

Regulatory Outlook

Rising Regulatory Actions and Industry Response



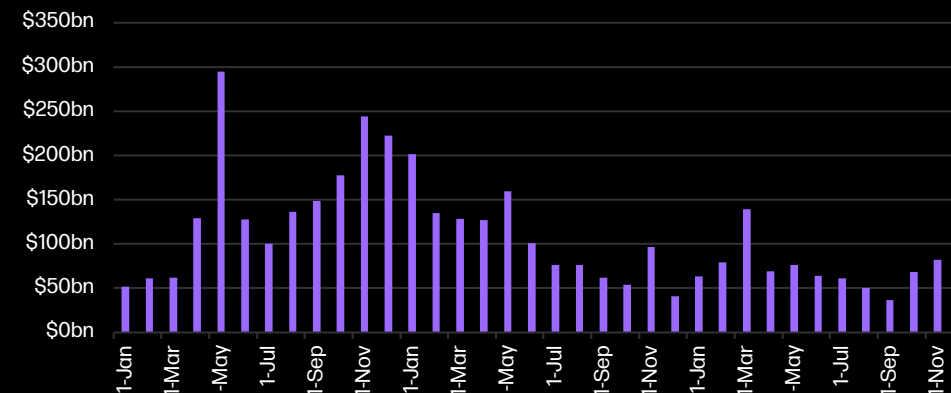
SEC Cracks Down On Crypto

Decentralized exchange (DEX) trading volumes trended at multi-year lows in 2023, in large part due to increasing regulatory scrutiny of decentralized finance (DeFi) applications in the U.S.

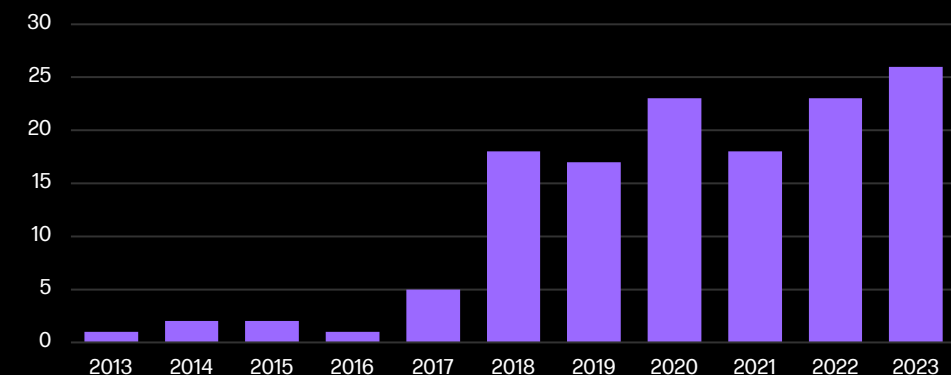
In 2023, the U.S. Securities and Exchange Commission (SEC) cracked down on the crypto industry broadly and brought more than 25 enforcement actions against various cryptocurrency projects for selling unregistered securities. This is the highest number of enforcement actions brought by the SEC against crypto projects in any calendar year since the organization first started to bring enforcement actions against crypto-related activities in 2013.

The licensing of DeFi projects, specifically, were put under the spotlight when the SEC proposed new amendments to the definition of “exchange” earlier in 2023. These amendments effectively broaden the definition of an exchange to include “communications protocol systems” that support the trading of cryptocurrencies, such as DEXs and other types of DeFi protocols. If the SEC’s amendments are finalized, in 2024, DeFi protocol developers will need to register with the SEC or be held liable for non-compliance in the U.S.

Monthly DEX Volumes (USD)



of SEC Crypto Assets Enforcement Actions By Year





Regulation to Watch in 2024

In 2023, the SEC's 2023 crackdown on crypto has galvanized many in the crypto industry to push back. Some of these efforts have been successful. Both [Ripple](#) and [Grayscale](#) won lawsuits against the SEC. Two high-profile cases that are ongoing and will be important to watch in 2024 are [the SEC's suit against Binance](#) and [the SEC's suit against Coinbase](#).

Aside from the SEC, the crypto industry also faces scrutiny from other U.S. regulatory bodies including the Treasury. [In August 2023](#), the Treasury proposed new rules requiring a large swath of digital asset entities and individual enthusiasts to provide tax reporting as "brokers." The language, which is quite expansive, would require IRS tax reporting from non-custodial crypto services including DeFi protocols, software developers, and even network participants such as nodes, validators, or miners.

Since the IRS broker rule was proposed, there has been strong pushback from the crypto industry and general public. During the public comment period for the IRS broker rule, [over 124,000 comments](#) were submitted for consideration by the Treasury from individuals and companies, anonymous and public. By contrast, [only 180 comments](#) were submitted during the public comment period for the SEC's amendments to the exchange definition. If finalized in 2024, the IRS broker rule will take effect in the 2025 tax year.

Aside from crypto regulation in the U.S., there were two important pieces of legislation passed in the European Union (EU) and the United Kingdom (UK) this year that will start to take effect in 2024.

The Markets in Crypto Assets (MiCA) bill is the most comprehensive piece of crypto legislation approved by EU lawmakers that starting in 2024 will place [stricter requirements](#) on stablecoin issuers, among other cryptocurrency businesses. Stablecoin issuers will be banned in EU countries from offering algorithmic stablecoins and issuers offering fiat-backed stablecoins will be required to establish safeguards against market abuse and insider trading. Alongside MiCA, the EU has adopted several new pieces of legislation focused on addressing [anti-money laundering concerns](#) related to crypto and [self-hosted wallets](#).

In October 2023, the UK government published [its final rules](#) for overseeing cryptocurrency activities. The first part of the rules, also focused on regulation for fiat-backed stablecoins, is expected to take effect in early 2024. The rest of the legislation will be rolled out in phases throughout 2024 and focus on rules for cryptocurrency exchanges, custodians, and lending services.



2024 United States Presidential Election

The 60th presidential election in the U.S. is scheduled for Tuesday, November 5, 2024. Starting in January of this year, states and parties will hold primaries and caucuses. By early September, the Democratic and Republican parties will hold nominating conventions to choose their presidential candidates. So far, there are four candidates in the running for the Democratic party, the forerunner being current U.S. President, Joseph R. Biden Jr. For the Republican party, there are eight candidates in the running with the forerunner being former U.S. President, Donald J. Trump. Nearly half of all presidential election candidates have issued statements regarding their stance on crypto, many of which are positive. However, the two leading candidates from both Democratic and Republican parties have expressed skepticism on the value of cryptocurrencies in the past.

While cryptocurrencies are unlikely to be a key ballot issue in the upcoming 2024 elections, it is noteworthy that the technology has sparked comments and debate from more presidential candidates this election than ones prior. Because of elections, it will be more difficult for legislation to progress through Congress, especially past the spring of 2024. Legislation such as [the proposed Digital Asset Market Structure Bill \(FIT21 Act\)](#) and stablecoin legislation, among others, are likely to be put on hold next year until the next U.S. President is elected.

2024 Presidential Election Candidates

Name	Background	Party	Age	Stance on Crypto
Joseph R. Biden Jr.	Current President	Democratic	82	Argued many crypto assets "have no fundamental value"
Marianne Williamson	Self-Help Author	Democratic	72	Unclear
Cenk Uygur	Progressive Talk Show Host	Democratic	54	Unclear
Dean Phillips	Representative from Minnesota	Democratic	56	Unclear
Donald J. Trump	Former President and Businessman	Republican	78	Tweeted that he was "not a fan of Bitcoin and other cryptocurrencies", also launched an NFT trading card collection
Nikki Haley	Former Governor of South Carolina	Republican	53	Unclear
Vivek Ramaswamy	Entrepreneur	Republican	39	Tweeted that "Bitcoin should not be regulated as a security"
Asa Hutchinson	Former Governor of Arkansas	Republican	74	Unclear
Ryan Binkley	Businessman and Pastor	Republican	57	Unclear
Ron DeSantis	Governor of Florida	Republican	46	Has championed bitcoin and other cryptocurrencies as investable assets
Chris Christie	Former Governor of New Jersey	Republican	62	Unclear
Doug Burgum	Governor of North Dakota	Republican	68	Has made positive statements in support of the cryptocurrency mining industry
Robert F. Kennedy Jr.	Lawyer and Nephew of Former President John F. Kennedy	Independent	71	Views cryptocurrencies as "a major innovation engine" and Bitcoin as "a symbol of democracy and freedom"
Cornel West	Professor	Green Party	72	Unclear
Jill Stein	Doctor	Green Party	74	Has stated that Bitcoin should be classified as a commodity

*Presidential candidate names that have been crossed out in this table represent candidates that have dropped out of the running as of 1/22/2024. 15, 2023.