



House GOP Presses Entirely New Digital Asset Jurisdictional Framework

Before today's HFSC Subcommittee session on digital asset regulatory gaps began, full committee Chairman McHenry (R-NC) and House Ag. Committee Chairman Thompson (R-PA) along with Reps. Hill (R-AR) and Johnson (R-AL) issued a joint [statement](#) emphasizing that inter-committee collaboration will characterize future legislative efforts and announcing that the committees will hold a joint hearing next month. Opening the hearing, Subcommittee Chairman Hill argued that Congress must act to resolve definitional and jurisdictional disagreements between the SEC and CFTC. He also called for a disclosure regime tailored to the specific needs of digital asset purchasers. Ranking Member Lynch (D-MA) sided with SEC Chairman Gensler's views that most digital assets are securities and also defended the current regulatory regime. Full Committee Chairman McHenry delivered a brief statement warning that failing to legislate will put the U.S. at an international disadvantage, while Ranking Member Waters (D-CA) reiterated Rep. Lynch's assertion. Most witnesses echoed Republicans' calls for jurisdictional clarity and a separate digital asset regulatory framework with industry-tailored rules, though Democrats' sole witness criticized digital assets and warned against industry influence.

In questioning, Chairman Hill argued that commodities and securities definitions in the current regulatory regime are insufficient and called for a third category for digital assets; multiple witnesses agreed on grounds that digital assets are broader in scope than current laws. Ranking Member Lynch defended the SEC's enforcement capacity through the existing regulatory framework, with the Democratic witness arguing that a bespoke crypto regime would lead traditional financial system participants to seek loopholes by tokenizing financial products. Some Republicans, including Reps. Rose (R-TN) and Houchin (R-IN) raised concerns that the path for digital asset company and exchange compliance is too narrow, criticizing the SEC for its lack of guidance. Others, including Reps. Davidson (R-OH) and Flood (R-NE) criticized the SEC's recently proposed custody rule ([see FSM Report CUSTODY5](#)) on grounds that it would create unworkable challenges. Democrats were largely critical of cryptoassets and protective of the current regulatory framework, with Rep. Foster (D-IL) sharply criticizing what he described as industry incapacity to deal with criminal activity as well as market abuses such as wash-trading and front-running. Rep. Casten (D-IL) said tokens could be dollar-denominated and echoed comments by Rep. Sherman (D-CA) denouncing cryptoassets' criminal ties. Reps. Torres (D-NY) and Nickels (D-NC), however, sided with Republicans on the need for a domestic regulatory framework tailored for crypto, with Rep. Torres focusing on registration and compliance issues under the current regime.

Recent Files Available for Downloading

The following reports and analyses have been sent to retainer clients recently. Copies are also available to retainer clients on the Archives section of Federal Financial Analytics' website: www.fedfin.com or clients may obtain the reports/analyses by e-mailing info@fedfin.com giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- [GSE-042723](#): FSOC's newly-proposed analytical methodology for [systemic risk identification](#) is most immediately important for nonbank mortgage companies and the regulated institutions that love them.

- **SYSTEMIC95:** Rejecting the Trump Administration's hands-off approach to designating systemically-important nonbank financial institutions or activities and practices, the Biden Administration's FSOC has bifurcated this construct with one proposal on designating entities and another that lays out an analytical approach to identifying systemic risk that would then guide firm and activity designation as well as Council staff coordination with primary federal regulators leading to new rules, product or service prohibitions/restrictions, or firm-specific supervisory action.
- **GSE-042023:** FHFA yesterday [proposed](#) a sweeping rule that would codify Sandra Thompson's equitable- and fair-housing standards in a rule that any future FHFA director would have to work a lot harder to reverse.
- **CRYPTO42:** As we [anticipated](#), the HFSC Digital Asset Subcommittee hearing today on federal stablecoin legislation did not entertain bipartisan expressions of support for the draft noticed with the hearing [announcement](#).
- **CRYPTO41:** As [anticipated](#), HFSC's hearing today with Chairman Gensler was a raucous affair which, while divided sharply on party lines when it comes to Mr. Gensler, also laid out general agreement on matters such as the need for stablecoin legislation (the topic of a high-profile hearing tomorrow).
- **GSE-041323:** As we noted earlier [today](#), global regulators are rethinking their 2015 decision not to require an express capital charge for interest-rate risk, a shift with significant implications for the role of U.S. banks as mortgage lenders and investors.
- **IRR8:** As we noted [yesterday](#), the head of the Basel Committee has targeted two capital and liquidity compromises included in the current Basel III construct not addressed in the end-game rules to which the U.S. plans shortly to turn.
- **COMPENSATION35:** Executive compensation incentives have proved among the most important reform priorities in the wake of recent bank failures.
- **REFORM220:** In this report, we drill down on prior forecasts ([see Client Report REFORM219](#)) of near-term regulatory action to identify the revisions sure to be prioritized as NEC Director Brainard and FDIC Chairman Gruenberg seek to reverse rules finalized over their objections when they were in the minority.
- **UDAP8:** Following its usual practice of setting standards by edict, the Bureau of Consumer Financial Protection has laid out an extensive framework that brings a wide range of consumer-finance actions and inactions within the scope of enforcement sanctions governing acts or practices that are not only unfair or deceptive, but also abusive.
- **GSE-040623:** [FHFA](#), [Fannie](#), and [Freddie](#) yesterday updated the sometimes-controversial equitable-finance [plans](#) FHFA approved last year.
- **GSE-040323:** We have written from time to time about [covered bonds](#).
- **REFORM219:** With Thursday's White House [announcement](#), we know that the Administration will do its best to support Fed and FDIC efforts to color recent events as a failure of Republican-led rulemaking, not also one of agency supervisory acumen, speed, and even competence.