

March 3, 2023

The Honorable Gary Gensler  
Chair  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549

Dear Chair Gensler,

We, the undersigned, applaud the efforts of the U.S. Securities and Exchange Commission (SEC) under your direction to address widespread fraud, manipulation, deceptive practices, rule evasion, and other corrupt activities that are endemic within the cryptocurrency sector.

We believe that cryptocurrency has failed to prove its value as a currency for widespread legitimate transactions – despite 15 years of effort since publication of the white paper that introduced Bitcoin.<sup>1</sup>

In addition, many cryptocurrency (crypto) promoters have effectively perpetrated a massive Ponzi scheme, where the victims are disproportionately persons of color and those with modest incomes. These are the very individuals the crypto industry has claimed would benefit most from the adoption of crypto as a normalized financial instrument.<sup>2</sup>

We recognize that you and the SEC have stood firm against fierce, ad hominem attacks from crypto proponents, and we want to appreciate your important efforts.

The cryptocurrency balloon has been inflated by influencers, many surreptitiously paid;<sup>3 4</sup> massive advertising campaigns that we now know were funded, in part, through crypto firms' misuse or theft of customer funds, such as FTX;<sup>5</sup> and a rogue's gallery of online crypto enthusiasts, some of whom may have a self-interest in elevating the price of tokens.

The crypto industry has faced criticism from a few outspoken critics, such as the indefatigable Molly White,<sup>6</sup> John Reed Stark (former chief of the SEC's Office of Internet Enforcement), and

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<sup>1</sup> Satoshi Nakamoto, *Bitcoin: A Peer-to-Peer Electronic Cash System*, BITCOIN.ORG (2008) <https://bitcoin.org/bitcoin.pdf>

<sup>2</sup> Linda Jeng, *Testimony*, SENATE BANKING COMMITTEE (Feb. 14, 2023) <https://www.banking.senate.gov/imo/media/doc/Jeng%20Testimony%202-14-23.pdf>

<sup>3</sup> *SEC Charges NBA Hall of Famer Paul Pierce for Unlawfully Touting and Making Misleading Statements about Crypto Security*, SECURITIES AND EXCHANGE COMMISSION (Feb. 17, 2023) <https://www.sec.gov/news/press-release/2023-34>

<sup>4</sup> *SEC Statement Urging Caution Around Celebrity Backed ICOs* SECURITIES AND EXCHANGE COMMISSION (Nov. 1, 2017) <https://www.sec.gov/news/public-statement/statement-potentially-unlawful-promotion-icos>

<sup>5</sup> Tiffany Hsu, *Larry David Doesn't Get Crypto. That's Why He's the Perfect Pitchman*. NEW YORK TIMES (Feb. 13, 2022) <https://www.nytimes.com/2022/02/13/business/media/larry-david-super-bowl-ftx-crypto.html>

<sup>6</sup> Gerrit De Vynck, *First She Documented The Alt-Right. Now She's Coming For Crypto*. WASHINGTON POST (May 29, 2022) <https://www.washingtonpost.com/technology/2022/05/29/molly-white-crypto/>

others. Additionally, more than 1500 technologists signed a public letter calling for responsible oversight of the sector.<sup>7</sup> But these public-spirited, uncompensated voices have often been drowned out by well-funded marketing campaigns undergirded by hundreds of millions of dollars in political donations.<sup>8</sup>

Though your efforts have drawn vitriol from crypto's supporters, we believe it is important that you know that many organizations whose members and missions are committed to defending consumers and seeking economic justice for all Americans – including those already marginalized by the existing financial system – sincerely appreciate your steadfast efforts.

We specifically support your enforcement of existing statutory requirements regarding registration and disclosure for crypto firms that are in effect issuing unregistered securities or acting as unregistered exchanges, brokers, or other regulated financial intermediaries. These efforts have led to tens of millions of dollars in fines and have stopped a number of firms from providing risky or harmful products and services.<sup>9</sup>

Ideally, unscrupulous crypto promoters will reform. If not, then the SEC's consistent application of these requirements will continue to ensure those actors who are unable or unwilling to meet these standards will not be allowed to continue with crypto business as usual. You are rightly enforcing regulations, despite claims by critics that you are "regulating by enforcement."

Finally, your newly proposed rule regarding custody safeguards promises further sanity.<sup>10</sup> Segregating customer funds will be vital in preventing the likes of Sam Bankman-Fried from allegedly collecting the investment monies of unwitting investors and using them for risky bets, advertisements, political spending, and more.<sup>11</sup> As with your enforcement actions, this rule at a minimum will help weed out the worst of the hucksters.

We strongly support greater funding for the SEC to continue this important work as you strive to combat widespread abuses in the crypto sector.

Again, we appreciate your resolve and your focus on ensuring existing securities laws are applied fairly, consistently and rigorously in order to protect investors and markets.

Sincerely,

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<sup>7</sup> Assorted signatories, *Letter in Support of Responsible Fintech Policy* (June 1, 2022) <https://concerned.tech/>

<sup>8</sup> <https://www.opensecrets.org/news/2022/06/crypto-industry-executives-spend-millions-on-political-contributions-as-washington-weighs-industry-regulations/>

<sup>9</sup> David Yaffe-Bellany, *Government Cracks Down on Crypto Industry With Flurry of Actions* *New York Times* (Feb. 18, 2023) <https://www.nytimes.com/2023/02/18/business/crypto-crackdown-regulation.html?smid=nytcore-ios-share&referringSource=articleShare>

<sup>10</sup> *SEC Proposes Enhanced Safeguarding Rule for Registered Investment Advisers* SECURITIES AND EXCHANGE COMMISSION (Feb. 15, 2023) <https://www.sec.gov/news/press-release/2023-30>

<sup>11</sup> David Yaffe-Bellany, *How Sam Bankman-Fried's Crypto Empire Collapsed* *NEW YORK TIMES* (Nov. 14, 2022) <https://www.nytimes.com/2022/11/14/technology/ftx-sam-bankman-fried-crypto-bankruptcy.html>

American Economic Liberties Project  
Americans for Financial Reform  
California Reinvestment Coalition  
Consumer Reports  
Demand Progress Education Fund  
The Institute for Agriculture and Trade Policy  
National Association of Consumer Advocates  
National Community Reinvestment Coalition  
Public Citizen  
Revolving Door Project  
20/20 Vision  
Tzedek DC  
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