

Leak Reveals Secret Democrat Plan For A Game-Changing U.S. Crypto Crackdown That Could Hit The Price Of Bitcoin And Ethereum

Billy Bambrough Senior Contributor

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May 14, 2023, 07:45am EDT

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05/14 update below. This post was originally published on May 12

Bitcoin BTC -1.2%, ethereum and other major cryptocurrencies have been grappling this year with a [U.S. crypto crackdown](#) that some think could "destroy all value of bitcoin."

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The bitcoin price has climbed over the first few months of 2023 but remains far from its late 2021 all-time highs, [with traders hailing a "new market regime."](#) The fate of ethereum and other cryptocurrencies are meanwhile hanging in the balance as [U.S regulatory agencies battle for control of the market](#).

Now, a leaked memo circulated to Democrat House financial services committee members has revealed the "key messages" lawmakers were told to stick to that could see almost all cryptocurrencies categorized as securities.

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U.S. president Joe Biden's administration has been accused of waging a secret war against the ... [+] GETTY IMAGES

The document, passed to committee members by the Democratic party ahead of Wednesday's joint House [hearing](#) on crypto policy, was [leaked](#) by *Fox Business* reporter

Eleanor Terrett on Twitter. "The problem isn't ambiguity—it's mass non-compliance with existing laws," the memo reads. "We can't invent new accommodating regulatory structures simply because crypto companies refuse to follow clear rules of the road."

The memo calls on Democrat lawmakers to push back on Republican claims "they are working to provide clarity to the markets by carving out space for the Commodity Futures Trading Commission (CFTC) in crypto" ... "Republicans are proving that they really aren't serious about protecting investors and consumers."

Bitcoin, ethereum and cryptocurrencies have become a partisan issue over the last year, with high-profile Republicans such as Ted Cruz [giving their backing to crypto](#) while [influential former Democrat presidential hopeful Elizabeth Warren embracing the idea she's "building an anti-crypto army."](#)

05/14 update: This week, a bipartisan bill from 2022 was reintroduced to Congress by lawmakers that would require U.S. federal agencies to report on El Salvador's cybersecurity and financial stability capabilities as part of efforts to fight using cryptocurrency as legal tender, claiming bitcoin could "weaken economic and financial stability and empower malign actors."

El Salvador became the world's first country to make bitcoin legal tender in 2021, with the country's president Nayib Bukele buying almost 2,400 bitcoins as part of a plan to make bitcoin a core part of the country's economy.

"Given U.S. interest on prosperity and transparency in Central America, we must seek greater clarity on how the adoption of bitcoin as legal tender may impact El Salvador's financial and economic stability, as well as El Salvador's capacity to effectively combat money laundering and illicit finances," Jim Risch, a Republican from Idaho who announced the legislation, [told](#) the Washington Examiner.

"Never in my wildest dreams would I have thought that the U.S. government would be afraid of what we are doing here," Bukele [posted](#) to Twitter last year when the bill was first introduced.

U.S. president Joe Biden issued an executive order last year directing federal agencies to investigate how to respond to the bitcoin, ethereum and crypto boom.

Under chair Gary Gensler, the U.S. Securities and Exchange Commission (SEC) has claimed authority over the crypto market and suggested it views all cryptocurrencies other than bitcoin as unregistered securities.

"Both the SEC and CFTC are aligned on the fact that the SEC is the regulator to determine if crypto assets are securities, and the SEC has made clear that nearly all crypto assets are securities," the memo read, adding: "End of story."

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The bitcoin price has swung wildly along with the ethereum price and other cryptocurrencies in ... [\[+\]](#) FORBES DIGITAL ASSETS

Gensler, who has attracted criticism from the crypto community for his "regulation by enforcement" approach, has repeatedly asked Congress for more resources to better police the crypto market.

"Republicans want to reverse course and tie the hands of the SEC," according to the memo. "The SEC must continue to lead the regulation of the U.S. crypto market, and Congress must do its part to provide them with the resources they need."

The bitcoin, ethereum and crypto industry has broadly criticized the memo.

"Bizarre that they put something so blatantly illegal in writing," Ari Paul, the chief investment officer of BlockTower Capital, [posted](#) to Twitter. "The SEC has no authority to determine what is and isn't a security under law. For them to do so would be a violation of the laws governing their operation."

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Billy Bambrough

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I am a journalist with significant experience covering technology, finance, economics, and business around the world. As the founding editor of Verdict.co.uk I reported on how technology is changing business, political trends, and the latest culture and lifestyle. I have covered the rise of bitcoin and cryptocurrency since 2012 and have charted its emergence as a niche technology into the greatest threat to the established financial system the world has ever seen and the most important new technology since the internet itself. I have worked and written for CityAM, the Financial Times, and the New Statesman, amongst others. Follow me on Twitter [@billybambrough](#) or email me on billyATbillybambrough.com. Disclosure: I occasionally hold some small amount of bitcoin and other cryptocurrencies. **Read Less**

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