ETF applications from Grayscale, Bitwise, SkyBridge, and others. What will it take for the SEC to approve one of these applications?

In an effort to get an answer, I interviewed SEC Commissioner Caroline Crenshaw on my radio show and podcast *"The Truth About Your Future"*. Here are edited highlights of that conversation:

Ric Edelman: You've written and spoken about crypto for as long as you've been an SEC commissioner, so how would you describe yourself? Pro-crypto, anti-crypto, something in between?

Commissioner Crenshaw: I am extremely supportive of blockchain technology's potential and really have been incredibly impressed by the level of research and activity that has been dedicated to its development. I think there's a lot of potential in that area. I think there's a lot of ways that we can make improvements to the securities industry. But as someone who took an oath to protect investors and to ensure fair and efficient markets, I certainly do have some questions. The SEC and investors need significantly more information on those aspects of crypto, of DeFi, of NFTs that seem to involve an investor exchanging something of value with the expectation of a financial return based on someone else's effort. Those types of offerings may fall within the SEC's jurisdiction.

Ric Edelman: Crypto is a global asset trading worldwide 24/7. If they're trading outside the U.S., the SEC clearly could struggle to claim jurisdiction. Should investors only engage with companies that are registered with the SEC?

Commissioner Crenshaw: I think that's critically important. I think registration serves absolutely fundamental aspects of our market. Without that, it's very hard to hold people accountable. It also

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sets a baseline of disclosures, and it creates an institutional discipline to focus on compliance and just a continuing recognition that investors have specific rights that must be respected.

Ric Edelman: Some projects do voluntarily disclose info on their websites and social media on the blockchain itself. But you think that's not enough?

Commissioner Crenshaw: I'd say some projects are more transparent than others, but even those projects that do disclose information about themselves or their experience, their partners and customers without registering, there isn't necessarily anyone to verify that any of their claims are true. The blockchain is very transparent as to certain limited types of data. So for example, time and number of transactions and the addresses of those who transacted – all perfectly transparent. But it doesn't reveal the identities of those who are transacting or for that matter, any other arrangements or connections they may have off chain. And I think it's just a reminder that compliance is more than a legal obligation. It's a market good that improves confidence and resilience and allows for more accurate pricing.

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Ric Edelman: The SEC has had a number of [bitcoin ETF] applications but hasn't said yes to any of them as yet. Tell us your thoughts about the potential for that. Is there going to be a bitcoin ETF one day or should investors just stop asking?

Commissioner Crenshaw: I can't talk about too much of the internal deliberations of the Securities and Exchange Commission. So I will just say that we will have to see what all the applications say.

Ric Edelman: One final question. What is it you're optimistic about in the area of crypto and what is it you're pessimistic about?

Commissioner Crenshaw: Some optimism: I think removing intermediaries has the potential to reduce errors and costs for retail investors. I think there's a lot of research and development efforts underway and the potential is there for this to really improve elements of investing or commerce in ways that we haven't even yet considered. That's a really critical part of this. I don't know where this is going, but I think there are some really interesting and cool opportunities. It may be that we've not yet settled on crypto's killer app, but the lessons being learned today will allow us to better harness that when it appears so.

Concerns: Unless and until I think we can have a market where people have some basic information about these tokens, these platforms, these projects, we're not going to be able to evolve and grow as much as we would like, because there's always going to be that question about fraud, accuracy, and how we get to market adoption. I think we need some really basic fundamental protections like the SEC has put in place for every other security.

Note: Commissioner Crenshaw added a disclaimer. “The views I express are my own and don't necessarily represent the views of the Commission or the staff of the Commission.”