

## [Securities Regulation Daily Wrap Up, TOP STORY—Quintenz calls on cryptocurrency community to create self-regulatory framework, \(Feb. 8, 2018\)](#)

Securities Regulation Daily Wrap Up

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In a recent appearance before the Yahoo Finance All-Markets Summit in New York City, CFTC Commissioner Brian Quintenz called on the cryptocurrency community to establish a self-regulatory structure to address the patchwork and gaps in existing laws and regulation surrounding cryptocurrency related activities. "I would like to use this opportunity right now to call on the investment community and the advocacy community around digital currencies to create some type of self-regulatory organization that can develop standards around cyber policies, data retention, record keeping, financial records obligations, insider trading, ethics, codes of conduct," Quintenz stated in an interview with Marc Hochstein, a managing editor at Coindesk.

**Agency coordination.** Quintenz's comments came in the wake of a Senate Banking Committee hearing earlier in the week on virtual currency oversight. One of the main takeaways from the hearing was that the various agencies responsible for oversight and enforcement of these markets need to talk among themselves, come up with an overall regulatory solution to the legal morass, and then bring those proposals back to the committee for it to consider legislation. The agencies involved would include the CFTC, SEC, the Fed, FINCEN, and perhaps various state regulators overseeing money transmission activities as well. Necessarily, as Quintenz observed, it will take a long time for this process to play out and for the Congress to enact appropriate legislation.

In his exchange with Hochstein, Quintenz also noted, importantly, that the CFTC currently exercises enforcement jurisdiction over cryptocurrency spot, futures and derivative markets which extends only to fraudulent conduct and manipulation. Meanwhile, the agency's current oversight functions extend only to cryptocurrency futures and derivatives markets, and are preventative in nature. These activities include registration, audit, recordkeeping, trade conduct, surveillance and cybersecurity requirements. The spot market's lack of this type of oversight is seen by many as a serious gap in the current regulatory framework.

**Self-regulation.** At this time, Quintenz urged the cryptocurrency community to take this opportunity, before Congress takes action, to come up with its own self-regulatory solutions. He pointed to the long history self-regulation has played in the financial markets, noting the historic self-policing role of the exchanges, FINRA's role in the securities industry, as well as the CFTC's heavy reliance on the NFA for performing registration, audit, and enforcement functions. Quintenz also noted that the International Organization of Securities Commissions (IOSCO) endorses and provides a blueprint for self-regulation which incorporates auditing and rule enforcement as its key principles.

Quintenz advised that it's time to get everyone in a room, start soliciting ideas, determine the problems that need to be solved, and find the answers. Conceding this process will entail a lot of work, the commissioner concluded, "It's achievable, and the result may positively impact how this space gets regulated on the federal level."

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