Wednesday, October 18, 2017

On October 12, the SEC’s Investor Advisory Committee (IAC) held a public meeting that included a panel discussion about blockchain and other Distributed Ledger Technology (DLT). The IAC advises the SEC on such regulatory issues as investor protection and securities market integrity.

The panel consisted of Nancy Liao of Yale Law School; Jeff Bandman, Principal at Bandman Advisors and previously Director of LabCFTC; Michael Bodson, President and CEO of DTCC; Fredrik Voss, Vice President of Blockchain Innovation at Nasdaq; and Adam Ludwin, Co-founder and CEO of Chain. Panelists largely focused on the potential benefits of blockchain and DLT for investors and the broader U.S. securities markets, as well as the accompanying risks that will likely require heightened regulatory oversight.

The panel discussed numerous possible advantages of DLT to the capital markets, including allowing investors to exercise greater control over their own data. Panelists also discussed the prospect that DLT could furnish regulators “real-time data” about transactions in order to better regulate market activity. Additionally, there was discussion about the possibility for DLT to “reimagine” post-trade infrastructure for securities clearance and settlement. While discussing plausible market risks, panelists mostly emphasized concerns about cybercrime and fraud. In this regard, the panel discussed the need for regulators to neutrally evaluate any risks presented by DLT and blockchain through the prism of market integrity and stability, market access, investor protection, and capital formation. Notably, discussion during the Q&A portion of the meeting was not limited to DLT, as several IAC members explored the long-term value of bitcoin and other cryptocurrencies and their treatment under the U.S. securities laws.

Although the SEC can be expected to continue to study the implications of DLT and blockchain for the U.S. securities markets, a number of panelists signaled that the path to widespread adoption of the technology will likely be a winding one.

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