

The logo consists of the letters 'CCC' in a bright green, bold, sans-serif font, set against a solid black square background.

Crypto Chasers Confidential

Sunday, February 5, 2018

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This is our analysis of the recent [statements](#) released in regards to the February 6th hearing regarding virtual currencies to be done by the SEC & CFTC.

United States SEC & CFTC Hearing Statement Release

A brief summary on what the hearing is about taken from their [official website](#):

*THE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS will meet in OPEN SESSION to conduct a hearing entitled, **Virtual Currencies: The Oversight Role of the U.S. Securities and Exchange Commission and the U.S. Commodity Futures Trading Commission**. The witnesses will be: **The Honorable Jay Clayton**, Chairman, U.S. Securities and Exchange Commission; and **The Honorable J. Christopher Giancarlo**, Chairman, U.S. Commodity Futures Trading Commission.*

All executive sessions are webcast live and will not be available until the hearing starts. Individuals with disabilities who require an auxiliary aid or service, including closed captioning service for webcast hearings, should contact the committee clerk at 202-224-7391 at least three business days in advance of the hearing date.

Witness Panel 1

- [The Honorable Jay Clayton](#)
- Chairman
- U.S. Securities and Exchange Commission
- [Clayton Testimony 2-6-18.pdf](#) (974.1 KBs)

- [The Honorable J. Christopher Giancarlo](#)
- Chairman
- U.S. Commodity Futures Trading Commission
- [Giancarlo Testimony 2-6-18b.pdf](#) (3.3 MBs)

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The two PDFs linked are the official statements that both of the people on the witness panel will present. As with any team we will analyze the people presenting and their testimonies in true Crypto Chasers Confidential style.

Team

Jay Clayton ([Wikipedia](#))



Title: 32nd Chairman of the SEC (U.S. Securities and Exchange Commission)

Positive Past Statements in Regards to Cryptocurrency and Blockchain:

"The technology on which cryptocurrencies and ICOs are based may prove to be disruptive, transformative and efficiency enhancing," he said. "I am confident that developments in fintech will help facilitate capital formation and provide promising investment opportunities for institutional and Main Street investors alike." ([Source: BusinessInsider](#))

"I believe that initial coin offerings – whether they represent offerings of securities or not – can be effective ways for entrepreneurs and others to raise funding, including for innovative projects." ([Source: CryptoCentral.io](#))

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Negative Past Statements in Regards to Cryptocurrency and Blockchain:

Most of his statements aren't really negative but more in favor of stricter regulation of cryptocurrency and protecting investors and making sure they understand what they're investing in. The guy seems to understand the potential of the technology as we will clearly see from the tldr; summary on his testimony we will have later.

"By and large, the structures of initial coin offerings that I have seen promoted involve the offer and sale of securities and directly implicate the securities registration requirements and other investor protection provisions of our federal securities laws. Generally speaking, these laws provide that investors deserve to know what they are investing in and the relevant risks involved." ([Source: CryptoCentral.io](#))

TLDR; Summary of his [Testimony](#)

- The SEC & CFTC are concerned that investors who are putting their hard earned dollars into cryptocurrency do not fully understand all of the risks associated with it.
- They want more people to be educated in regards to the risks related to crypto and ICOs.
- *"Financial products that are linked to underlying digital assets, including cryptocurrencies, may be structured as securities products subject to the federal securities laws even if the underlying cryptocurrencies are not themselves securities."* (pg 6)
- *"I also have cautioned market participants against promoting or touting the offer and sale of coins without first determining whether the securities laws apply to those actions."* (pg 8) **Don't sell or promote an ICO or coin without determining whether securities laws apply - this means that promoters of Bitconnect are screwed (we already knew that lol)**
- *"I also have been increasingly concerned with recent instances of public companies, with no meaningful track record in pursuing distributed ledger or blockchain technology, changing their business models and names to reflect a focus on distributed ledger technology without adequate disclosure to investors about their business model changes and the risks involved. A number of these instances raise serious investor protection concerns about the adequacy of disclosure especially where an offer and sale of securities is involved."* (pg 9) **All of those companies that changed their name and added blockchain like that Long Island Iced Tea company is what he's talking about. Those definitely raise concerns.**

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- "We at the SEC are committed to promoting capital formation. The technology on which cryptocurrencies and ICOs are based may prove to be disruptive, transformative and efficiency enhancing. I am confident that developments in fintech will help facilitate capital formation and provide promising investment opportunities for institutional and Main Street investors alike.

I encourage Main Street investors to be open to these opportunities, but to ask good questions, demand clear answers and apply good common sense when doing so. When advising clients, designing products and engaging in transactions, market participants and their advisers should thoughtfully consider our laws, regulations and guidance, as well as our principles-based securities law framework, which has served us well in the face of new developments for more than 80 years. I also encourage market participants and their advisers to engage with the SEC staff to aid in their analysis under the securities laws." **The SEC isn't out to get crypto or regulate it so much that there is no market involvement, the SEC is looking out for investors and encouraging them to be cautious when approaching ICOs and crypto and to also understand the risks associated with those investments.**

J. Christopher Giancarlo ([Wikipedia](#))



Title: Chairman of the CFTC (Commodity Futures Trading Commission)

Here is a [Bitcoininsider link](#) in regards to past news of his relationship to cryptocurrency.

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Before we dig into information into this guys view on cryptocurrency note from this article off of Cointelegraph from December 13, 2017:

"Giancarlo confirmed that both agencies are in regular communication regarding both digital currencies and ICOs, highlighting the degree of [inter-agency cooperation](#) within the US regulatory environment. He further clarified that his agency cannot directly regulate cryptocurrencies." (Source: [CoinTelegraph](#))

TLDR; Summary of his [Testimony](#)

- Compared to other markets crypto is very tiny - Bitcoin is only around the size of a single large cap company such as McDonald's. "Clearly, the column inches of press attention to virtual currency far surpass its size and magnitude in today's global economy." **He recognizes the perspective of how tiny the crypto market is - it's almost as if he's saying "this is more of a footnote in the larger global economy."**

- *"The CFTC believes that the responsible regulatory response to virtual currencies must start with consumer education. Amidst the wild assertions, bold headlines, and shocking hyperbole about virtual currencies, there is a need for much greater understanding and clarity."* **People should be educated about crypto more and the associated risks.**

- *"I have spoken publicly about the potential benefits of the technology underlying Bitcoin, namely Blockchain or distributed ledger technology (DLT).²² Distributed ledgers – in various open system or private network applications – have the potential to enhance economic efficiency, mitigate centralized systemic risk, defend against fraudulent activity and improve data quality and governance.²³*

DLT is likely to have a broad and lasting impact on global financial markets in payments, banking, securities settlement, title recording, cyber security and trade reporting and analysis.²⁴ When tied to virtual currencies, this technology aims to serve as a new store of value, facilitate secure payments, enable asset transfers, and power new applications." (pg 11) **We're bullish on the application blockchain technology, and its far-reaching uses within our economy.**

- *"As the Senate Banking Committee, the Senate Agriculture Committee and other Congressional policy makers consider the current state of regulatory oversight of cash or "spot" transactions in virtual currencies and trading platforms, consideration should be given to shortcomings of the current approach of state-by-state money transmitter licensure that leaves gaps in protection for virtual currency traders and investors. Any proposed Federal regulation of virtual currency platforms should be carefully tailored to the risks posed by relevant trading activity and enhancing efforts to prosecute fraud and manipulation." (pg 14)* **We're going to take a look at the holes in the already**

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established legal infrastructure of "spot" transactions in crypto and see what we can do to protect investors.

- Concluding Remarks: "We are entering a new digital era in world financial markets. As we saw with the development of the Internet, we cannot put the technology genie back in the bottle. Virtual currencies mark a paradigm shift in how we think about payments, traditional financial processes, and engaging in economic activity. Ignoring these developments will not make them go away, nor is it a responsible regulatory response. The evolution of these assets, their volatility, and the interest they attract from a rising global millennial population demand serious examination.

With the proper balance of sound policy, regulatory oversight and private sector innovation, new technologies will allow American markets to evolve in responsible ways and continue to grow our economy and increase prosperity. This hearing is an important part of finding that balance." **Crypto is changing the way we think about payments and traditional financial processes - ignoring that is not going to make it go away. We want to make sure that we have the policy and oversight in place such that the technology can help American markets thrive and prosper.**

Crypto Chasers Confidential's Thoughts

We here at CCC deeply care about the fundamentals of the technology and also care that people do not fall to scams or make poor investments. We try to point out FUD (fear, uncertainty, doubt) whenever we can and make sure our readers are aware of the general things happening in the space. Leading up to this hearing we saw a lot of fear that the United States government was going to announce plans for even stricter regulations in regards to cryptocurrency and blockchain related technologies at this hearing. **This is clearly not the case. The SEC and the CFTC are working together to ensure the safety of investors and ARE NOT out to ban crypto or put very strict regulation in place.**

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