Cryptopolitan

Coinbase vs SEC: Who wins?

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A storm is brewing between the cryptocurrency sector and the regulators charged with overseeing the booming cryptocurrency sector, where the risks of investing continue to multiply. Things are quite heated up with Coinbase vs SEC so let's have a look at how things are shaping up.

On Tuesday, Gary Gensler, the newly appointed Securities and Exchange Commission Chairman, did little to clarify cryptocurrency-related controversies, including the battle with Coinbase, the premier crypto trading platform planning to launch a crypto lending product Coinbase Lend, later this year.

However, Gensler pointed out that the cryptocurrency sector is "rife with fraud, scams, and abuse in certain applications. We can do better."

According to Gensler, the SEC is set up to promote investor protection, facilitate capital formation, and anything else. This procedure has been illustrated in recent months as the SEC has aggressively pursued alleged bad actors in the crypto world.

Recently, the SEC charged three media companies with illegal digital assets and stock offerings. At the start of September, the crypto lending platform, BitConnect, and its top executive were charged $2 billion for fraud. In the previous month, a crypto exchange, Poloniex, was charged $10 million by the SEC for operating an unregistered business that sold digital securities.

As Brian Armstrong, CEO of Coinbase, illustrated in a viral Twitter post last week, tensions are rising among regulators and crypto industry players. The tension between the SEC and Armstrong stems from Coinbase's new lending product.

According to what Brian Armstrong revealed on Twitter, *Coinbase's lending product will be lower than other crypto lending businesses with a proposal offering a 4% APY (annual percentage yield) on USDC (USD Coin), which is a stablecoin pegged to the U.S. dollar. However, the agency still classified the lending product as security.*

Armstrong isn’t alone in taking issue with the SEC. Other crypto market players have publicly expressed frustration with the regulators, who reportedly inquire closely into the popular DeFi (decentralized finance) platform UniSwap.

Crypto market players also pointed out that the crypto industry has been asking the SEC for clarity on these very issues for years. Nic Carter, crypto investor and chairman of Coin Metrics, said *They aren’t providing much in the way of proactive guidance but rather leaving founders to read the tea leaves based on enforcement. But the enforcements are patchy and scattered.*

Others have criticized this approach by the SEC and called it “regulation by litigation.” Because of the growing number of crypto projects, on Tuesday, Gensler admitted,

“Funding-wise, we could use a lot more people.”

Many pointed out that the SEC’s current approach lacks clarity. Jennifer Schulp, Director of Financial Regulation Studies at the Cato Institute, pointed out that determining whether or not a digital asset is a security remains far from clear. This problem was put on display by Gensler on Tuesday.

What’s in store for Coinbase and its new lending product? Please give your opinion on whether Coinbase vs SEC regulation is good for the crypto space.