

Title: Oh really? So the shitbags who have been using the the entire stock market like their own personal piggy bank have nothing to do with it? GFY.

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4:05p ET 10/3/2022 - Editor's Picks

## Crypto Could Threaten Financial System, Federal Risk Panel Warns

By Andrew Ackerman and Paul Kiernan

WASHINGTON—Risks tied to cryptocurrencies could grow rapidly and eventually threaten the broader financial system, a panel of senior U.S. officials warned Monday, calling for tougher oversight of digital assets.

The Financial Stability Oversight Council, chaired by Treasury Secretary Janet Yellen, said the crypto industry remains small compared with the overall financial system, but that could change quickly and exacerbate potential systemic risks.

"The financial stability risks of crypto-assets would be substantial if those vulnerabilities were to remain in place while the scale of crypto-asset activities and interconnectedness with the traditional financial system were to grow rapidly," the risk panel said in a 120-page report.

Monday's report is the latest response to a March executive order from President Biden, which called a number of federal agencies to evaluate the risks and opportunities posed by cryptocurrencies.

The industry initially hoped regulators would see promise in the asset class, but officials have recently warned about the potential for disruption posed by financial innovation without adequate regulation.

"We can't let this market undermine our broader capital markets or the economy," said Gary Gensler, the head of the Securities and Exchange Commission, ahead of a unanimous vote by FSOC to release Monday's report.

Mr. Gensler sits on the council to consider legislation. The FSOC said large parts of the cryptocurrency industry fall under the jurisdiction of the existing financial regulatory laws. It called for Congress to consider legislation to address any gaps, such as over the 'spot' market for cryptocurrencies that



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such as over the 'spot' market for cryptocurrencies that don't meet the definition of a security overseen by the SEC. without protections from fraud Cryptocurrencies remain largely unregulated by the federal government, leaving investors without protections from fraud and market manipulation that come with many other types of investments. losses across the crypto ecosystem The report highlighted several vulnerabilities in the digital-assets space. Those include interconnectedness that can quickly spread losses across the crypto ecosystem, and the likely presence of 'very high and excessive amounts of leverage,' or borrowed money that could exacerbate shocks to the industry. A lack of fundamental economic uses for crypto has contributed to wild swings in pricing that might otherwise be anchored, the report said. 'In addition, prices may be affected by the prevalence of fraud and market manipulation,' the report said. the implosion Mr. Biden's directive for government agencies to improve their understanding of crypto came at a turbulent time for the industry. Two months after the executive order, dragging into bankruptcy the implosion of a so-called algorithmic stablecoin, TerraUSD, and a related token destroyed a combined \$40 billion of value. Then over the summer, the crypto-focused hedge fund Three Arrows Capital Ltd. collapsed, dragging into bankruptcy a number of platforms that held assets for individual investors. Still, cryptocurrency advocates say the assets have the potential to make payments faster and cheaper than in the traditional banking system. Supporters of bitcoin, the largest cryptocurrency, see an advantage over government-issued money in the fact that its supply is capped by software code rather than adjusted by policy makers. meltdown in crypto markets The reports stemming from the executive order come as Washington wrestles with how to regulate the cryptocurrency industry and federal agencies battle over who will be responsible for them. The competition heated up in recent months as a meltdown in crypto markets underscored the need for



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