



## SEC Chairman Clayton on bitcoin: Buyer beware

Joe Williams

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Cryptocurrency backers are hoping the Securities and Exchange Commission will soon permit retail investors to trade bitcoin on the public markets, but the agency's chief has a list of requirements that must be met before that happens.

In an exclusive interview with FOX Business, Chairman Jay Clayton defended his stance on the digital currency, arguing he is not against the asset but rather has concerns over the potential for manipulation and wants to ensure investors are protected.

Still, Clayton's ongoing apprehensions cast doubt over the possibility that the SEC will approve the first bitcoin exchange-traded fund in the coming months and provides fresh fodder to critics who have assailed his approach to regulating the digital currency.

"What I'm concerned about at the moment is if it can be reasonably demonstrated that the underlying trading is generally not manipulated, it's happening on reliable venues with good rules and that custody is something we can feel comfortable about," he said.

Criticism of Clayton grew after he joined with Democrats last year to again reject a proposal from Cameron and Tyler Winklevoss to create the first ever bitcoin exchange-traded fund, which would allow retail investors to trade collections of the cryptocurrency on markets owned by the New York Stock Exchange and others.

Several companies still have competing proposals before the agency. In January, the Chicago Board Option Exchange and SolidX refiled its application for a bitcoin exchange-traded fund. Bitwise Asset Management also submitted a proposal last month that it argues solves the regulatory uneasiness from regulators.

The agency is expected to decide on both proposals in the coming months. Clayton declined to comment on any specific application, but noted there "may be a case where a bitcoin ETF could satisfy our rules."

"I think this technology has and is already demonstrating pretty significant promise, but it's demonstrating significant promise in the places where it's consistent with our approach to capital raising in the past," he said.

<b>Ticker</b>	<b>Security</b>	<b>Last</b>	<b>Change</b>	<b>%Chg</b>
<b><u>I:DJI</u></b>	DOW JONES AVERAGES	<b>25682.28</b>	<b>-20.61</b>	<b>-0.08%</b>
<b><u>SP500</u></b>	S&P 500	<b>2807.49</b>	<b>-3.43</b>	<b>-0.12%</b>
<b><u>I:COMP</u></b>	NASDAQ COMPOSITE INDEX	<b>7634.881766</b>	<b>-8.52</b>	<b>-0.11%</b>

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Clayton has shown subtle signs of embracing the digital currency.

In a letter to Rep. Ted Budd sent on March 7 and made public on Tuesday, he said Ether – the world’s second-largest cryptocurrency -- is not a security, confirming prior comments from SEC Director of Corporate Finance William Hinman and indicating digital currencies may avoid more strict regulatory scrutiny.

Still, Clayton’s refusal to approve a bitcoin ETF has elicited criticism from congressional Republicans and other conservatives who had hoped the agency would take a more forward-looking approach to overseeing the digital currency.

“One might expect more active leadership from regulators who have said that this will not be business as usual,” the libertarian Cato Institute’s Diego Zuluaga recently told Reuters.

Skeptics say that, while Clayton denied prior applications on the grounds of protecting everyday investors, they are at greater risk trading bitcoin on the currently unregulated markets.