



What another Trump administration could mean for crypto

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Cryptocurrency proponents have plenty to celebrate about President-elect Donald Trump winning a new term.

Bitcoin surpassed \$100,000 for the second time ever on Wednesday, after hitting the milestone the first time in early December, a surge fueled by optimism that the Trump administration would be more friendly to the cryptocurrency industry.

“As the election came closer, it became quite clear that if there was going to be a Trump administration, it would essentially be a much more conducive regulatory environment for crypto,” said Eswar Prasad, a professor of trade policy at Cornell University.

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In the hours after Election Day, its value jumped 8 percent. Dogecoin, a less common cryptocurrency touted by Trump ally Elon Musk, rose more than 18 percent.

With the president-elect now recruiting crypto-enthusiasts to his administration, “I think it’s clear that this is going to be a period when any regulation related to cryptocurrencies is going to be very favorable to the industry,” Prasad said, adding that these dynamics have “really supercharged cryptocurrencies as financial assets.”

Last week, Trump named crypto advocate Paul Atkins as his pick for chair of the Securities and Exchange Commission and announced he was appointing former PayPal executive David Sacks to the new role of ai and crypto czar, more signs that he intends to change American policy and boost cryptocurrency.

Once a skeptic, Trump promised in June to make the United States a “crypto capital of the planet” and called for the creation of a U.S. “strategic reserve” of bitcoin. Delivering a keynote speech at a July bitcoin conference in Nashville, he also promised that crypto regulations would be written by “people who love” the industry. A pro-cryptocurrency paragraph was included in the Republican National Committee platform and the Trump campaign announced it would accept donations in crypto. Trump and his family back their own crypto project, World Liberty Financial, which recently got a \$30 million investment from Justin Sun, a crypto entrepreneur.

“We’re very hopeful that a Trump administration and a much more pro-crypto Congress will make significant progress and build in the basic building blocks of what an effective regulatory framework should be around the crypto markets,” said Faryar Shirzad, chief policy officer of Coinbase, a major cryptocurrency exchange.



FILE PHOTO: Republican presidential nominee and former U.S. President Donald Trump gestures at the Bitcoin 2024 event in

Shirzad added that Trump’s reelection, as a candidate who had sought the support of the cryptocurrency industry, was “vindication for us.”

Cryptocurrency is a form of digital currency, designed to be used over the internet, created through a decentralized network and not backed by any government or bank. Bitcoin, the best known cryptocurrency, was created in 2009. While the form has gained greater popularity in the last decade, it is still not viewed as a safe investment by most Americans.

Nashville, Tennessee, U.S., July 27, 2024. Photo by REUTERS/Kevin Wurm

Initially, proponents extolled cryptocurrency for offering privacy and an alternative currency outside the authority of national governments or the international financial system. Cryptocurrency users could conduct transactions that, in theory, could not be tracked by authorities or a financial institution. Cryptocurrency drew the interests of criminal enterprises for the same reason.

Most people active in cryptocurrency today are not using it as a currency to purchase goods and services. Instead, they're mainly using it as an investment, though some critics warn that the volatile nature of the industry makes it akin to gambling.

Trump's view of cryptocurrency has evolved since 2018, when he described it as "highly volatile and based on thin air." Three years later, he said during an interview on Fox Business that Bitcoin seemed like "a scam" and cryptocurrencies appeared to be a "disaster waiting to happen." He also complained that they undermined the international use of the U.S. dollar.

Experts say Trump's more recent pledges will likely lead to clearer – and possibly less stringent – regulations of the industry, helping grow the currencies' value and make them more mainstream.

Here are three things to watch.

Advocates want more regulations – to a point

Gary Gensler, who has been the Biden administration's SEC chair since 2021, has been skeptical of the cryptocurrency industry. (Trump had promised to fire Gensler, whose term runs until 2026, on "day one" of his administration, but Gensler recently announced he will step down in January.) Under Gensler's leadership, the SEC has considered many cryptocurrencies to be securities, and under the jurisdiction of that regulator. The agency sued several crypto exchanges, including Coinbase, for not registering as security exchanges, brokers or clearing houses. The SEC went further with its suits against other cryptocurrency exchanges, such as global giant Binance, for artificially inflating trade volumes, improperly serving U.S. customers and diverting customer funds.

The industry celebrated the nomination of Atkins, a former SEC board member and cryptocurrency lobbyist, to run the SEC, but critics believe he will help crypto avoid regulation, including by not categorizing cryptocurrencies as securities, which puts them outside the SEC's jurisdiction.

At the same time, the industry is relatively new. Established players, such as Coinbase, have said they want some regulation that will create predictability.

"What we want ... is to establish clear national rules around crypto markets," Shirzad said.

According to Prasad, the industry is hoping for regulation "because right now there are many people and many institutions that are very cautious about having any cryptocurrency-related dealings." Crypto currencies can be volatile, which means they can earn fast profits but can lose their value just as quickly. They have also been the subject of fraud and, in particular in the early days of cryptocurrencies, were associated with illicit activities, including organized crime.

"Every industry, including the cryptocurrency industry, would love to have that legitimacy that comes from government regulation," Prasad said, as long as "the government imposes very light-touch regulations" that wouldn't get in the way of making profits.

The cryptocurrency industry has also been fighting to start trading on U.S. financial markets. In January, the Securities and Exchange Commission approved 11 exchange-traded-funds, which sells shares that can be traded on a market, tied to the price of bitcoin.

The announcement sent Bitcoin's price to a previous record high of \$47,000 and suggested new interest in cryptocurrency after a period of turmoil epitomized by the collapse of cryptocurrency trading platform FTX in 2022.

“[The SEC approval] provided an additional degree of legitimacy to cryptos as financial assets. Because now that we had financial products that were being approved by the SEC, it gave retail investors a sense of comfort that some of these were legitimate products,” Prasad said.

Shirzad said the industry wants cryptocurrencies to be recognized as a commodity and therefore falling under the regulation of the Commodities and Futures and Trading Commission (CFTC) rather than the SEC, which is larger and considered to have more regulatory powers.

“If you’re only trading the securities then you should be only regulated by the SEC. For trading commodities ... you should be only regulated by the CFTC. It just depends what instruments you offer,” Shirzad said.

Creating a crypto strategic reserve fund

Some cryptocurrency supporters have proposed the U.S. set aside strategic reserve funds of cryptocurrencies, like bitcoin, which Trump has endorsed.

A strategic bitcoin reserve would be like a rainy day fund in case of emergencies or turmoil, and could act similarly to U.S. strategic oil reserve, which purchases crude oil when the price falls, storing it for possible release in the future when prices have risen.

Critics of the idea see the analogy to oil as faulty, since cryptocurrencies do not have the same strategic value as fuel for transportation or energy production.

At the cryptocurrency conference in Nashville, Trump called for the U.S. government to stop auctioning off bitcoin seized by law enforcement and instead add it to a strategic reserve.

A cryptocurrency strategic reserve could soften value fluctuations, said Brian Blank, associate professor of finance at Mississippi State University .

“An organization as large as the U.S. federal government holding a nontrivial amount of an asset is likely to stabilize it,” he said.

Blanks also said a strategic bitcoin reserve would also benefit the cryptocurrency industry by giving it mainstream appeal that could create greater demand among a wider population.

“If the U.S. has some of it, that would legitimize it in some ways. Being part of the mainstream may increase its value,” Blanks said.

Making the U.S. the ‘crypto capital of the world’

At the July conference in Nashville, Trump said that he wanted to make the United States “the crypto capital of the world.” This week, at a bitcoin conference in the United Arab Emirates, Eric Trump said his father would be the “most pro-crypto president in the history of America.”

“We will have a clear road map, and hopefully the rest of the world follows that. Hopefully we can lead by example, because that’s what we should do as Americans,” Eric Trump said in an interview with CNBC.

Cryptocurrency industry watchers and experts think this could happen if more favorable regulations emerge from his administration and if Trump’s enthusiasm encourages more people to buy cryptocurrencies to make a profit.

Shirzad accused regulators under the Biden administration of driving “huge parts” of the cryptocurrency industry out of the country. He believes the Trump administration would reverse that.



An illustration featuring U.S. President-elect Donald Trump holding Bitcoin is displayed outside a cryptocurrency exchange store after Bitcoin soars above \$100,000, in Hong Kong, China, December 5, 2024. Photo by REUTERS/Tyrone Siu

“We can regain [the U.S.’s] leadership status as a hub for digital asset innovation,” Shirzad said, arguing that other economies have made significant investments “to try to beat us in the digital asset market.”

“I think the political commitment that President Trump made is a really gratifying one,” he added.

More Americans investing in cryptocurrencies would also mean more potential customers for the industry and likely more demand and growth from crypto currencies. It also can mean more risk for new investors.

“What I worry about a great deal is that there are now retail investors who are being sucked into this asset class, who don’t fully understand the risks associated with it and will never be able to tolerate

such high levels of risk,” Prasad said.

“The fact that the new president and his cronies support it to such an extent, and the fact that there is that seal of approval on cryptocurrency-related products might lure them into thinking that this is really just like any other asset like stocks or bonds and so on. And that I think is very worrying.”

By — Kenichi Serino