

FEDS Cracking Down on Crypto Investing

May 13, 2022 - Let's face it. Governments around the world absolutely hate cryptocurrencies. They are difficult to regulate. They know no borders. They can be used without government oversight. And they can be held without the knowledge of any government. In other words, people who own and use cryptocurrency are almost impossible to control, and governments around the world hate that. So it's no wonder that the federal government is looking for ways to regulate crypto investing while at the same time exploring the possibility of introducing a crypto dollar of its own.

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On March 8th, the Financial Industry Regulatory Authority (commonly referred to as FINRA) issued a request for comment on a proposed regulation that would make it difficult, or impossible, for many Americans to invest in what they are calling "complex financial products." These include some exchange traded funds (ETFs) that invest in cryptocurrencies.

While the proposed regulation wouldn't immediately impact anyone who wants to purchase cryptocurrency directly, it would make it much more difficult for investors who want to purchase what amounts to "shares" of crypto that are traded through ETFs on major stock exchanges. In turn, it could hurt the value of various cryptocurrencies such as Bitcoin.

Among other things, the rule could impose income and asset level requirements on investors. That would mean that anyone investing in these products could have to prove their net worth and their level of income before being allowed to invest. The rule could also require investors to pass a knowledge test prior to making an investment. If adopted, it would likely have a very negative impact on the value of many cryptocurrencies that are currently available.

The proposed rule certainly isn't the only federal regulation regarding crypto, but it is clearly aimed at controlling investment in a product that the government would really like to make illegal. Ironically, the FED has been exploring the possibility of introducing its own crypto dollar. Of course, that would be money that the FED has complete control over, which is something of a frightening prospect.

Earlier this year, we saw the Canadian government ceasing the assets of people who were protesting the governments position on lockdowns. But try as Canada might, they weren't able to cease many assets that were crypto in nature. That likely wouldn't have been the case if Canada had a cryptocurrency of its own, and those crypto transactions had been conducted in it.

Here in the United States, both the states and the federal government often use a procedure called civil asset forfeiture to take people's assets under the guise that they may have been acquired through illegal means. This happens more frequently than you might imagine and it doesn't require a conviction for a crime. It's pretty clearly unconstitutional, but that hasn't stopped the government from doing it. But ceasing cryptocurrency in this way can be almost impossible. A crypto dollar would change that.

It is quite likely that the federal government will continue to try and regulate crypto. And for that reason alone, people should (at the very least) learn about it.

by Jim Malmberg

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