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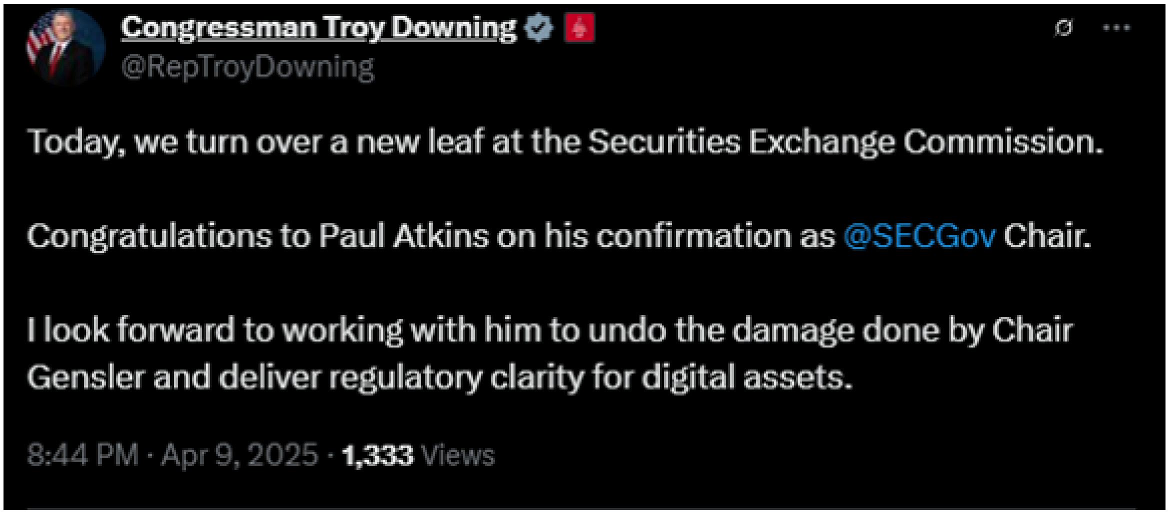
Crypto DC Weekly Roundup

Paul Atkins Confirmed As SEC Chairman

Welcome to ACG Analytics' Crypto DC Weekly Roundup. In this edition, we will provide a summary of this week's legislative/regulatory developments, Congressional statements and other relevant news. For more information, please feel free to reply to this email or reach out to us at research@acg-analytics.com.

Rep. Downing Celebrates Atkins' Confirmation



On Wednesday, the Senate confirmed Paul Atkins to be Chair of the Securities & Exchange Commission (SEC) by vote of 52-44, along party lines. Atkins served as a Commissioner at the agency from 2002 to 2008, founded Patomak Global Partners which specializes in advising financial institutions, and was the Co-Chair of the Token Alliance within the Chamber of Digital Commerce, a group that advocates crypto industry interests. During his confirmation hearing before the Senate Banking Committee last month, Atkins expressed his desire to create a light-handed but clear regulatory approach for digital assets. He wrote in his testimony to the Committee, *"I have seen how ambiguous and non-existent regulations for digital assets create uncertainty in the market and inhibit innovation."* Member of the House Financial Services Subcommittee on Digital Assets, Troy Downing (R-MT), praised the Senate's decision to confirm Atkins. At a Subcommittee hearing last week, Representative Downing attacked former SEC Chair Gary Gensler's approach, saying that Gensler was *"focused on waging an ideological crusade against an industry he fundamentally distrusted."*

Trump Signs Resolution to End DeFi Broker Rule

On Thursday, President Trump signed into law *H.J. Res. 25*, which utilizes *The Congressional Review Act* to overturn a controversial Internal Revenue Service (IRS) broker reporting rule for decentralized finance (DeFi) exchanges. The rule, which was introduced near the end of the Biden Administration in December 2024 and was set to take effect in 2027, would have extended many tax reporting requirements which are traditionally applied to stock brokerages to DeFi platforms as well. The information collected and reported to the IRS would have included the amount exchanged in transactions and personal data on the individuals involved. The rule garnered much criticism, with industry leaders arguing that DeFi exchanges do not meet the definition of a broker, and some bipartisan agreement in Congress that the extended requirements would unnecessarily slow the industry and may be too difficult to implement given the nature of DeFi. However, even after the resolution was signed, some still expressed support for the rule, as Representative Lloyd Doggett (D-TX) contended that the expanded requirements would have been useful for ensuring tax compliance in digital asset markets.

U.S. Crypto News

Political:

- On Friday, Senate Environment & Public Works (EPW) Committee Ranking Member Sheldon Whitehouse (D-RI) and Senator John Fetterman (D-PA) released a draft of their environmental crypto mining bill, *"The Clean Cloud Act."* The proposal would require crypto mining facilities and artificial intelligence (AI) data centers that use over 100 kilowatts of power to report their electricity sources, consumption, and emissions. The bill also directs the Environmental Protection Agency (EPA) to create emissions standards from this data for these entities and to collect fines for those who emit more than the maximum. The Senators specify that the standard for crypto mining and AI data centers should be completely carbon-neutral by 2035. Senator Whitehouse explained his reasoning for the bill in an accompanying press release, stating, *"Energy-hungry data centers and cryptomining facilities are overloading our already strained power grid, driving up consumers' electricity costs, making it harder for Americans to power their homes and businesses, and spiking fossil fuel emissions."*
- New York Attorney General Letitia James sent a letter this past week to Congressional leaders to encourage them to establish digital asset regulations. James cited the risks of unregulated crypto as threatening the dominance of the U.S. dollar while also subjecting investors to the potential of fraud, money laundering, and unstable markets. She calls for only allowing domestic stablecoin issuance, creating transparency requirements for digital asset issuers, requiring compliance with standards around anti-fraud and money laundering measures, and, notably, prohibiting crypto from being used in retirement accounts. "*Thousands of investors in New York and across the country have lost millions of dollars to cryptocurrency scams and fraud that could be prevented with stronger federal regulations,"* James wrote.

Regulatory:

- The SEC held its 2nd crypto roundtable on Friday, with the event entitled *"Between a Block and a Hard Place: Tailoring Regulation for Crypto Trading."* Notably, during the roundtable, Acting Chair Mark Uyeda hinted at potentially issuing temporary regulations as the agency considers more permanent standards for digital assets. *"While the Commission works to develop a long-term solution to address these issues, a time-limited, conditional exemptive relief framework for registrants and non-registrants could allow for greater innovation with blockchain technology within the United States in the near term,"* he said.

- The SEC continued its trend of rolling back crypto-related enforcement efforts, as Helium, the decentralized network launched by Nova Labs, announced that the SEC's case against them was being dropped in a blog post on Thursday. The case against Nova Labs began in January of this year and was 1 of former SEC Chair Gary Gensler's last actions in office, as the agency alleged that the network issued unregistered securities through its token, Helium (HNT). In the post, Helium argues that this dismissal will set a precedent, as the decision confirms that *"selling hardware and distributing tokens for network growth does not automatically make them securities."*

Industry:

- The crypto token Mantra dramatically fell in price this week. On Monday, Mantra's value dropped from $6.30 to $0.50, losing over 90% of its market capitalization in a single day. While it is still unclear what caused the sudden collapse of the token, the Mantra blockchain posted on X saying that *"reckless liquidations"* caused the drop in value, and co-founder JP Mullin also posted to X blaming *"forced closures initiated by centralized exchanges."* As of Tuesday morning, Mantra sits at around $0.82.
- According to a CoinShares report, digital asset investment products saw $795 million worth of outflows this week, with Bitcoin making up $751 million of the assets pulled from the market. This is the 3rd straight week of negative net asset flows, nearly balancing the large inflows from earlier in the year, as 2025 so far has $165 million in net inflows. This continued streak of outflows could be a signal of lowered investor confidence given concerns around the recent new tariffs implemented by the Trump Administration.
- More broadly, a new Galaxy Digital research report published yesterday highlights the changing landscape of the crypto and DeFi lending markets. Galaxy Digital found that crypto lending has dropped by 43% in the last 4 years, with $64.4 billion being lent at the high in 2021 falling to just $36.5 billion last year. This downward trend began in 2022 with the bankruptcy of lenders like Genesis and BlockFi. However, DeFi has seen massive gains during this time, as the low in 2022 of $1.8 billion in open borrowing grew 959% to $19.1 billion last year.

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