# Resolved: Increased United States federal regulation of cryptocurrency transactions and/or assets will produce more benefits than harm.

#### Overview

Cryptocurrency is digital currency that usually utilizes blockchain technology. It is defined by its anonymity, decentralized system, and volatility. Many forms of cryptocurrency, like Bitcoin, Ethereum, and Binance, have become popular for investors. New bitcoin is created through the process of bitmining, which requires a large amount of energy and computer power to solve ‘computational puzzles.’

Many economists, journalists, and policymakers have described cryptocurrency as the “wild west” due to its lack of regulation and oversight. Cryptocurrency is incredibly volatile; its value fluctuates a lot. It has also been used by criminal organizations, hackers, and terrorist groups because transactions can be made anonymously. Due to this unstable and unsafe environment, there have been many calls for increased regulation.

Globally, some countries have cracked down on cryptocurrency. For instance, China outlawed bitmining this year. Others, like Japan and El Salvador, have made cryptocurrency easier to use. The United States currently lags behind other countries in cryptocurrency regulation but has proposed new laws and policies in the last few months.

In the US, regulation of cryptocurrency is done by a patchwork of organizations, which all define cryptocurrency differently. There are few laws and policies regulating its transactions and assets. US states have also taken many different approaches to regulating cryptocurrency.

Proponents of regulation say that it will make cryptocurrency safer for consumers and the global society, while also promoting cryptocurrency’s use. Opponents of these policies claim that they will decrease innovation and harm cryptocurrency.

#### Additional Sources

<https://www.cnbc.com/2021/11/04/defi-the-wild-west-of-crypto-is-set-to-face-regulatory-crackdown.html>

<https://www.npr.org/2021/11/03/1052079396/the-push-to-regulate-cryptocurrency-could-cause-friction-in-congress>

https://www.nbcnews.com/science/environment/some-locals-say-bitcoin-mining-operation-ruining-one-finger-lakes-n1272938

<https://www.newyorker.com/business/currency/the-challenges-of-regulating-cryptocurrency>

<https://www.cnn.com/2021/06/28/investing/premarket-stocks-trading/index.html>

<https://www.cnn.com/2021/08/07/politics/cryptocurrency-infrastructure-bill/index.html>

<https://www.wsj.com/articles/blockchain-com-hires-deutsche-bank-executive-as-first-compliance-chief-11636102800?page=1>

<https://www.wsj.com/articles/sec-chairman-says-crypto-market-wont-mature-without-oversight-11635899610?page=1>

<https://finance.yahoo.com/news/sen-toomey-blasts-stablecoin-bank-idea-as-crypto-regulation-heats-up-193436007.html>

<https://www.barrons.com/articles/cryptocurrency-regulation-biden-administration-report-51635795581>

https://www.nytimes.com/2021/11/01/business/stablecoins-cryptocurrency-regulation.html

# Pro

#### We stand in affirmation of the following:

Increased United States federal regulation of cryptocurrency transactions and/or assets will produce more benefits than harm

### Definitions

#### Increased United States federal regulation of cryptocurrency

Tran 21

Hung Tran (Economist and Nonresident Senior fellow at the Atlantic Council, Former Executive Managing Director of the Institute for International Finance and Former Deputy Director for the Monetary and Capital Markets Department for the International Monetary Fund), Atlantic Council, “Regulation: The solution to Bitcoin’s risks and unrealized benefits”, 07/01/21, https://www.atlanticcouncil.org/blogs/new-atlanticist/regulation-the-solution-to-bitcoins-risks-and-unrealized-benefits/

Together, these risks and unrealized rewards argue for enhancing cryptocurrency regulation, which currently ranges around the world from nonexistent or partial regulations to prohibitions. Discussion and action need to focus on: the intersection of cryptocurrency and the traditional financial system, consumer protection, financial stability, and public security (i.e., countering money laundering, the financing of terrorism, and other illegal activities).

#### Cryptocurrency

Frankenfield 21

Jake Frankenfield (writer for Investopedia), Investopedia, “Cryptocurrency”, 10/30/21, https://www.investopedia.com/terms/c/cryptocurrency.asp

A cryptocurrency is a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many cryptocurrencies are decentralized networks based on blockchain technology—a distributed ledger enforced by a disparate network of computers. A defining feature of cryptocurrencies is that they are generally not issued by any central authority, rendering them theoretically immune to government interference or manipulation.

### Framework

#### Cost benefit analysis

The framing for today’s round ought to be cost benefit analysis. If we demonstrate that increased United States federal regulation of cryptocurrency transactions and/or assets will produce more good than harm, we should win the round.

### Contention 1: Patchwork

#### US cryptocurrency regulation is currently a patchwork of different classifications

Smith 21

Timothy Smith (Financial Writer and a Trader with 20+ years of experience in the financial services industry), Investopedia, “Cryptocurrency Regulations Around the World”, 09/21/21, https://www.investopedia.com/cryptocurrency-regulations-around-the-world-5202122

Despite a large number of cryptocurrency investors and blockchain firms in the United States, the country hasn’t yet developed a clear regulatory framework for the asset class. The Securities and Exchange Commission (SEC) typically views cryptocurrency as a security, while the Commodity Futures Trading Commission (CFTC) calls Bitcoin (BTCUSD) a commodity, and the Treasury calls it a currency. Crypto exchanges in the United States fall under the regulatory scope of the Bank Secrecy Act (BSA) and must register with the Financial Crimes Enforcement Network (FinCEN). They are also required to comply with anti-money laundering (AML) and combating the financing of terrorism (CFT) obligations. Meanwhile, the Internal Revenue Service (IRS) classifies cryptocurrencies as property for federal income tax purposes. Crypto investors should closely monitor a high-profile court case between Ripple Labs Inc. and the SEC, as well as threats by the agency to sue leading digital currency exchange Coinbase Global Inc. (COIN), for further regulatory clarity.

#### Confusion about current regulations is bad for investors

The Editorial Board of the Wall Street Journal 21

The Editorial Board (for the Wall Street Journal), Wall Street Journal, “The SEC’s Cryptocurrency Confusion”, 4/18/21, https://www.wsj.com/articles/the-secs-cryptocurrency-confusion-11618611723

The SEC believes bitcoin and ether aren’t securities, in part because their developers don’t profit from their sale. But those exemptions were announced through statements from former SEC Chairman Jay Clayton in 2019 and 2020, with no formal rule-making. The findings by Judge Netburn in the Ripple case suggest that the agency hasn’t set clear rules for which currencies it regulates and which it doesn’t.

This confusion poses risks for investors. Coinbase delisted Ripple after the SEC filed suit in December, prompting a selloff that wiped out more than 60% of its value. The prices of Ripple and similar currencies have since tracked with the court’s statement’s on the SEC’s case. U.S. participants in the $2 trillion cryptocurrency market are seeking clarity that the agency has declined to provide, preferring to announce its positions through individual enforcement actions.

#### Regulatory clarity, from increased regulation, has many benefits

Fonda 21

Daren Fonda (Senior Writer at Barron’s), Barron’s, “Why Increased Regulation May Not Be a Concern for Crypto”, 08/05/21, https://www.barrons.com/articles/bitcoin-cryptocurrency-market-regulation-51628178790

The ‘Wild West’ of cryptocurrencies may soon be tamed by regulators in Washington. New taxes may also be coming in the infrastructure bill working through Congress. But the crypto markets appear to be taking it all in stride. Bitcoin traded around $39,0000 on Thursday, down from recent peaks around $41,000, but hardly crashing. Ethereum, the second largest cryptocurrency, rose 5% to around $2,800, partly in response to a technology upgrade that could expand the token’s appeal. One way to read the market’s reaction: More regulation isn’t coming as a surprise, and it may not be a bad thing. As the crypto bulls see it, regulation will open the door to mainstream financial advisors and asset managers—helping them to gain access to crypto markets through products like exchange-traded funds, mutual funds, and other investment vehicles. Banks and other “fintechs” may also benefit from more regulatory clarity in order to offer more crypto services, including payments, custody, lending, and settlement.

### Contention 2: Stablecoins

#### Stablecoins must be regulated to ensure stability

Rugaber 21

Christopher Rugaber (reporter for the associated press), TIME, “The U.S. Treasury is Worried About Stablecoin. Here's Why”, 11/01/21, https://time.com/6112592/treasury-report-crypto/

Stablecoins are a type of cryptocurrency that is pegged to a specific value, usually the dollar or another currency or gold. By keeping each coin valued at $1, unlike better-known cryptocurrencies such as Bitcoin that can fluctuate wildly in price, stablecoins are potentially better suited to commercial transactions. Many holders of Bitcoin see it as an investment and won’t spend something that could appreciate in value. There are over 200 stablecoins worth nearly $130 billion, a six-fold increase from a year ago. They are mostly used on cryptocurrency exchanges to purchase other digital assets like Bitcoin. Many of those exchanges don’t have relationships with banks that would enable traders to use cash. The explosive growth of stablecoins and the risks they pose to the financial system have quickly concentrated the minds of government officials on what kinds of regulation might be needed. Large banks have also urged that stablecoins be required to abide by the same rules they do, and even some stablecoin issuers have called for clear regulations to bring some order to the industry. The primary concern about the coins is that they could be anything but stable. Should a large number of holders of a particular stablecoin decide to redeem them for dollars, they could create the equivalent of a “run on the bank.” Stablecoin issuers typically say they hold a dollar in reserve for every coin, to facilitate redemptions.

#### Stability is one of the reasons stablecoins are attractive for wider use

Hayes 21

Adam Hayes (writer and editor of Investopedia with 15+ years of professional experience as a derivatives trader and five years in private wealth management), Investopedia, “Stablecoin”, 10/08/21, https://www.investopedia.com/terms/s/stablecoin.asp

A stablecoin is a class of cryptocurrencies that attempt to offer price stability and are backed by a reserve asset. Stablecoins have gained traction as they attempt to offer the best of both worlds—the instant processing and security or privacy of payments of cryptocurrencies, and the volatility-free stable valuations of fiat currencies.

#### Regulations are needed to access the benefits of stablecoins

Catalini and Massari 21

Christian Catalini and Jai Massari (writers for Harvard Business Review), Harvard Business Review, “Stablecoins and the Future of Money”, 08/10/2021, https://hbr.org/2021/08/stablecoins-and-the-future-of-money

To economists, the benefits of stablecoins include lower-cost, safe, real-time, and more competitive payments compared to what consumers and businesses experience today. They could rapidly make it cheaper for businesses to accept payments and easier for governments to run conditional cash transfer programs (including sending stimulus money). They could connect unbanked or underbanked segments of the population to the financial system. But without robust legal and economic frameworks, there’s a real risk stablecoins would be anything but stable. They could collapse like an unsound currency board, “break the buck” like money market funds in 2008, or spiral into worthlessness. They could replicate the turmoil of the “wildcat” banks of the 19th century.

#### Regulated stablecoins could cause more financial inclusion

Massad 21

Timothy G. Massad (Chairperson of the Commodity Futures Trading Commission), Brookings, “Regulating stablecoins isn’t just about avoiding systemic risk”, 10/05/21, https://www.brookings.edu/research/regulating-stablecoins-isnt-just-about-avoiding-systemic-risk/

It is shocking that with a financial system as sophisticated as ours, 25% of American households are unbanked or “underbanked,” according to the FDIC. The latter term means they have a bank account but use nonbank options like check cashing services or payday lenders, often to avoid even more expensive bank overdraft charges. Moreover, as Aaron Klein has written in an excellent new paper, the key issue is access to digital money, and low-income people are at a distinct disadvantage in that regard. Stablecoins are one way to speed up payments, as are CBDCs. The original Libra proposal focused on its potential financial inclusion benefits. While some might regard that as window dressing by Facebook, the fact is that slow and expensive payments burden low income people in many ways. Remittances—a $700 billion market of sending money from one country to another—is a prime example, as the average cost exceeds 6%.

### Contention 3: Safety

#### Cryptocurrency lacks consumer protection without regulation

Pazzanese & Kominers 21

Christana Pazzanese (Harvard Staff Writer) and Dr. Scott Duke Kominers (Associate Professor of Business Administration at Harvard Business School and a faculty affiliate of Harvard’s Department of Economics and the Harvard Center of Mathematical Sciences and Applications), The Harvard Gazette, “Regulators put cryptocurrency in crosshairs”, 09/29/2021, https://news.harvard.edu/gazette/story/2021/09/regulating-the-unregulated-cryptocurrency-market/

GAZETTE: The SEC chairman called this an asset class “rife with fraud, scams, and abuse.” Is this industry operating in a rule-free, “Wild West” atmosphere, as he suggested? KOMINERS: I haven’t read the full Gensler remarks, so I can’t comment explicitly on his overall take, but I can comment on some of the individual elements you mention. It’s clear that this space needs much more consumer protection, and we’re starting to see that. Right now, if a hacker gains access to your crypto wallet, they can drain it and you may have no recourse. But the newer waves of wallet technologies and crypto exchanges are thinking hard about all the things consumers expect out of banking products and equities trading accounts. They’re trying to create more security and protections at the consumer-interface level. And then, of course, you also need regulation to prevent financial crime and scams, just like we have in other parts of the financial-services industry.

#### Vulnerabilities have caused millions of dollars of losses

Kharpal & Browne 21

Arjun Kharpal (Asia Technology Correspondent for CNBC) and Ryan Browne (Tech Reporter for CNBC), CNBC, “Hackers return nearly half of the $600 million they stole in one of the biggest crypto heists”, 08/11/2021, https://www.cnbc.com/2021/08/11/cryptocurrency-theft-hackers-steal-600-million-in-poly-network-hack.html

Hackers have returned nearly half of the $600 million they stole in what’s likely to be one of the biggest cryptocurrency thefts ever. The cybercriminals exploited a vulnerability in Poly Network, a platform that looks to connect different blockchains so that they can work together. As of 7 a.m. London time, more than $4.8 million had been returned to the Poly Network addresses. By 11 a.m. ET, about $258 million had been sent back. “I think this demonstrates that even if you can steal cryptoassets, laundering them and cashing out is extremely difficult, due to the transparency of the blockchain and the use of blockchain analytics,” Tom Robinson, chief scientist of blockchain analytics firm Elliptic, said via email. “In this case the hacker concluded that the safest option was just to return the stolen assets.” Once the hackers stole the money, they began to send it to various other cryptocurrency addresses. Researchers at security company SlowMist said a total of more than $610 million worth of cryptocurrency was transferred to three addresses.

#### Currently, cryptocurrency enables bad actors, so regulations must be put in place

Tran 21

Hung Tran (Economist and Nonresident Senior fellow at the Atlantic Council, Former Executive Managing Director of the Institute for International Finance and Former Deputy Director for the Monetary and Capital Markets Department for the International Monetary Fund), Atlantic Council, “Regulation: The solution to Bitcoin’s risks and unrealized benefits”, 07/01/21, https://www.atlanticcouncil.org/blogs/new-atlanticist/regulation-the-solution-to-bitcoins-risks-and-unrealized-benefits/

For bad actors, however, Bitcoin offers a dark medium to engage in illegal activities including money laundering, financing terrorism, collecting ransoms in hacks or cyberattacks, and buying or selling banned substances or other objects. Though transactions leave a digital footprint that can be traced, especially through exchanges and other services converting Bitcoin to central bank-issued currencies and vice versa, the anonymity of Bitcoin makes tracing transactions more difficult. Regulatory landscape Globally, the regulatory landscape for Bitcoin is a mixed bag: outright bans of cryptocurrencies, different forms and degrees of regulation, or no regulation at all. According to the Financial Stability Board, an international body that monitors the global financial system, many countries—such as Algeria, Bolivia, Ecuador, Nepal, Nigeria, and Turkey—have imposed outright bans. Others have partial bans: Vietnam and Russia bar the use of cryptocurrencies as a means of payment but have not prohibited their citizens from trading and investing in cryptocurrencies. China, for its part, has prohibited registered financial institutions from engaging in cryptocurrency transactions or providing custodian, clearing, and payment services to cryptocurrency users. The European Central Bank, meanwhile, has classified Bitcoin as a virtual decentralized currency but not money or currency from a legal perspective. It has advised financial institutions with exposure to crypto assets to put in place appropriate risk-management frameworks, with further regulatory measures being considered. In Japan, Bitcoin and other cryptocurrencies can be used as legally accepted means of payment, but authorities have not designated Bitcoin as legal tender. (El Salvador was the first country to do so.) Japan’s Financial Services Agency recognizes and regulates Bitcoin exchange operators. US federal agencies define cryptocurrencies in various ways: The US Treasury views Bitcoin as a virtual decentralized currency but not as legal tender. Entities helping to process Bitcoin transactions are viewed as money transmitters subject to the supervision of the US Treasury’s Financial Crimes Enforcement Network (FinCEN), including being required to make suspicious activity reports. The Internal Revenue Service has defined Bitcoin as property subject to a capital gains tax. The Commodity Futures Trading Commission has determined that Bitcoin is a commodity, which therefore means any activity involving Bitcoin and derivative contracts based on Bitcoin falls under its purview. The Securities and Exchange Commission (SEC) has ruled that while Bitcoin as such is not a security, Bitcoin assets or tokens can be defined as a security and thus subject to its supervisory authority. Initial coin offerings to raise funds from the public against issuance of cryptocurrencies are required to be registered with the SEC, similar to other initial public offerings. Exchange-traded funds based on cryptocurrencies have to be approved by the SEC. Collective investment arrangements that invest more than 40 percent of their assets in cryptocurrencies have to register under the Investment Company Act and Investment Advisers Act, and exchanges facilitating the trading of Bitcoin assets have to register unless exempt as alternative trading venues. However, many if not most of these entities have not registered with the SEC. As Reuters reports, SEC Chairman Gary Gensler recently said that “he would like to see more regulation around cryptocurrency exchanges, including those that solely trade Bitcoin.” US states and municipalities take different regulatory approaches. These range from being friendly to cryptocurrency businesses by issuing, for instance, a new state banking charter, called a special purpose depository institution, for banks that deal mostly in digital assets (Wyoming); to banning cryptocurrency mining; to requiring the registration of exchanges and other companies servicing Bitcoin transactions as money-services companies or money transmitters. New York, Rhode Island, and Arizona have developed reputations as less friendly to cryptocurrency activities because of their attempts to regulate those businesses, while several states have created regulatory sandboxes that exempt cryptography businesses from regulatory oversight for the initial development period. Updating the regulatory framework Given the shift in the balance between the potential benefits of cryptocurrencies and their costs and risks, it is important to revamp and update the global regulatory framework governing them. Several steps can be considered. The first and most important step is to review the distinction between activities within the Bitcoin network and its interfaces with the conventional financial system. Examples of such interfaces include conversion into cash as well as offering and trading in Bitcoin-based assets or tokens as securities or derivatives. This is especially critical given the increasingly popularity of Bitcoin. The concentration of miners and owners creates opportunities for market manipulation that could hurt members of the public. These developments have made it difficult to differentiate between Bitcoin and Bitcoin assets or tokens. In this vein, the Financial Stability Board should update and extend its 2020 high-level recommendations on “Regulation, Supervision, and Oversight of ‘Global Stablecoin’ Arrangements” to include cryptocurrencies such as Bitcoin. Second, measures are needed to heighten transparency and investor protection. If initial coin offerings require registration, then the mining of substantial volumes of Bitcoin—which affects the supply and demand conditions of the market, and the integrity of the market’s transfer-of-value network—should be subject to registration and disclosure. These requirements would allow current and potential members of the Bitcoin network to be aware of what they are engaging in. Furthermore, holders of Bitcoin exceeding a threshold value should be required to disclose that fact—in a manner similar to the disclosure requirement for investors who acquire more than 5 percent of a corporation’s outstanding shares. Companies servicing Bitcoin should also report the capital gains or losses of their customers to authorities in order to avoid tax-evasion problems, rather like the reporting requirements for securities broker-dealers. Finally, federal authorities should tighten monitoring and supervision to protect public security. Authorities responsible for countering money laundering and terrorism financing should strengthen oversight over Bitcoin services. Any transfers of Bitcoin valued at more than $10,000 should be reported to the authorities, in a similar fashion to bank transfers.

### Extra Cards:

#### Coinbase, a cryptocurrency company, has also asked the US government to put regulations in place

Coinbase 21

Coinbase (An American cryptocurrency company), “Digital Asset Policy Proposal”, September 2021, https://assets.ctfassets.net/c5bd0wqjc7v0/7FhSemtQvq4P4yS7sJCKMj/a98939d651d7ee24a56a897e2d37ef30/coinbase-digital-asset-policy-proposal.pdf

Pillar One: Regulate Digital Assets Under a Separate Framework The cryptoeconomy is defined by two concurrent innovations, both of which have manifold impacts on our financial system: 1. The blockchain-driven and decentralized evolution of the internet 2. The emergence of a distinctive asset class that is digitally native and empowers unique economic use cases The changes made possible by these two innovations are transformational, but do not easily fit within the existing financial system, which assumes that the structure of our financial markets will remain largely as they have been in the past. Our financial regulatory system is predicated on the ongoing existence of a series of separate financial market intermediaries — exchanges, transfer agents, clearing houses, custodians, and traditional brokers — because it never contemplated that distributed ledger and blockchain technology could exist. A new framework for how we regulate digital assets will ensure that innovation can occur in ways that are not hampered by the difficulty of transitioning from our legacy market structure. Pillar Two: Designate One Regulator for Digital Asset Markets To avoid fragmented and inconsistent regulatory oversight of these unique and concurrent innovations, responsibility over digital assets markets should be assigned to a single federal regulator. Its authority would include a new registration process established for marketplaces for digital assets (MDAs) and appropriate disclosures to inform purchasers of digital assets. Additionally, in the tradition of other markets, a dedicated self-regulatory organization (SRO) should be established to strengthen the oversight regime and provide more granular oversight of MDAs. Together, they should formulate new rules that permit the full range of digital asset services within a single entity: digital asset trading, transfer, custody, clearing, settlement, money payment, staking, borrowing and lending, and related incidental services. This two-tier regulatory structure will ensure efficient and streamlined regulation and oversight, and evolve elements of the existing frameworks to meet the requirements of our new technologically-driven financial system. Pillar Three: Protect and Empower Holders of Digital Assets This new framework should have three goals to ensure holders of digital assets are empowered and protected: 1. Enhance transparency through appropriate disclosure requirements, 2. Protect against fraud and market manipulation, and 3. Promote efficiency and strengthen market resiliency. Each of the goals should be accomplished in recognition of the unique characteristics and risks of the underlying functionalities of digital assets. Pillar Four: Promote Interoperability and Fair Competition Innovation in decentralized protocol development and the peerto-peer marketplace continues to produce novel approaches that allow greater financial access across all facets of society. To realize the full potential of digital assets, MDAs must be interoperable with products and services across the cryptoeconomy. If fully realized, this can enshrine fair competition, responsible innovation, and promote a thriving consumer and developer ecosystem.

#### A single organization should regulation cryptocurrency in the US

Ennis 21

Dan Ennis (Editor for Banking Dive), Banking Dive, “Coinbase sees single regulator, new framework for crypto supervision”, 10/18/21, https://www.bankingdive.com/news/coinbase-sees-single-regulator-new-framework-for-crypto-supervision/608380/

Coinbase wants the U.S. to create a new regulator to oversee the digital asset market, the company said in a policy document published Thursday. Putting crypto oversight in the hands of one digitally native regulator would help the U.S. and the industry “avoid fragmented and inconsistent” supervision of the digital asset market’s “unique and concurrent innovations,” Coinbase said. As it stands now, the crypto sphere sees regulation from several bodies. Coinbase, for example, paid $6.5 million in March to resolve a Commodity Futures Trading Commission (CFTC) investigation into its trading volumes, then last month halted the launch of a lending product — called Lend — after the Securities and Exchange Commission (SEC) allegedly threatened to sue the company.

#### The US has fallen behind other countries

ABA 21

The American Bar Association (ABA), “It’s time to regulate cryptocurrency – Here’s what’s brewing”, 08/16/21, https://www.americanbar.org/news/abanews/aba-news-archives/2021/08/it-s-time-to-regulate-cryptocurrency---here-s-what-s-brewing/

Yermack called for Congress to develop new federal regulations altogether — as soon as possible — saying that the United States has even “fallen behind countries like Switzerland and Singapore” in its response. The nation indeed lags sorely behind its peers, panelists agreed, noting that the United States does not even have an Exchange Traded Fund or a clear definition of what a security is.

#### Federal inaction has led to complex and differing state laws

Lewis 21

Keith Lewis (Lawyer and CQ Roll Call Legal Reporter.), Government Technology, “States Are Split on How to Regulate Cryptocurrency”, 3/31/21, https://www.govtech.com/policy/states-are-split-on-how-to-regulate-cryptocurrency.html

New York added to its reputation for strict regulation of cryptocurrency platforms with an $18.5 million fine against the companies behind the stablecoin known as Tether and its related digital asset exchange. The state’s reputation on financial technology, which experts say may be inaccurately based on such enforcement actions, stands in contrast with other states, such as Wyoming and Colorado, that are enacting pro-crypto legislation and conducting outreach to attract investment. Lawyers who work with cryptocurrency companies say a patchwork of complex and divergent approaches to regulation is emerging. Some say the federal government’s lack of action on setting clear rules for fintech presents a major risk for innovators in the burgeoning industry. “It’s still pretty messy,” said Karen Ubell, an attorney at Goodwin Procter LLP in San Francisco. Ubell advises clients on cryptocurrency issues and noted that federal and state enforcement has been robust, but neither have offered as much guidance to foster fintech. New York sued Tether Ltd.; Bitfinex, the parent company iFinex Inc.; and related entities in 2019, alleging that Tether wasn’t truly backed 1-to-1 by U.S. dollars as the companies claimed. In February, the companies settled without admitting any misconduct. In addition to the millions of dollars in fines, the companies promised to cease all business within the state.

#### Regulating cryptocurrency will allow it to expand into daily use

Gura 21

David Gura (Business correspondent for NPR), NPR, “Tougher Rules Are Coming For Bitcoin And Other Cryptocurrencies. Here's What To Know”, 08/20/21, https://www.npr.org/2021/08/20/1029436872/tougher-rules-are-coming-for-bitcoin-and-other-cryptocurrencies-heres-what-to-kn

How will new regulations change cryptocurrencies? This is a fascinating existential question. Cryptocurrencies were borne of this iconoclastic desire for there to be assets untethered from governments and central banks. No one is really sure what will happen to it when that structure changes. But many believe new regulations could help cryptocurrencies become a bigger part of our daily lives. For example, some companies, including AMC Theaters, have already announced they will accept cryptocurrencies as payment.

#### Cryptocurrency markets will not suffer in response to regulation

Wharton at the University of Pennsylvania 21

Wharton at the University of Pennsylvania, “Why Regulation Won’t Harm Cryptocurrencies”, 4/27/21 https://knowledge.wharton.upenn.edu/article/why-regulation-wont-harm-cryptocurrencies/

Feinstein and Werbach put those concerns to the test and “examined if price declines follow cryptocurrency regulation in a country. The answer there is, ‘Almost always not,’” said Feinstein. That finding was the result of an exhaustive study by Feinstein and Werbach of trading activity at several exchanges worldwide following key cryptocurrency regulatory announcements. Their study found “almost entirely null results,” they wrote in an article published April 25 in the Journal of Financial Regulation. “From the creation of bespoke licensing regimes to targeted anti-money laundering and anti-fraud enforcement actions, as well as many other categories of government activities, we found no systemic evidence that regulatory measures cause traders to flee, or enter, the affected jurisdictions.” Their findings “at last provide an empirical basis” for regulation of cryptocurrency trading, they added. “Crypto enthusiasts assert that limited regulation encourages trading on domestic exchanges and thus attracts development activity around a promising frontier technology, while unfavorable regulations will cause trading to move offshore,” Feinstein and Werbach wrote in a recent opinion piece in The New York Times. “But that wasn’t the case in multiple countries, including the U.S., that are home to large and active cryptocurrency exchanges. Despite concern from some in finance that strong regulations would dampen enthusiasm for crypto or push trading to more laissez-faire countries, we found few hints of price movement around regulatory events and no evidence of capital flight.”

#### Cryptocurrency will become more attractive to investors with increased regulation

Edmondson 21

Brian Edmondson (banking and online business specialist with two decades of experience working in the financial industry and founder of the Bankruptcy Recovery Foundation), The Balance, “Can Bitcoin Regulations Make Cryptocurrency Safer?”, 11/06/21, https://www.thebalance.com/can-bitcoin-regulation-make-cryptocurrency-safer-4173836#citation-3

Bitcoin regulation has the potential to make the market much safer. It will still likely be a risky investment, but with protections for investors, it’s less likely that the market will be able to face as much outside manipulation. Overall, this is a good thing for people who want to invest in cryptocurrency. Safer markets mean more public confidences, which often means prices go up over time.

#### Innovation in cryptocurrency has not created many benefits, but helped hackers

Ip 21

Greg Ip (chief economics commentator for the WSJ), Wall Street Journal, “Cryptocurrency Has Yet to Make the World a Better Place”, 5/20/21, https://www.wsj.com/articles/cryptocurrency-has-yet-to-make-the-world-a-better-place-11621519381

The two events underline how an innovation that was supposed to displace the dollar as a medium of exchange has proved largely useless for buying legal things yet frighteningly effective at facilitating extortion. We usually think of innovation as unambiguously good. Human welfare advances through the continuous recombination of materials and muscle in new and creative ways. Every innovation has its dark side, but even with car accidents and internet scams we’re clearly better off with cars and the internet. There is, though, a small list of innovations whose net contribution to society is negative: asbestos, now widely banned. Cigarettes, still with us. Fentanyl: In legal usage, it’s a potent, easy-to-make synthetic opioid for severe pain, but those same qualities are how bootleg versions are wreaking untold destruction through overdoses, addiction and crime. Will bitcoin join this list? True, legitimate business does get transacted with cryptocurrency. But not much; the vast majority of turnover in crypto is trading and speculation. Chainalysis, a crypto security company, estimates merchants received $2.8 billion in crypto payments last year, less than in 2017, though payments this year are ahead of the pace in 2017. By contrast, it estimates illicit entities received 75% more: $4.9 billion last year, though that’s down substantially from 2019. The fastest-growing category is ransomware: Payments quadrupled to $348 million last year from 2019. That’s almost certainly an undercount since many ransoms aren’t reported. Actual costs are far greater once you include data recovery, disrupted operations and reputational damage when hackers publicly release stolen data. Countless Americans paid more and waited longer for fuel because of the Colonial attack.

#### China’s crackdown on cryptocurrency benefitted the environment

MacKenzie Sigalos (technology reporter for CNBC), CNBC, “Bitcoin mining isn’t nearly as bad for the environment as it used to be, new data shows”, 7/20/21, https://www.cnbc.com/2021/07/20/bitcoin-mining-environmental-impact-new-study.html

For years, bitcoin critics have maligned the world’s biggest cryptocurrency for polluting the planet. But new data from Cambridge University shows that the geography of mining has drastically changed over the last six months, and experts tell CNBC this will improve bitcoin’s carbon footprint. China’s big crypto crackdown this spring set off a chain reaction in the mining world. For one, it took half the world’s bitcoin miners offline practically overnight. Fewer people mining has meant less machines running and less power being consumed overall, which slashed bitcoin’s environmental impact. Beijing’s new crypto rules also permanently took a lot of older and more inefficient gear offline. And crucially, China shutting its doors to crypto mining has set off a massive migration. Miners are now heading to the cheapest sources of energy on the planet, which more often than not are renewable. “The bitcoin network is ruthless in its drive for the lowest cost,” said Mike Colyer, CEO of digital currency company Foundry. “Miners around the world are looking for stranded power that is renewable. That will always be your lowest cost. Net-net this will be a big win for bitcoin’s carbon footprint.”

#### Cryptocurrency worsens climate change

Cho 21

Renee Cho (staff writer for the Columbia Climate School), Columbia Climate School, “Bitcoin’s Impacts on Climate and the Environment”, 9/20/21, https://news.climate.columbia.edu/2021/09/20/bitcoins-impacts-on-climate-and-the-environment/

The process of trying to come up with the right nonce that will generate the target hash is basically trial and error—in the manner of a thief trying random passwords to hack yours—and can take trillions of tries. With hundreds of thousands or more computers churning out guesses, Bitcoin is thought to consume 707 kwH per transaction. In addition, the computers consume additional energy because they generate heat and need to be kept cool. And while it’s impossible to know exactly how much electricity Bitcoin uses because different computers and cooling systems have varying levels of energy efficiency, a University of Cambridge analysis estimated that bitcoin mining consumes 121.36 terawatt hours a year. This is more than all of Argentina consumes, or more than the consumption of Google, Apple, Facebook and Microsoft combined. And it is only getting worse because miners must continually increase their computing power to compete with other miners. Moreover, because rewards are continually cut in half, to make mining financially worthwhile, miners have to process more transactions or reduce the amount of electricity they use. As a result, miners need to seek out the cheapest electricity and upgrade to faster, more energy-intensive computers. Between 2015 and March of 2021, Bitcoin energy consumption increased almost 62-fold. According to Cambridge University, only 39 percent of this energy comes from renewable sources, and that is mostly from hydropower, which can have harmful impacts on ecosystems and biodiversity. In 2020, China controlled over 65 percent of the global processing power that runs the Bitcoin network; miners took advantage of its cheap electricity from hydropower and dirty coal power plants. Recently, however, China cracked down on mining out of concerns about cryptocurrency’s financial risks and enormous energy consumption that works against China’s goal to be carbon neutral by 2060. As a result, many Chinese bitcoin miners are trying to move operations to other countries, like Kazakhstan, which relies mainly on fossil fuels for electricity, and the U.S. A number of U.S. states are eager to attract Chinese miners to boost their own economies. If the miners are unable to move, however, they are selling their equipment to other miners across the globe. U.S. miners themselves are raising hundreds of millions of dollars to invest in bitcoin mining and converting abandoned factories and power plants into large bitcoin mining facilities. One example of this is Greenidge Generation, a former coal power plant in Dresden, New York that converted to natural gas and began bitcoin mining. When it became one of the largest cryptocurrency mines in the U.S., its greenhouse gas emissions increased almost ten-fold between 2019 and 2020. Greenidge plans to double its mining capacity by July, then double it again by 2022 and wants to convert more power plants to mining by 2025. While Greenidge pledged to become carbon neutral in June through purchasing carbon offsets, the fact remains that without bitcoin mining, the plant would probably not be running at all. Other polluting peaker plants—power plants that usually only run during peak demand for a few hours a month—are being taken over for crypto mining to run 24/7. Earth Justice and the Sierra Club sent a letter to the NYS Department of Environmental Conservation urging it to reject the renewal of Greenidge’s permit that would allow it to increase its greenhouse gas emissions. They also warned that there are almost 30 power plants in upstate New York that could potentially be converted to bitcoin mining operations; if this occurred, it could foil New York State’s efforts to eliminate virtually all greenhouse gas emissions by 2050. Globally, Bitcoin’s power consumption has dire implications for climate change and achieving the goals of the Paris Accord because it translates into an estimated 22 to 22.9 million metric tons of CO2 emissions each year—equivalent to the CO2 emissions from the energy use of 2.6 to 2.7 billion homes for one year. One study warned that Bitcoin could push global warming beyond 2°C. Another estimated that bitcoin mining in China alone could generate 130 million metric tons of CO2 by 2024. With more mining moving to the U.S. and other countries, however, this amount could grow even larger unless more renewable energy is used.

# Con

#### We stand in negation of the following:

Increased United States federal regulation of cryptocurrency transactions and/or assets will produce more benefits than harm

### Definitions

#### Increased United States federal regulation of cryptocurrency

Tran 21

Hung Tran (Economist and Nonresident Senior fellow at the Atlantic Council, Former Executive Managing Director of the Institute for International Finance and Former Deputy Director for the Monetary and Capital Markets Department for the International Monetary Fund), Atlantic Council, “Regulation: The solution to Bitcoin’s risks and unrealized benefits”, 07/01/21, https://www.atlanticcouncil.org/blogs/new-atlanticist/regulation-the-solution-to-bitcoins-risks-and-unrealized-benefits/

Together, these risks and unrealized rewards argue for enhancing cryptocurrency regulation, which currently ranges around the world from nonexistent or partial regulations to prohibitions. Discussion and action need to focus on: the intersection of cryptocurrency and the traditional financial system, consumer protection, financial stability, and public security (i.e., countering money laundering, the financing of terrorism, and other illegal activities).

#### Cryptocurrency

Frankenfield 21

Jake Frankenfield (writer for Investopedia), Investopedia, “Cryptocurrency”, 10/30/21, https://www.investopedia.com/terms/c/cryptocurrency.asp

A cryptocurrency is a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many cryptocurrencies are decentralized networks based on blockchain technology—a distributed ledger enforced by a disparate network of computers. A defining feature of cryptocurrencies is that they are generally not issued by any central authority, rendering them theoretically immune to government interference or manipulation.

### Framework

#### Cost benefit analysis

The framing for today’s round ought to be cost benefit analysis. If we demonstrate that increased United States federal regulation of cryptocurrency transactions and/or assets will produce equal or more harm than benefits, we should win the round.

### Contention 1: Volatility

#### Regulations lead to panic in the crypto markets

Pape 21

Colin Pape (founder of decentralized search engine Presearch), Markets Insider, “We spoke to 4 experts about the key themes for crypto for 2021 - from regulation, to price volatility, and growing everyday use”, 7/17/21, https://markets.businessinsider.com/news/currencies/crypto-outlook-whats-next-regulation-price-volatility-themes-4-experts-2021-7

Regulation will hurt crypto. We're already seeing how things like crackdowns over bitcoin mining in China and scrutiny over global exchanges like Binance have caused panic in the markets. Governments should be in favor of innovation, but right now we're seeing a lot of governments step in and try to regulate a sector that they don't even fully understand.

#### Regulations create uncertainty, leading to drops in the value of crypto

Sun 21

Zhiyuan Sun (statistician and contributor to the Motley Fool), Nasdaq, “Why It's Almost Impossible to Shut Down Cryptocurrencies”, 10/6/21, https://www.nasdaq.com/articles/why-its-almost-impossible-to-shut-down-cryptocurrencies-2021-10-06

Ever since Bitcoin's (CRYPTO: BTC) inception, regulators worldwide have tried their hands at shutting down the world's first peer-to-peer (P2P) electronic cash payment network. Fear, uncertainty, and doubt surrounding regulatory crackdowns is drilled into investor psychology despite mixed results. In early September, cryptocurrencies' market cap fell by over 20% peak to trough on China introducing another round of legal restrictions regarding digital money.

#### Bitcoin suffered due to regulations

Sharma 21

Rakesh Sharma (Writer for Investopedia with 8+ years of experience about the intersection between technology and business), Investopedia, “Bitcoin Has a Regulation Problem”, 6/13/21, https://www.investopedia.com/news/bitcoin-has-regulation-problem/

Regulation is among the most important factors affecting bitcoin price. The cryptocurrency’s rise has been arrested every time a government has cracked the policy whip, with countries taking varying approaches to bitcoin regulation. For example, in November 2019, bitcoin sank to an all-time low when China accelerated a crackdown on cryptocurrency businesses, mirroring what happened when South Korea also made a move to regulate cryptocurrency trading back in 2017.

### Contention 2: Difficulty

#### Regulating cryptocurrency is complicated by the different agencies involved

Ehret 21

Todd Ehret (Senior Regulatory Intelligence Expert at Reuters), Reuters, “INSIGHT: U.S. cryptocurrency regulatory path appears long and complex”, 4/6/21, https://www.reuters.com/article/bc-finreg-cryptocurrency-regulatory-path/insight-u-s-cryptocurrency-regulatory-path-appears-long-and-complex-idUSKBN2BT211

There are several obstacles to a quick rollout of new crypto regulations in the U.S. The biggest is likely jurisdictional overlap and friction among regulators. Although the SEC is widely seen as the larger and more powerful markets regulator, Treasury, FinCEN, the Federal Reserve Board, and the CFTC will surely have input. Further complicating matters is that the complex and evolutionary nature of cryptos has led to differing interpretations from the various regulators. The SEC sees digital assets as securities, the CFTC calls them commodities, while Treasury views them from the perspective of currencies. The Internal Revenue Services has its own view — treating them as property for tax purposes.

#### The difficulty of regulation cryptocurrency will make them more difficult to monitor

Cowen 21

Tyler Cowen (professor of economics at George Mason University), Bloomberg, “Regulate Cryptocurrencies? Not Yet”, 1/24/21, https://www.bloomberg.com/opinion/articles/2021-01-24/regulate-bitcoin-yellen-should-leave-crypto-alone-for-now

A more general principle is that the platforms easiest to regulate also tend to be the most legitimate and the least likely to engage in or encourage wrongdoing. Again, the net effect will be to make crypto, at the global level, harder to monitor and control.

#### Increasing US regulations in its complicated environment could cause harm

Browne 21

Ryan Browne (technology reporter for CNBC), CNBC, “Bitcoin had a wildly volatile first half. Here are 5 of the biggest risks ahead”, 7/13/21, https://www.cnbc.com/2021/07/01/after-bitcoins-wild-first-half-these-are-the-5-biggest-risks-ahead.html

One of the biggest risks for bitcoin right now is regulation. In recent weeks, China has clamped down on its cryptocurrency industry, shuttering energy-intensive crypto mining operations and ordering major banks and payment firms like Alipay not to do business with crypto companies. Last week, the global crypto crackdown spread to the U.K., where regulators banned leading digital currency exchange Binance from undertaking regulated activities. Simon Yu, co-founder and CEO of crypto cashback start-up StormX, told CNBC that China’s moves should be viewed as a “positive” thing for bitcoin and other cryptocurrencies like ether as it will lead to more decentralization. However, he added that “over-regulation” of crypto in the United States could be a problem. “As a country, the U.S. has too many departments regulating it from different angles — is crypto a security? A commodity? A property?” Yu said. “As of now, the U.S. hasn’t figured out how to properly regulate the industry, which oftentimes leads to decisions that are difficult for crypto to operate.” U.S. Treasury Secretary Janet Yellen and other officials have recently warned about the use of cryptocurrencies for illicit transactions. Last year, former President Donald Trump’s administration proposed an anti-money laundering rule that would require people who hold their crypto in a private digital wallet to undergo identity checks if they make transactions of $3,000 or more. “We’ve long warned that shifting investor sentiment or regulatory crackdowns could pop bubble-like crypto markets,” UBS wrote in a note this week.

### Contention 3: Innovation

#### Cryptocurrency regulations reduces innovation

Cowen 21

Tyler Cowen (professor of economics at George Mason University), Bloomberg, “Regulate Cryptocurrencies? Not Yet”, 1/24/21, https://www.bloomberg.com/opinion/articles/2021-01-24/regulate-bitcoin-yellen-should-leave-crypto-alone-for-now

It is unclear what such regulation would accomplish. Crypto exchanges would become more bureaucratic and less innovative, as they would have a greater stake in the financial status quo. Non-U.S.-based crypto exchanges, and anonymized systems, could still be used to transfer funds secretly or illegally. Still, banks are something the federal government has a lot of experience regulating, and U.S. regulators would achieve a certain illusion of control. Other possible regulations could make it harder to create new transactional systems on top of current crypto assets, such as Ether. For instance, the Ethereum platform underpins a growing series of prediction markets, such as Augur. These systems represent works in progress, but the ultimate goal is to have rapid, low-transaction-cost trades, executed through blockchains. Imagine, for instance, a system for consummating micropayments for products in virtual reality. Currently in the works is the construction of Ethereum 2.0, designed to lower transaction costs for such ventures. Attempts to regulate these platforms could impose stringent reporting requirements, create capital requirements, cap their growth or force them to find a place within the structures of currently regulated mainstream entities, including banks. But those new costs would probably stop their growth altogether, as these are hardly proven successes.

#### Regulation will make budding forms of cryptocurrency inaccessible to software developers and average people

Sandgren 21

Matt Sandgren (opinion contributor to the Hill), The Hill, “How new regulations from Washington could lead to a blockchain brain drain”, 10/27/21, https://thehill.com/blogs/congress-blog/technology/578834-how-new-regulations-from-washington-could-lead-to-a-blockchain

Even now, the stage is being set for a blockchain brain drain. Take the Senate-passed infrastructure bill, which includes a provision that would define crypto miners, validators, and even software developers as “brokers,” requiring them to report information to the IRS about anonymous blockchain participants that they would have no way of obtaining. In effect, this provision would kill the nascent DeFi (decentralized finance) industry and make it almost impossible for everyday Americans to invest in new cryptocurrencies. In other words, this latest move sends a hostile message to blockchain advocates: “We don’t want you here.”

#### Innovation has many benefits

Nicholl 21

Caroline G. Nicholl (Founder of Blue Apricot Solutions, a leadership development company), The Washington Post, “Opinion: The benefits of cryptocurrency”, 6/25/21, https://www.washingtonpost.com/opinions/letters-to-the-editor/the-benefits-of-cryptocurrency/2021/06/24/6d51be9a-d476-11eb-b39f-05a2d776b1f4\_story.html

The innovation underway with blockchain and digital money, including crypto, will change many systems — not only banking but also insurance, real estate and much more. Projects underway are already proving robust for trade, managing complex supply chains, accelerating research and allowing people to build social capital and assets they would otherwise not be able to. Instead of the banks deciding who can borrow money and controlling our personal data, people are taking back power and contributing to the design of solutions to intractable problems, including widespread inefficiencies and corruption.

### Extra Cards:

#### The key principals of cryptocurrencies go against regulations

Edmondson 21

Brian Edmondson (banking and online business specialist with two decades of experience working in the financial industry and founder of the Bankruptcy Recovery Foundation), The Balance, “Can Bitcoin Regulations Make Cryptocurrency Safer?”, 11/06/21, https://www.thebalance.com/can-bitcoin-regulation-make-cryptocurrency-safer-4173836#citation-3

Main drivers of cryptocurrencies such as anonymity and decentralization, and therefore the lack of concentrated regulatory power are contradictory to the very idea of centralized regulation, according to some researchers. And those are exactly the reasons why cryptocurrencies may facilitate money laundering and other crimes and need to be regulated, believe other policy experts.

#### Cryptocurrencies can get around regulations easily

Sharma 21

Rakesh Sharma (Writer for Investopedia with 8+ years of experience about the intersection between technology and business), Investopedia, “Bitcoin Has a Regulation Problem”, 6/13/21, https://www.investopedia.com/news/bitcoin-has-regulation-problem/

The unique characteristics and global portability of cryptocurrencies present another problem for regulators. For example, there are broadly two different types of tokens being traded on exchanges. As their name indicates, utility tokens serve an underlying purpose on a platform. For example, Augur, which is a prediction market, is a utility token on Ethereum’s blockchain. Such tokens are not subject to the SEC’s disclosure rules. On the other hand, security tokens represent equity or share in a company and fall under SEC purview. Not surprisingly, several tokens have circumvented existing regulations by declaring themselves utility tokens. Such startups have been publicly rebuked, but that has not stopped tokens with questionable business models from being listed on exchanges outside their native countries. The case of bitcoin exchanges in China, which promptly relocated to neighboring countries following a trading ban, is also illustrative of the problems faced by regulators.

#### Use of stablecoins to promote financial inclusion will give big tech more control

Omarova 21

Saule T. Omarova (Beth and Marc Goldberg Professor of Law at Cornell Law School, specializing in regulation of financial institutions, banking law, international finance, and corporate finance.), The Appeal, “Millions of Low-Income People Are Locked Out of The Financial System. More Big Tech Monopoly Power Is Not The Answer.”, 5/6/21, https://theappeal.org/the-lab/report/financial-system-more-big-tech-monopoly-power-is-not-the-answer/

Facebook went public with the plan to issue its own stablecoin in June 2019. Technically, the new currency would be issued by the Diem Association, a consortium of corporations brought together by Facebook and based in Switzerland. From the outset, Diem was promoted as a service that would benefit the billions of people locked out of the financial system. As David Marcus, the Head of F2 (Facebook Financial), said at the time, “there’s 1.7 billion people around the world that are unbanked, the same number are underserved by financial services. Now, anyone with a cheap smartphone has access to all the info they want in the world for free with a basic data plan. Why doesn’t money work the same way?” Marcus was pointing out a real problem. In 2019, nearly a quarter of adults in America were unbanked or underbanked—effectively priced out of the basic bank deposit and payments services. Without access to bank accounts, people often resort to alternatives like prepaid cards, which may carry excessive fees and lack the credit-building benefits of traditional credit cards. Underbanked people cannot receive direct deposits from employers, which forces them to pay exorbitant fees to predatory check-cashing businesses and at remote ATM machines. Even with access to basic bank accounts, Americans pay high fees for wiring money, especially to foreign countries, as well as overdraft fees that can quickly add up to ruin many consumers’ credit. As always, these multiple fees and charges disproportionately hurt the most vulnerable members of our communities. In short, for poor and low-income people, the financial system is more often a source of exploitative extraction rather than convenience. Facebook’s Diem promised to remedy all of these problems. With just a smartphone—and, crucially, a Facebook-owned application—any user, banked or unbanked, could easily and instantly move money to other individuals, or make purchases using a digital wallet hosted by Facebook or another provider. This decentralized structure, however, drew immediate criticism from a wide array of U.S. lawmakers and regulators, wary of Diem’s potential to undermine consumer privacy, financial stability, and the nation’s monetary sovereignty. Diem’s critics questioned Facebook’s use of its tremendous market power, its methods of managing Diem’s value, and its ability to prevent money laundering and other illicit uses of the Diem network. The strong backlash caused many corporate partners to exit the Diem Association, threatening the project’s viability and forcing Facebook to rethink its original plans. Facebook unveiled a revised version of the plan in April 2020. This iteration was designed to show that Facebook was not really seeking to issue its own global currency but is, much more modestly, trying to build a better cross-border payments network. In other words, Facebook claimed Diem would compete with PayPal, not the Federal Reserve.[2] The new plan has several key features. The Diem blockchain will be developed and operated by Diem Networks, the Diem Association’s subsidiary. Members of the Association—Facebook and its corporate partners—will validate all transactions on this blockchain. A select number of Designated Dealers will buy Diem Coin directly from Diem Networks, for further distribution to various retail payment service providers—Virtual Asset Service Providers (VASPs)—and digital wallets. These customer-facing payment service providers—including Facebook’s own digital wallet, Novi—will be responsible for compliance with anti-money-laundering regulations, even though not all of these providers will be regulated financial institutions. In emphasizing the accessibility of Diem, the revamped Diem Association doubled down on its potential to serve underbanked people: “Today, people with less money pay more for financial services. Hard-earned income is eroded by fees, from remittances and wire costs to overdraft and ATM charges. Blockchains have a number of unique properties that can potentially address some of the problems of accessibility and trustworthiness.” There are, however, several important reasons to doubt that Diem would deliver on these promises. The Dark Side of Diem: Why Should We Worry? In Facebook’s narrative, the Diem project is an inclusive, accessible, and efficient payment system—a true public good. But benevolence is not Facebook’s business model. In reality, Diem is a combination of private global cryptocurrency and a cross-border payments network, effectively controlled by a profit-seeking Big Tech company and integrated into its suite of global social-media and data-management business lines. This unprecedented structural alignment raises significant questions about the Diem project’s actual, as opposed to publicly proclaimed, purposes and potential implications.

#### Biden’s proposed stablecoin regulation harms competition

Michel 21

Norbert Michel (Policy contributor to Forbes and Vice President and Director of the Cato Institute's Center for Monetary and Financial Alternatives), Forbes, “The Biden Administration Stablecoin Report Misses The Mark”, 11/5/21, https://www.forbes.com/sites/norbertmichel/2021/11/05/the-biden-administration-stablecoin-report-misses-the-mark/?sh=255d2ad42998

Specifically, the administration wants new legislation to “limit stablecoin issuance, and related activities of redemption and maintenance of reserve assets, to entities that are insured depository institutions.” In case that’s not clear enough, the report reiterates that the bill should “prohibit other entities from issuing payment stablecoins.” The administration apparently believes that stablecoins can harm their users and pose systemic risks, but that everyone should just wait for Congress to act. Even better, the administration wants Congress to force these supposedly risky stablecoins to be issued only by federally insured banks. That’s mindboggling enough, but it takes supreme audacity to make this recommendation while also calling for new regulations to prevent stablecoins from leading to “an excessive concentration of economic power.” All crypto innovation—just like most other advances in U.S. payments technology—has been taking place outside of the banking sector. Preventing everyone outside the banking sector from issuing stablecoins removes a major threat of competition from the banking industry. It’s a move that makes no sense if the goal is to prevent excessive concentration.

#### Regulating cryptocurrency will not benefit counter-terrorism efforts

Cowen 21

Tyler Cowen (professor of economics at George Mason University), Bloomberg, “Regulate Cryptocurrencies? Not Yet”, 1/24/21, https://www.bloomberg.com/opinion/articles/2021-01-24/regulate-bitcoin-yellen-should-leave-crypto-alone-for-now

It is unclear what such regulation would accomplish. Crypto exchanges would become more bureaucratic and less innovative, as they would have a greater stake in the financial status quo. Non-U.S.-based crypto exchanges, and anonymized systems, could still be used to transfer funds secretly or illegally. Still, banks are something the federal government has a lot of experience regulating, and U.S. regulators would achieve a certain illusion of control.

#### Blockchain and technologies associated with cryptocurrency can assist sustainable development

UN 21

UN News, “Sustainability solution or climate calamity? The dangers and promise of cryptocurrency technology”, 6/20/21, https://news.un.org/en/story/2021/06/1094362

Despite these issues, UN experts believe that cryptocurrencies and the technology that powers them (blockchain) can play an important role in sustainable development, and actually improving our stewardship of the environment. One of the most useful aspects of cryptocurrencies, as far as the UN is concerned, is transparency. Because the technology is resistant to tampering and fraud, it can provide a trusted and transparent record of transactions. This is particularly important in regions with weak institutions and high levels of corruption. The World Food Programme (WFP), the largest UN agency delivering humanitarian cash, has found that blockchain can help to ensure that cash gets to those who need it most. A pilot programme in Pakistan showed that it was possible for WFP to get cash directly to beneficiaries, securely and quickly, without the need to go through a local bank. The project, Building Blocks, has also been successfully trialled at refugee camps in Jordan, ensuring that WFP could create a reliable online record of every single transaction. If this can work for refugees, it can also work for other disadvantaged, vulnerable groups. The authors of a report by the UN environment agency, UNEP, suggest that the technology could improve the livelihoods of waste pickers, who eke out a living in the informal economy.

#### Growth of cryptocurrency harms the environment

Baxter 21

Lawrence G. Baxter (opinion contributor for the Hill and the David T. Zhang professor of the practice of law at Duke Law School), The Hill, “Cryptocurrency makes the climate crisis worse”, 08/25/21, https://thehill.com/opinion/energy-environment/569395-cryptocurrency-makes-the-climate-crisis-worse

Cryptocurrency’s impact on the environment is indeed very serious — possibly the single most important policy factor against its growth. Cryptocurrencies, Bitcoin and Ethereum in particular, are so damaging to the environment that they threaten to reverse any gains achieved through the transition to electric vehicles and the reduction in fossil fuels use. Much of this consumption and output derives from the energy and processing intensive “mining” of Bitcoin and “proofs of work.” Even now the total Bitcoin carbon footprint exceeds the total emission reductions of electric vehicles. According to the Cambridge Bitcoin Electricity Consumption Index, Bitcoin already consumes more energy than the whole of Argentina (pop. 45 million). Digiconomist’s Bitcoin Energy Consumption Index estimates that Bitcoin and Ethereum together consume the same amount of power as Ukraine and Israel, totaling 52 million people. The carbon footprint of a single Bitcoin transactions equates to nearly 2 million Visa transactions, or 135,229 hours of watching YouTube! A single Ethereum transaction consumes the equivalent power used by an average U.S. household over 4.55 days. Furthermore, the energy and carbon footprints of both these and other cryptocurrencies are projected to grow exponentially in volume as speculation, hype and criminality continue to drive volume. Already, total crypto energy consumption “is roughly comparable to the carbon emissions produced by the metropolitan area of London,” according to The Gaurdian.

#### Regulation makes cryptocurrency less accessible to the middle class

Berlau 21

John Berlau (award winning financial and political journalist, recognized expert on crowdfunding, has testified on the impact of financial regulation before the House Committee on Financial Services and the House Committee on Energy and Commerce), Competitive Enterprise Institute, “Don’t Fear Crypto Dip; Fear Regulations that Will Harm America’s Cryptocurrency Lead”, 04/27/21, https://cei.org/blog/dont-fear-crypto-dip-fear-regulations-that-will-harm-americas-cryptocurrency-lead/

But even if regulation prevented middle-class investors from joining wealthy “accredited investors” in prospering by buying early-stage stock of the company, the cryptocurrency bought and sold by Coinbase customers was relatively free of red tape. And by simplifying for ordinary people the complex issues of custody and passwords, Coinbase helped middle-class investors build the same kind of wealth with cryptocurrency that they used to be able to build with early-stage stock listings like that of Home Depot. Coinbase customers who began buying Bitcoin when a single unit was selling at less than $600 are now sitting on more than $50,000 per coin. But now, middle-class access to wealth-building through crypto is facing dark clouds as federal regulators are pushing edicts that would have the effect of putting new types of cryptocurrency off limits to ordinary investors just as Sarbanes-Oxley and Dodd-Frank put stock in early-stage companies out of their reach. As CEI adjunct fellow Paul Jossey points out, the SEC’s deeming of all types of new cryptocurrencies as “securities”—despite a lack of authorization from Congress or even formal rulemaking—“discourages those creating the future economy from starting U.S. blockchain companies or allowing its citizens full access.” In particular, Jossey notes that the prosecution of video platform LBRY for creating digital tokens for its network, “creates roadblocks for … new projects” and “squelches competition.”

#### Regulation benefits large crypto actors and harms small ones

Volpicelli 21

Gian M. Volpicelli (senior writer at WIRED, master’s degree in journalism from City University of London), Wired, “New Regulation Could Cause a Split in the Crypto Community”, 08/17/21, https://www.wired.com/story/regulation-split-crypto-community/

Cryptocurrency is usually, and lazily, described as a Wild West, but as a matter of fact the established businesses operating in the sector—from big mining enterprises to Wall Street–listed giants such as Coinbase—tend to crave regulation to define the boundaries of what is acceptable and what might get them into trouble. “Sophisticated players in this space welcome intelligent regulation. It provides clarity and predictability for large operations,” Brammer says. “It provides a set of rules of the road that allow large, publicly traded companies to make sure that they're doing everything they can to be as viable and as profitable as possible going forward.” But where does that leave the smaller, less established, less corporate players? Bitcoin—an asset owned and lionized by billionaires such as Mark Cuban and Elon Musk—has been growing since 2009 into an industry that carries heft and brand recognition. (Even Ted Cruz is waxing lyrical about it). The much-contested amendment approved by the White House would have saved bitcoin while throwing much of crypto under the bus. Granted, when that plan emerged, the crypto lobby—or, at least, crypto-Twitter—rose as one against it. Jerry Brito, executive director of cryptocurrency trade group Coin Center thundered against the Senate’s attempt to pick “winners and losers,” while venture capitalist and crypto-ideologue Balaji Srinivasan said that the amendment would eventually open the door to a full-blown bitcoin ban. But it is worth wondering whether, in the long run, a rift might open between a Big Crypto clamoring for clear regulation to achieve peace of mind and the smaller actors of the cryptocurrency community, who might be less well equipped to meet the requirements that regulation would impose. Patrick Murck, a legal expert and an affiliate with the Berkman Klein Center at Harvard University, says that the infrastructure bill could go down in history as the moment in which a wedge was started to be driven between those two constituencies. “I think there is potentially a schism between the everyday community around crypto coming into conflict with an institutionalized form of crypto,” he says. “I don't think that there's such a desire within either camp, but you can see how increasing scrutiny and regulation could lead to that. The question is, does that put the community in conflict with the players that are being institutionalized?” One segment of the cryptocurrency industry that seems to be in for a walloping is the so-called decentralized finance, or DeFi, sector. That is a budding ecosystem in which financial services such as loans, savings, or trading are provided by blockchain-based programs as opposed to companies. The requirements stemming from the infrastructure bill's "broker" definition— onerous enough for bitcoin miners and exchanges—would be just as daunting when applied to DeFi, says Lex Sokolin, global fintech cohead at blockchain firm Consensys. "People that are engaged in decentralized finance—like the lenders and the traders and so on—of whom there are about 2 million and are all over the world and are in large part regular people—,” he says, “those people would be considered the equivalent of the Nasdaq," squashed by an excessive compliance burden. Even if that language were amended at a later stage, the Securities and Exchange Commission has already made it clear that it is poised to crack down on DeFi, which it regards as a high-risk sector, as the agency's chair emphasized in a letter to influential democratic senator Elizabeth Warren.

#### China’s crackdown harmed the markets

John et al. 21

Alun John et al. (Reporters for Reuters), Reuters, “China's top regulators ban crypto trading and mining, sending bitcoin tumbling”, 09/24/21, https://www.reuters.com/world/china/china-central-bank-vows-crackdown-cryptocurrency-trading-2021-09-24/

China's most powerful regulators on Friday intensified a crackdown on cryptocurrencies with a blanket ban on all crypto transactions and mining, hitting bitcoin and other major coins and pressuring crypto and blockchain-related stocks. Ten agencies, including the central bank, financial, securities and foreign exchange regulators, vowed to work together to root out "illegal" cryptocurrency activity, the first time the Beijing-based regulators have joined forces to explicitly ban all cryptocurrency-related activity. China in May banned financial institutions and payment companies from providing services related to cryptocurrency transactions, and issued similar bans in 2013 and 2017. The repeated prohibitions highlight the challenge of closing loopholes and identifying bitcoin-related transactions, though banks and payment firms say they support the effort. Friday's statement is the most detailed and expansive yet from the country's main regulators, underscoring Beijing's commitment to suffocating the Chinese crypto market. "In the history of crypto market regulation in China, this is the most direct, most comprehensive regulatory framework involving the largest number of ministries," said Winston Ma, NYU Law School adjunct professor. The move comes amid a global cryptocurrency crackdown as governments from Asia to the United States fret that privately operated highly volatile digital currencies could undermine their control of the financial and monetary systems, increase systemic risk, promote financial crime and hurt investors. They also worry that "mining," the energy-intensive computing process through which bitcoin and other tokens are created, is hurting global environmental goals. Chinese government agencies have repeatedly raised concerns that cryptocurrency speculation could disrupt the country's economic and financial order, one of Beijing's top priorities. Analysts say China also sees cryptocurrencies as a threat to its sovereign digital-yuan, which is at an advanced pilot stage. "Beijing is so hostile to economic freedom they cannot even tolerate their people participating in what is arguably the most exciting innovation in finance in decades," top U.S. Republican Senator Pat Toomey tweeted. While U.S. regulators are closely scrutinizing digital asset risks, they have said they also offer opportunities, including to promote financial inclusion. The People's Bank of China (PBOC) said cryptocurrencies must not circulate and that overseas exchanges are barred from providing services to China-based investors. It also barred financial institutions, payment companies and internet firms from facilitating cryptocurrency trading nationally. The government will "resolutely clamp down on virtual currency speculation ... to safeguard people's properties and maintain economic, financial and social order", the PBOC said. China's National Development and Reform Commission said it will work to cut off financial support and electricity supply for mining, which it said spawns risks and hampers carbon neutrality goals. Bitcoin , the world's largest cryptocurrency, dropped more than 9% before paring those losses. It was down 6.6% at $41,937 around 12:00ET. Smaller coins, which typically mimic bitcoin, also tumbled.