Negative: Cryptocurrency Regulations

By Katherine Baker

***Resolved: The United States Federal Government should substantially reform its banking, finance, and/or monetary policy.***

Summary: AFF plan will increase regulations on cryptocurrency (think Bitcoin, but there are hundreds of others), possibly by having the Securities & Exchange Commission (SEC) take jurisdiction and regulating them the same way stocks and bonds (securities) are regulated. It’s unnecessary because the Status Quo already has regulation and will develop more once enough study has been done to properly understand the technology. Rushing into a new regulatory regime right now would be a mistake because the government wouldn’t have an adequate understanding of what it is regulating to do a decent job.

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Negative: Cryptocurrency Regulations

BACKGROUND

Blockchain

Matei Gavril, 2017. (CEO of PrMediaOnline, an expert online marketing and a creative marketing manager.) “The Financial Revolution And The Many Benefits It Brings: Cryptocurrency & Blockchain Technology” Nov 15, 2017. <https://www.forbes.com/sites/forbescommunicationscouncil/2017/11/15/the-financial-revolution-and-the-many-benefits-it-brings-cryptocurrency-blockchain-technology/#47a5c9553cc0>

The underlying technology Bitcoin uses is blockchain, which is defined as: "a decentralized ledger that keeps a record of all transactions that take place across a peer-to-peer network. All online activities are organized into chunks of data named blocks, which are linked to one another forming a block chain. Through the use of miners that monitor, verify and record the transactions, every party involved in that business network can witness and access their log of transactions."

MINOR REPAIR

Regulatory Sandboxes. Try that first, then wait and see what kind of regulations we really need, before we substantially reform

Angela Walch, 2017. (St. Mary's University School of Law; University College London - Centre for Blockchain Technologies) “The Path of the Blockchain Lexicon (and the Law)” March 24, 2017. <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2940335>

Time and continued experimentation with blockchain technology will hopefully lead to a more unified and stable terminology, which will make the technology easier to understand, and therefore regulate. A strategy of waiting for a stable terminology is in tension with consumer protection and financial and social stability regulatory goals, so regulators should look for creative ways to achieve their core missions while giving the technology a chance to evolve and stabilize. This will be difficult due to the rush to incorporate blockchain technology into numerous critical social practices and key parts of the financial system. Notably, the Depository Trust and Clearing Company (DTCC) announced in January 2017 that it was putting derivatives on a blockchain (or distributed ledger, or who knows). Industry may not wait until a stable technology or terminology emerges before using the technology in important ways, so consumers and financial stability may be put at risk before the technology or its vocabulary gets nailed down. Regulators around the globe have been looking for creative ways to enable safe technological experimentation in “fintech” (including blockchain technology), and the latest trend is to create “regulatory sandboxes.” These safe harbors, which have been adopted or proposed in a growing number of countries around the world, allow certain fintech companies to escape regulatory sanction in their startup phase, while protecting consumers in specified ways. Each sandbox is slightly different, and each is in a different phase of rollout or discussion, but the idea seeks to emulate the clinical trials held for pharmaceuticals in allowing limited “trying out” of financial technology before making it available to the masses. U.S. Commodity Futures Trading Commission Acting Chair Christopher Giancarlo has advocated the creation of a regulatory sandbox in the United States so that it does not lose ground to countries more willing to allow experimentation with the technology. And a recent G20 Insights Paper called for the creation of a global regulatory sandbox to “support beneficial private sector blockchain development,” including for use in providing financial services to the unbanked and underbanked.

INHERENCY

1. Industry self-regulation

Cryptocurrency already self-regulated

Rachel McIntosh, 2018. (Writes for Finance Magnates, the world’s only multi-asset online/electronic trading knowledge hub) “Self-Regulation in Crypto Rises as Governments Stumble Through Legislation” 04/04/2018. <https://www.financemagnates.com/cryptocurrency/news/self-regulation-crypto-rises-governments-stumble-legislation/> (Brackets in original)

Seven of the largest cryptocurrency firms in the world made headlines in February when they joined to form CryptoUK. In an interview with Finance Magnates, CryptoUK Chairman Iqbal Gandham said that the formation of the organization was a response to the fact that “the status [of cryptocurrency regulation] in the EU–as with any country in the world right now–is very fluid [at the moment].” He explained that he’d “be happy to say that [CryptoUK is] taking more of a leadership position on [cryptocurrency regulation].”

Self-regulating body already acting

Rachel McIntosh, 2018. (Writes for Finance Magnates, the world’s only multi-asset online/electronic trading knowledge hub) “Self-Regulation in Crypto Rises as Governments Stumble Through Legislation” 04/04/2018. <https://www.financemagnates.com/cryptocurrency/news/self-regulation-crypto-rises-governments-stumble-legislation/>

According to a CoinTelegraph report, CryptoUK is forming a “code of conduct that will help prevent money laundering and other illegal activities involving Bitcoin and other cryptocurrencies, as well as better protect customers.”

Turn: Lack of US regulation makes crypto firms more cautious, take self-regulation more seriously

Rachel McIntosh, 2018. (Writes for Finance Magnates, the world’s only multi-asset online/electronic trading knowledge hub.) “Self-Regulation in Crypto Rises as Governments Stumble Through Legislation” 04/04/2018. <https://www.financemagnates.com/cryptocurrency/news/self-regulation-crypto-rises-governments-stumble-legislation/>

The regulatory confusion in the US has caused US-based crypto firms to tread lightly, working to become as compliant as possible. US-based exchanges, in particular, have also begun to take their own self-regulation more seriously.

Cryptocurrency responding to shortcomings

Rachel McIntosh, 2018. (Writes for Finance Magnates, the world’s only multi-asset online/electronic trading knowledge hub.) “Self-Regulation in Crypto Rises as Governments Stumble Through Legislation” 04/04/2018. <https://www.financemagnates.com/cryptocurrency/news/self-regulation-crypto-rises-governments-stumble-legislation/>

Despite active regulatory measure from the Japanese government, the 16 government-registered crypto exchanges in Japan have announced the formation of their own self-regulatory body to “bolster trust in an industry rocked by a $530 million digital money heist in January,” referring to the Coincheck hack. According to a Reuters report, the name and the date of registration with the Japanese Financial Services Agency are not yet known, but a source said that “the body would be set up this spring.”

Exchanges delisting frauds

Rachel McIntosh, 2018. (Writes for Finance Magnates, the world’s only multi-asset online/electronic trading knowledge hub) “Self-Regulation in Crypto Rises as Governments Stumble Through Legislation” 04/04/2018. <https://www.financemagnates.com/cryptocurrency/news/self-regulation-crypto-rises-governments-stumble-legislation/>

Several exchanges have also recently decided to begin de-listing coins that are deemed fraudulent. Earlier this week, Binance announced that it would be removing the Centra Token (CTR) from its platform “in light of the information released earlier today relating to the controversial and fraudulent acts by members associated with the Centra Tech team.”

Exchanges delisted 80 coins for suspicious activity

Rachel McIntosh, 2018. (Writes for Finance Magnates, the world’s only multi-asset online/electronic trading knowledge hub.) “Self-Regulation in Crypto Rises as Governments Stumble Through Legislation” 04/04/2018. <https://www.financemagnates.com/cryptocurrency/news/self-regulation-crypto-rises-governments-stumble-legislation/>

Bittrex also announced in mid-March that it would be delisting more than 80 coins because of a lack of sufficient liquidity. “Limited trading volume on the exchange or potentially suspicious trading activity” is listed as a reason for token removal on the exchange, in addition to “evolving regulatory standards and other compliance issues,” “poor implementation of use cases or poor reception by community,” and others.

Took action against insider trading

Rachel McIntosh, 2018. (Writes for Finance Magnates, the world’s only multi-asset online/electronic trading knowledge hub.) “Self-Regulation in Crypto Rises as Governments Stumble Through Legislation” 04/04/2018. <https://www.financemagnates.com/cryptocurrency/news/self-regulation-crypto-rises-governments-stumble-legislation/>

Coinbase also temporarily suspended the trading of Bitcoin Cash in response to widespread allegations of insider trading on the BCH network.

Helping Government inquiries.

Aroosa Nadeem (Journalist. Cryptopolitan is a site that reports of Cryptocurrency.) “FATF Recommendations Harmful for Crypto Transparency: Chainalysis” Apr 12, 2019. (referencing Chainanalysis COO Jonathan Levin and international head of policy Jesse Spiro) <https://www.cryptopolitan.com/fatf-recommendations-harmful-for-crypto-transparency-chainalysis/>

Levin and Spiro stated that the transparency, which is characteristic in a blockchain provides technical opportunities, though, such transfers can use the data already stored on the blockchain to produce an active risk-based method. By keeping the data about KYC, exchanges can offer information on precise transfers or persons to law execution, watchdogs and banks, as desired, to avoid any unlawful activity. Levin and Spiro noted that Chainalysis has contributed in abundant inquiries, using the data obtained from blockchain to recognize wallets and funds which were suspected to be involved in illegitimate activities.

Industry can self-regulate

Sydney Ifergan, 2018. (20+ years commercial experience and has spent the last 10 years working in the online marketing arena and was the CMO for a large FX brokerage. Sydney is among the top 30 ICO experts on ICObench and has previously worked with numerous ICO projects) “French Report: Cryptocurrency Should not be Regulated” July 16, 2018. <https://thecurrencyanalytics.com/1755/french-report-cryptocurrency-should-not-be-regulated/>

There are arguments that the industry can be self-regulating. In a recent report, 16 Japanese exchanges have taken actions in setting up an independent association for the regulation of cryptocurrency exchanges.

Self-regulation better; more informed

Rachel McIntosh, 2018. (Writes for Finance Magnates, the world’s only multi-asset online/electronic trading knowledge hub.) “Self-Regulation in Crypto Rises as Governments Stumble Through Legislation” 04/04/2018. <https://www.financemagnates.com/cryptocurrency/news/self-regulation-crypto-rises-governments-stumble-legislation/>

To prevent ill-informed regulations from being formed, cryptocurrency firms around the world have moved to form self-regulatory bodies. These associations serve several purposes: they act as a way to educate and inform the governments of the world about what appropriate regulation of cryptocurrency should look like, they self-institute measures to protect themselves and users and ultimately help the crypto industry grow down a sustainable path.

2. SEC and other federal agencies already acting

SEC already acting: Taken action against fraudulent crypto firms and ICO’s (Initial Coin Offerings) and requires registration

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Acting with slow and rather calculated decisions, the United States has begun its own journey towards comprehensive crypto regulation. The SEC has taken action against crypto firms and ICOs that it deemed as fraudulent, and announced several weeks ago that all cryptocurrency exchanges must register with the agency.

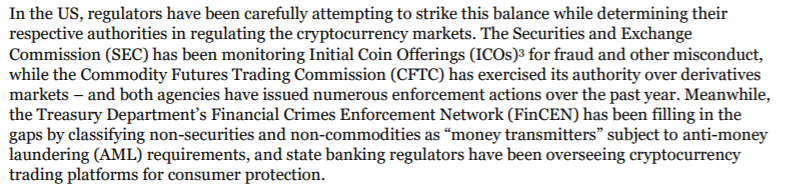
SEC says they already plan to regulate crypto currencies as “securities,” like stocks, and exchanges are complying

Rakesh Sharma 2019 (master's degree from Northwestern University Medill School of Journalism; worked as a technical writer for eight years in the IT Services industry) 25 June 2019 “How SEC Regs Will Change Cryptocurrency Markets” <https://www.investopedia.com/news/how-sec-regs-will-change-cryptocurrency-markets/>

For example, SEC Chief Jay Clayton has told reporters that most tokens were security tokens, meaning that they were to be traded like stocks and fell under the agency’s regulatory purview. After it was subpoenaed by the agency for insider trading, [Coinbase](https://www.investopedia.com/terms/c/coinbase.asp), North America’s largest cryptocurrency exchange, fell in line and is said to be in talks to register as a regulated brokerage.

Multiple federal agencies (SEC, CFTC, Treasury Dept) regulating crypto currency

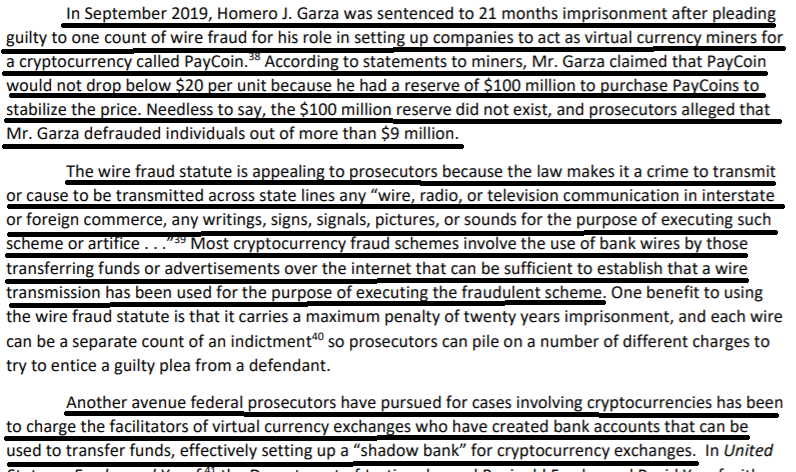
Price Waterhouse Coopers 2018. (international tax & accounting firm) “Carving up crypto: Regulators begin to find their footing” <https://www.pwc.com/us/en/financial-services/regulatory-services/publications/assets/cryptocurrency.pdf>



3. Existing federal laws

Federal wire fraud and bank fraud laws are already being used to prosecute crypto currency fraud

Prof. Peter J. Henning 2019. (law professor at Wayne State Univ.) 15 Oct 2019 Wayne State University Law School Legal Studies Research Paper Series No. 2019-63 A TAXONOMY OF CRYPTOCURRENCY ENFORCEMENT ACTIONS <https://www.ssrn.com/abstract=3483198> (brackets and ellipses in original)



4. State regulations

States acting. Example: California

Rachel McIntosh, 2018. (Writes for Finance Magnates, the world’s only multi-asset online/electronic trading knowledge hub.) “Self-Regulation in Crypto Rises as Governments Stumble Through Legislation” 04/04/2018. <https://www.financemagnates.com/cryptocurrency/news/self-regulation-crypto-rises-governments-stumble-legislation/>

Even before the regulatory confusion the United States, the California-based GDAX exchange recognized the need for a public set of guidelines on how GDAX chooses the assets it lists on its platform. Thus, the GDAX Digital Asset Framework was published in early November of 2017 to provide greater transparency to users as well as to act as a regulatory example for other exchanges and legislators. “We are committed to supporting more assets, but our priority is always to protect customer funds and comply with regulatory requirements,” a statement from GDAX read when the guidelines were published.

SIGNFICANCE

Proprietary trading rarely happens and would be good anyway for cryptocurrency

Fatir Malik, 2019. (Regular contributor to BlockPublisher and blockchain developer. BlockPublisher is a dedicated independent blockchain and cryptocurrency news publication.) “Canada’s Bitcoin and Crypto Regulations are Crippling Exchanges” May 18, 2019. <https://blockpublisher.com/canadas-bitcoin-and-crypto-regulations-are-crippling-exchanges/>

Through the paper, Kraken also dealt with several issues related to conflict of interests raised in the framework. After demonstrating that the proprietary trading was scarcely practiced by exchanges, it was suggested that this practice benefited customers by adding liquidity to the markets and resulted in better prices for customers. So, even when it is practiced, customers gain from it. On the issue of trading of insider information, Kraken clarified that crypto assets are decentralized, therefore they can’t be controlled. Hence, trading of insider information was not possible at all.

A/T “Insider Trading”: True insider trading can’t happen in a decentralized currency

Fatir Malik, 2019. (Regular contributor to BlockPublisher and blockchain developer.) “Canada’s Bitcoin and Crypto Regulations are Crippling Exchanges” May 18, 2019. <https://blockpublisher.com/canadas-bitcoin-and-crypto-regulations-are-crippling-exchanges/>

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Can’t manipulate bitcoins

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On the matter of surveillance to prevent market manipulation, Kraken elaborated that prices of bitcoin were almost impossible to be manipulated by exchanges. It was explained that in order to manipulate bitcoin’s price, several global exchanges needed to be manipulated which was both very difficult and expensive task.

Cryptocurrency protects from identity theft.

Ameer Rosic, 2016. (Contributor to Huffington Post and CEO of Blockgeeks, an online Blockchain innovation hub.) “7 Incredible Benefits Of Cryptocurrency” 11/23/2016. <https://www.huffpost.com/entry/7-incredible-benefits-of-_1_b_13160110>

Identity Theft: When you give your credit card to a merchant, you give him or her access to your full credit line, even if the transaction is for a small amount. Credit cards operate on a “pull” basis, where the store initiates the payment and pulls the designated amount from your account. Cryptocurrency uses a “push” mechanism that allows the cryptocurrency holder to send exactly what he or she wants to the merchant or recipient with no further information.

SOLVENCY

1. Lack of government understanding / More Study Needed

Governments don’t understand Cryptocurrency – so they can’t regulate it effectively

Rachel McIntosh, 2018. (Writes for Finance Magnates, the world’s only multi-asset online/electronic trading knowledge hub.) “Self-Regulation in Crypto Rises as Governments Stumble Through Legislation” 04/04/2018. <https://www.financemagnates.com/cryptocurrency/news/self-regulation-crypto-rises-governments-stumble-legislation/>

Now, governments across the globe are scrambling to figure out how to appropriately regulate cryptocurrency. The problem is that the vast majority of government officials have little or no understanding of or experience with cryptocurrency or blockchain technology. In the worst cases, this can lead to ineffective or overly-restrictive legislation, legislation that stifles the growth of the industry or fails to protect companies and investors.

Time needed to fully understand technology

Angela Walch, 2017. (St. Mary's University School of Law; University College London - Centre for Blockchain Technologies) “The Path of the Blockchain Lexicon (and the Law)” March 24, 2017. <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2940335>

Time and continued experimentation with blockchain technology will hopefully lead to a more unified and stable terminology, which will make the technology easier to understand, and therefore regulate. A strategy of waiting for a stable terminology is in tension with consumer protection and financial and social stability regulatory goals, so regulators should look for creative ways to achieve their core missions while giving the technology a chance to evolve and stabilize. This will be difficult due to the rush to incorporate blockchain technology into numerous critical social practices and key parts of the financial system.

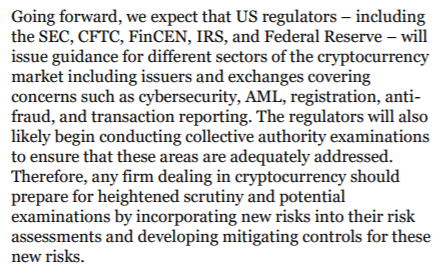
Slow study creates facts to draw from

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Following the suggestions in this Part V undoubtedly slows things down, as regulators have to build their understanding of the technology and its implications from the ground up. Indeed, through their education and critical approach, regulators may end up helping to create the set of facts about the technology. It is much more efficient to listen to a single perspective and assume everything one hears is true, than to spend time collecting diverse opinions and interrogating every bit of information one receives. It is also exciting to believe that a new technology will solve countless intractable human problems. Taking a slow, inquisitive, and deliberative approach is in tension with the need to quickly get up to speed on the technology to ensure that imminent risks are identified and addressed efficiently.

Status Quo agencies will regulate crypto currency once sufficient study is done

Price Waterhouse Coopers 2018. (international tax & accounting firm) “Carving up crypto: Regulators begin to find their footing” <https://www.pwc.com/us/en/financial-services/regulatory-services/publications/assets/cryptocurrency.pdf>



DISADVANTAGES

1. Poor Harmed

Link: Overregulation can kill Cryptocurrency

Sydney Ifergan, 2018. (Sydney has 20+ years commercial experience and has spent the last 10 years working in the online marketing arena and was the CMO for a large FX brokerage. Sydney is among the top 30 ICO experts on ICObench and has previously worked with numerous ICO projects.) “French Report: Cryptocurrency Should not be Regulated” July 16, 2018. <https://thecurrencyanalytics.com/1755/french-report-cryptocurrency-should-not-be-regulated/>

According to Landau, the danger is three-pronged. He then said that the regulation should be neutral. To become innovative towards the regulation, the regulation should be technologically neutral. Landau also said that this approach is more balanced than the previous one. There is no doubt that an over-regulation can affect the market and worst, could kill it.

Impact: Basic financial services lost. Cryptocurrency gives the unbanked access to basic services.

Oliver Dale, 2018. (Editor-in-Chief of Blockonomi and founder of Kooc Media, A UK-Based Online Media Company. Believer in Open-Source Software, Blockchain Technology & a Free and Fair Internet for all.) “How Bitcoin & Cryptocurrencies are Helping Developing Countries” April 5, 2018 <https://blockonomi.com/cryptocurrencies-developing-countries/>

MicroMoney’s goal is to make basic banking services like loans to available to the world’s 2.5 billion unbanked people. The unbanked lack bank accounts; and can live hundreds of miles from a bank, but they still need money. Companies like MicroMoney and Nebeus hope to reach them, because many of those have mobile phones. Nebeus plans to offer cryptocurrency-backed loans to the unbanked. Helping the unbanked can empower women; because around 55% of the world’s unbanked are women, The World Bank reported. Without bank accounts, people cannot apply for loans, buy homes, save money, do business online, and receive government-benefits payments.

Impact: Poor susceptible to hyperinflation and resulting poverty

Oliver Dale, 2018. (Editor-in-Chief of Blockonomi and founder of Kooc Media, A UK-Based Online Media Company.) “How Bitcoin & Cryptocurrencies are Helping Developing Countries” April 5, 2018 <https://blockonomi.com/cryptocurrencies-developing-countries/>

Cryptocurrency can solve one of the greatest problems facing people living in some developing nations: inflation. People in some nations are poor because their money is worthless. Corrupt or incompetent governments can make money worthless by simply printing too much of it. This is the case in Venezuela; which is suffering from 1,600% inflation or hyperinflation, thanks to the policies of President Nicholas Maduro. Under Maduro’s regime; the currency or Bolivar is worthless, and it can take up to half a month’s wages to buy a Big Mac at McDonald’s. The inflation rate in Venezuela reached 500% in December 2017, Bloomberg reported. There is other data that indicates inflation in Venezuela might be as high as 4,000%. Thousands of Venezuelans have found a way to escape hyperinflation; and Maduro’s policies by mining Bitcoin, The Atlantic reported. Venezuelans simply use their country’s cheap electricity to mine or harvest Bitcoin from the blockchain. In return, they get a currency is going up in value while the Bolivar plummets.

Impact: Lost money. African countries using Cryptocurrency to protect savings

Oliver Dale, 2018. (Editor-in-Chief of Blockonomi and founder of Kooc Media, A UK-Based Online Media Company.) “How Bitcoin & Cryptocurrencies are Helping Developing Countries” April 5, 2018 <https://blockonomi.com/cryptocurrencies-developing-countries/>

Another use for cryptocurrency in countries plagued by inflation is as savings. Around 37% users of the BitFinance solution in Zimbabwe, use Bitcoin holdings as a savings account, Quartz reported. Bitcoin is used as savings because it is far less vulnerable to inflation than the Zimbabwe dollar. Few people in Zimbabwe trust their nation’s paper money because the country suffered a rate of inflation of 500 billion percent in 2009. This led to the collapse of Zimbabwe’s financial system, which made it easier for people to accept cryptocurrency as an alternative. Observers have noticed similar developments in other parts of Africa. Local traders and activists in Nigeria and South Africa believe that cryptocurrencies can democratize the economy by giving average people access to cash, Lorenzo Fioramonti of the University of Pretoria reported. Fioramonti became interested in cryptocurrency when he discovered that his students in South Africa were using it

Impact: Closed door for Democracy.

Oliver Dale, 2018. (Editor-in-Chief of Blockonomi and founder of Kooc Media, A UK-Based Online Media Company. ) “How Bitcoin & Cryptocurrencies are Helping Developing Countries” April 5, 2018 <https://blockonomi.com/cryptocurrencies-developing-countries/>

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1. Increased fees & costs

Link: Bad terminology makes compliance harder and more expensive

Stefan Stankovic, 2019. (journalist for Bitrate, a company formed around a core team of developers, editors, and writers who were among the earliest adopters of Bitcoin and other cryptocurrencies.) “Crypto Regulation and Blockchain Vocabulary - Do We Really Know What We're Saying?” Apr 24, 2019. <https://www.bitrates.com/news/p/crypto-regulation-and-blockchain-vocabulary-do-we-really-know-what-were-saying>

Diverging terminology frequently leads to erratic regulation across jurisdictions or legal disciplines, making compliance harder and significantly more expensive for the regulated parties. Oftentimes this incentivizes affected crypto businesses to do some forum shopping and exploit the regulatory discrepancies across jurisdictions (a phenomenon known as regulatory arbitrage), or even tweak the technology to avoid regulation altogether; Last year’s boom in Airdrops - a unique crowdfunding model where businesses give crypto tokens for “free” in (a failed) attempt to avoid the SEC’s clampdown on unregistered STOs - is a classic example of the latter.

Link: Bad terminology creates complicated rules

Stefan Stankovic, 2019. (journalist for Bitrate, a company formed around a core team of developers, editors, and writers who were among the earliest adopters of Bitcoin and other cryptocurrencies.) “Crypto Regulation and Blockchain Vocabulary - Do We Really Know What We're Saying?” Apr 24, 2019. <https://www.bitrates.com/news/p/crypto-regulation-and-blockchain-vocabulary-do-we-really-know-what-were-saying>

That’s three different definitions coming from two different institutions within two years. So what’s the big deal? Well, let's look at some of the potential legal implications. In the same 2013 guide on virtual currencies, FinCen goes on to state that, a person is an exchanger and a money transmitter if the person accepts such de-centralized convertible virtual currency from one person and transmits it to another person as part of the acceptance and transfer of currency, funds, or other value that substitutes for currency. This essentially means that if you’ve mined some Bitcoins and sold them to a friend for fiat currency, you’re now an MSB and you need to get a money transmitter license. But wait a minute, what the heck is FinCen talking about? Bitcoin isn’t a currency, it’s a commodity, and it’s under CFTC’s jurisdiction. The CFTC doesn’t explain at any moment what makes bitcoin a commodity, but we can get a glimpse at the possible legal reasoning behind this conclusion from the remarks made by SEC’s Director of the Division of Corporation Finance William Hinman. In short, Mr. Hinman disregards Bitcoin and Ethereum as securities (essentially agreeing they’re commodities) partially because they are “sufficiently decentralized.”

Link: Definition of cryptocurrency unclear

Stefan Stankovic, 2019. (journalist for Bitrate, a company formed around a core team of developers, editors, and writers who were among the earliest adopters of Bitcoin and other cryptocurrencies.) “Crypto Regulation and Blockchain Vocabulary - Do We Really Know What We're Saying?” Apr 24, 2019. <https://www.bitrates.com/news/p/crypto-regulation-and-blockchain-vocabulary-do-we-really-know-what-were-saying>

Crypto’s vocabulary problem starts at the very beginning. We can’t even agree on what we mean when we say “cryptocurrency.” What is the difference between virtual currency, digital currency, cryptocurrency, crypto-asset, digital tokens, coins, and altcoins? These terms are often used interchangeably; sometimes seemingly referring to the same thing, or something similar, and at other times referring to something completely different. We run into the same problem when we talk about blockchains, or distributed ledger technology, or shared ledger technology, or distributed database. We then say that blockchains are inherently immutable, or “tamper-resistant” or “tamper-proof.” But are they really immutable? Moreover, what does that mean from a technical and a legal standpoint? Ethereum, for instance, claimed to be immutable until it decided to hard-fork and roll back fraudulent transactions. How is that immutable? If that’s not tampering with the blockchain, then what is? We’re not nit-picking semantics here, crypto’s copious jargon has substantial legal consequences. The European Central Bank (ECB), for instance, first defined “virtual currencies” as, a digital representation of value, not issued by a central bank, credit institution or e-money institution, which, in some circumstances, can be used as an alternative to money.

Impact: Inaccurate definitions wastes money and resources

Stefan Stankovic, 2019. (journalist for Bitrate, a company formed around a core team of developers, editors, and writers who were among the earliest adopters of Bitcoin and other cryptocurrencies.) “Crypto Regulation and Blockchain Vocabulary - Do We Really Know What We're Saying?” Apr 24, 2019. <https://www.bitrates.com/news/p/crypto-regulation-and-blockchain-vocabulary-do-we-really-know-what-were-saying>

In a short paper regarding the subject published in February 2019, the FED concludes: Our findings indicate that most of the shorthand references common in describing blockchain capability are not accurate (misleading) and require greater scrutiny. We believe that bringing more certainty to the definitions of key terms used to describe blockchain prevents costly mistakes and wasted resources.

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