

# Profitable INVESTING Tips

## Stock Market Investing Tips, Techniques, and Resources



## Will Crypto Be Regulated Like Banks?

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The chorus of voices calling for regulation of all businesses involving cryptocurrencies keeps growing with officials from Japan now urging both the US and EU to [treat crypto like banks](#) according to *Bloomberg*. Crypto regulation has been discussed for quite some time and ten months ago President Biden signed an executive order directing federal agencies to get organized and not be tripping over one another when [regulating crypto businesses](#). The collapse of large crypto businesses coupled with charges of fraud has heightened concerns and accelerated actions by federal agencies. Will crypto be regulated by banks and just what would that look like?

## How Are Banks Regulated?

There are several regulatory authorities for banks in the United States including the Federal Reserve. The Federal Reserve Bank of San Francisco explains which authorities do what in [overseeing banks](#). The Federal Reserve System regulates foreign branches of U.S. national and state member banks, state-chartered member banks, Edge Act Corporations, bank holding companies, and state-chartered U.S. branches and agencies of foreign banks. Although national banks are all members of the Federal Reserve System their regulation is by the Office of the Comptroller of the Currency (OCC).

## Bank Holding Company Regulation

Because the Federal Reserve regulates bank holding companies, the Fed therefore regulates many of the large banking institutions. Since 1999 the Fed has also regulated financial holding companies under authority of the Gramm-Leach-Bliley Act. These [institutions include](#) JP Morgan and Chase, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, Morgan Stanley, Berkshire Hathaway, and Charles Schwab.

## Banking Regulators

Throughout the US banking system there are institutions regulated by federal or state authorities or both. Much of this depends on if the institution has a state or federal charter. These are the five banking industry regulators on the federal level:

- Federal Deposit Insurance Corporation (FDIC)
- National Credit Union Administration (NCUA)
- Federal Reserve System (FRS)
- Comptroller of the Currency (OCC)
- Office of Thrift Supervision (OTS)

Each state has one or more agencies charged with supervising banks and thrifts within their state.

## Types of Bank Regulations That Could Apply to Crypto Entities

Regulations for banks are meant to ensure safe banking practices such as having sufficient capital to cover likely risks, keeping them from using deceptive or unfair practices, ensuring transparency regarding customer rights and options, and making sure that customers are protected from fraud. A look at the FTX mess tells us that the sorts of regulations that banks routinely comply with might have helped [protect FTX customers](#). The American Bankers Association has a list of all [banking regulations](#). These include the Dodd-Frank Act put into law after the Financial Crisis. This act alone is written in 2,300 pages and includes 300 specific regulations. The bottom line is that this act prohibited excessive risk-taking by banks and made it harder for banks to take unfair advantage of their customers. Large banks now need to go through “stress tests” to confirm that they have sufficient reserves for possible emergencies. These are the sorts of regulations that would likely have caught crypto exchanges like [Celsius](#) and FTX earlier in the game before both their customers and creditors lost so much money.

## Regulation of Cryptocurrencies

Crypto currencies are considered to be commodities by the Commodities Futures Trading Commission for the purpose of regulation. Meanwhile the IRS sees Bitcoin and the rest as assets for tax purposes. And, the Securities and Exchange Commission that regulates stocks has regulatory control of Bitcoin exchange-traded funds. The IRS won a court case a few years back that allows them access to crypto exchange records and now even have a [crypto question](#) on the tax form. Thus, they are better able to track down individuals who neglected to pay capital gains taxes on crypto gains. Capital gains during the crypto winter have not been an issue except for long-term holders of Bitcoin who are now bailing out.

The argument that Japanese authorities have made recently is that even after the losses of crypto winter crypto has gotten big and began interfacing with traditional financial operations thus creating risk that extends beyond the purely crypto world. They note that Japan’s stricter laws regarding cryptocurrencies have protected those who held tokens in the FTX Japanese subsidiary! Those folks are scheduled to withdraw their tokens next month. Answering this call for regulation, the SEC has started legal actions against crypto firms such as FTX.

## Shape of Crypto Regulation to Come

Currently, crypto exchanges are subject to the [Bank Secrecy Act](#). This law targets money laundering. [Coinbase just settled](#) with New York State authorities for not properly vetting their customers. It would seem to us that crypto entities should not necessarily be grouped with banks for supervision but need to be overseen to the degree that they are responsible for people’s assets, like banks are, trade in open markets like commodities, or are subject to market speculation like stocks are. This probably means that, depending on where you are in the crypto world, you will need to deal with and remain in compliance with the IRS, SEC, Commodity Futures Trading Commission, and even state regulators where your business is located.

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