



SEC Chair Recommends Greater CFTC Authority Over Stablecoins

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On October 14, 2022, Securities and Exchange Commission (SEC) Chair Gary Gensler recommended that Congress broaden the authority of the Commodity Futures Trading Commission (CFTC) with regard to stablecoins. Gensler's statements are consistent with recent [pushes for increased regulation of cryptocurrency generally](#).

As discussed in a previous Capital Markets Watch post, [SEC Staffing Up for a New Era of Crypto Control](#), stablecoins are meant to be a less volatile alternative to traditional cryptocurrencies. They are pegged to a nation's currency, a commodity, or financial interests and have drawn increased scrutiny by U.S. regulators following the [collapse of the stablecoins TerraUSD and Tether](#).

The increased scrutiny of stablecoins includes Gary Gensler's [recent comments](#) at the Psaros Center's Financial Markets Quality Conference in which he recommended that Congress increase the CFTC's regulatory authority over stablecoins, citing similarities between stablecoins and existing money market funds. While the CFTC currently has anti-fraud and anti-manipulation regulatory authority over firms issuing stablecoins, according to Gensler, the CFTC has neither "actual plenary authority to write rules around the exchanges" nor "direct regulatory authorities over the underlying non-security tokens."

Gensler previously served as Chairman of the CFTC where he advocated for greater regulation of the swaps market, and, as SEC Chair, he has previously advocated for increased SEC regulation of cryptocurrency. In September 2022, Gensler testified before Congress that more cryptocurrency firms should register their tokens with the SEC, arguing that the firms' tokens are securities to which federal securities laws apply. In his [testimony](#), he explained, "[g]iven that most crypto tokens are securities, it follows that many crypto intermediaries...are transacting in securities and have to register with the SEC in some capacity."

Cryptocurrencies, including stablecoins, will likely be subject to greater scrutiny and regulatory enforcement in the near future. Several bills bolstering cryptocurrency regulation have been introduced in Congress this year. Capital Markets Watch will continue to monitor developments in this market and provide updates as they become available.

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