



116TH CONGRESS, 1ST SESSION - DRAFT LEGISLATION

Introduced in draft form to the House of Representatives on December 20, 2019, the much anticipated Crypto-Currency Act of 2020 makes significant progress towards clarifying the regulatory framework surrounding Digital Assets.

The legislation does not create any new regulatory agencies. It separates Digital Assets into three broad categories and assigns an existing regulatory body to each of the below categories:



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3 DIGITAL ASSET CATEGORIES

- WHAT INVESTORS NEED TO KNOW ABOUT •

THE CRYPTO-CURRENCY ACT OF 2020

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CRYPTO CURRENCIES



These tokens are defined as representations of US currency and are “reserve-backed digital assets” such as “stablecoins” that are collateralized by synthetic or physical assets held in a “correspondent banking account.” This category would be the smallest of the three categories. This includes tokens like Tether, USD Coin, Paxos, & True USD.

CRYPTO COMMODITIES



These tokens are based on commodities or other “economic goods or services.” We believe this would encompass all “Utility Token” blockchain projects such as those related to medical records, identity, webservices etc. This category would include tokens such as Tezos, Digix, Binance Coin, & Cosmos.

CRYPTO SECURITIES



These tokens represent “debt, equity, & derivative instruments that rest on a blockchain,” including those governed by “smart contracts and collateralized by other [digital assets].” We believe this would include smart contract platforms such as Ethereum. Bitcoin and other “value transfer” cryptocurrencies like Ripple's XRP & Litecoin, would fall into this category.

EXISTING REGULATORY BODIES



FINCEN CRYPTO-CURRENCIES

The Financial Crimes Enforcement Network of the US Treasury Department will oversee crypto-currencies.



CFTC CRYPTO-COMMODITIES

The Commodity Futures Trading Commission, an independent government agency, will oversee crypto-commodities.



SEC CRYPTO-SECURITIES

The Securities and Exchange Commission, an independent government agency, will oversee crypto-securities.

DOOR CLOSING FOR PRIVACY COINS?

The Act requires that, “each agency shall issue rules to require each crypto-currency (including synthetic stablecoins) to allow for the tracing of transactions. This may affect privacy-centric tokens like Monero, zCash, Verge, & Dash.

