

Cryptocurrency

Rob Morgan | rmorgan@aba.com | 202-663-5387

Issue Update

Since Bitcoin was introduced in 2009, a diverse and complex ecosystem of companies offering crypto-related products and services has emerged. While initially intended to disrupt banking by “decentralizing” finance, consumers are increasingly looking to banks to help them safely hold these assets. This should come as no surprise. Banks are trusted custodians of their customers’ most important assets and their most sensitive data.

Cryptocurrency markets are rapidly evolving. The digital and programmable nature of these products means they can be used to facilitate many kinds of financial activities that increasingly mirror the products and services offered by traditional financial institutions. Given this rate of change, there is significant regulatory uncertainty in the market today and an uneven application of existing rules leading to risks for consumers, and our financial system. For more detail on the cryptocurrency ecosystem, please see ABA’s recent [Understanding Cryptocurrency report](#).

Why It Matters

Banks are actively evaluating ways to safely and responsibly allow their customers to buy, hold, and sell digital assets through their existing banking relationships. Consumers who choose to access these markets are best served when they can do so through banks that are subject to rigorous oversight and supervision to ensure compliance with appropriate safety and soundness and consumer protection requirements.

As non-bank technology firms begin offering banking products and services through digital channels, it is important that regulators coordinate their efforts, to the extent the activity falls within their jurisdiction, to ensure that these activities are appropriately monitored, emerging risks adequately captured, and all applicable legal requirements met. New assets like stablecoins introduce new risks that must also be managed.

Recommended Action Items

Significant questions remain regarding the regulation of the cryptocurrency market:

- Regulators should apply consistent oversight and supervision of cryptocurrencies for banks and non-banks alike to ensure all customers are protected equally, regardless of where they engage with the financial marketplace.
- Banking regulators should clarify that cryptocurrency activities are generally permissible for a bank when conducted in a safe and sound manner, notwithstanding the novel technology involved.
- Congress should enact the recommendations of the Presidents Working Group and require stablecoin issuers to be insured depository institutions to protect consumers from stablecoin risks.