

U.S. House Continues to Explore Blockchain Regulation

Sunday, March 31, 2019

Following up on their recent introduction of the [Token Taxonomy Act](#), Representatives Darren Soto (D-FL) and Warren Davidson (R-OH) have teamed up again to introduce a new slate of bipartisan bills related to virtual currency. The two new bills, [H.R. 922](#) and [H.R. 923](#), were introduced on January 30, 2019 and are cosponsored by Representatives Ted Budd (R-NC) and Bonnie Watson Coleman (D-NJ).

H.R. 922

H.R. 922, the Virtual Currency Consumer Protection Act of 2019, would require the Chairman of the Commodity Futures Trading Commission (the “CFTC”) to submit a report examining the potential for virtual currency price manipulation to certain House and Senate committees within one year of H.R. 922’s enactment. The report, drafted in consultation with the heads of the Securities and Exchange Commission (the “SEC”) and other relevant federal agencies as the CFTC Chairman deems necessary, would:

- detail possible methods of virtual currency price manipulation;
- discuss particularly susceptible classes of virtual currency;
- describe potential effects on and harm to investors;
- analyze the extent to which current regulations allow for federal agencies to undertake market surveillance and enforcement actions against individuals engaged in manipulation; and
- recommend legislative changes that would improve agencies’ ability to monitor and prevent price manipulation.

H.R. 922 defines “virtual currency” as a “digital representation of value that does not have legal tender status and that functions as a medium of exchange, a unit of account, or a store of value.” Notably, this definition of “virtual currency” closely models that previously introduced in the Token Taxonomy Act, which might indicate an attempt by Congress to settle on a definition of the term for future legislation.

H.R. 923

H.R. 923, the U.S. Virtual Currency Market and Regulatory Competitiveness Act of 2019, would require an additional report from the CFTC Chairman, in consultation with the heads of the SEC and other relevant federal agencies as he deems necessary, on the state of virtual markets and ways to promote American competitiveness. The report, to be provided within one year of H.R. 923’s enactment, would include:

- a comparative study of U.S. and international regulation of virtual currency (defined in the same terms as H.R. 922);
- an evaluation of the potential benefits of virtual currency and blockchain technology in the U.S. commodities market;
- legislative proposals to improve federal agencies’ ability to promote U.S. competitiveness and encourage growth of adoption of virtual currencies in the commodity market; and
- recommendations regarding legislative changes to enable federal agencies to refine which virtual currencies qualify as commodities, and to formulate and provide a cost-benefit analysis for a new regulatory structure for virtual currency spot markets.



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H.R. 923 requests that regulators propose, or evaluate the feasibility of, a new regulatory structure for virtual currency exchanges that would include federal licensure, market supervision, consumer protections, and federal preemption of state money transmitter obligations. The use of the undefined term “blockchain technology” within H.R. 923 could potentially give regulators latitude to determine the term’s meaning within the report.

The proposals of H.R. 922 and H.R. 923 may indicate that some Congressional members are attempting to get the wheel moving on legislative involvement in virtual currency regulation. This could signal increasing Congressional interest regarding the regulation and treatment of virtual currencies, which has drawn conflicting opinions within the federal government. The SEC has repeatedly [rejected](#) proposals for bitcoin ETFs, although one SEC Commissioner has [dissented](#) and the CFTC has [approved](#) markets for bitcoin futures. Days after H.R. 923’s proposal, CFTC Commissioner Brian Quintenz, at a forum in Washington, D.C., argued that potential price manipulation should not be a barrier to the SEC approving a bitcoin ETF.

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