

Ranking Member Tim Scott (R-S.C.)
Opening Statement
Full Committee Hearing
February 14, 2023 at 10:30 AM

Thank you, Mr. Chairman.

Before I dig into my opening comments, I want to address the elephant in the room. If Chairman Gensler is going to take enforcement action, Congress needs to hear from him very soon. The Chairman had lots of time to do the rounds on the morning talk shows. If he has time for that, he should be here testifying with us this morning. I hope that we see him here very soon.

The free market economy was formed by financial innovation. It's the engine that continues to drive our economy today. But every engine needs fuel, and in order to advance as a country, we must continue to grow and innovate in a safe and sound manner.

Innovation can increase access to traditional financial services and may foster new, emergent technologies that promote financial independence, access to credit, and capital formation. We all know and understand how technology can improve our daily lives, from using our phones to open a bank account to opening a digital marketplace. If we foreclose financial innovation, we limit future generations from growth and opportunity.

That said, financial innovation must be done so in a safe and sound manner, which, unfortunately, has not been the case with a number of actors in the digital asset space. Unfortunately, instead of protecting customers' interests and using customer funds in the manner intended, Sam Bankman-Fried, FTX's owner, stole millions of customer funds and used them to finance risky bets and to pay for luxury penthouses in the Bahamas.

When I consider this massive failure, I wonder, where were our regulators when they supposedly already had these authorities?

In recent statements, the regulators, the SEC specifically, have noted that it is the responsibility of crypto firms to comply with existing regulations, but it is also the responsibility of regulators to enforce existing regulations and to conduct appropriate, effective supervision.

The American people deserve to know why no action was taken prior to FTX's collapse and how millions of dollars of Americans' hard-earned money just vanished into nothing. And it was not just FTX. If the SEC had provided even the slightest bit of guidance, I wonder if we could have protected more investors from the collapses of Terra and Luna in May, Celsius in June, Voyager in July, and BlockFi in November.

This is particularly alarming when we see reports that 44% of Americans who own and trade digital assets are new investors or people of color. Which means when there is a \$2 trillion drop in market cap, our most vulnerable citizens bear the significant brunt.

We must hold companies that harm consumers accountable, but we must empower consumers through financial education so that they can more accurately understand the risk posed by different asset classes. Whether it starts in the classroom or in the boardroom, financial literacy provides an avenue for individuals to make better decisions and climb the economic ladder.

Nonetheless, regulators have put their misplaced focus on progressive social issues. So, we have to ask ourselves, where do we go from here?

To date, the SEC has failed to take any meaningful, preemptive action to ensure this type of catastrophic failure does not happen again. If they have the tools they need, were they just asleep at the wheel? If they don't, why aren't they here to tell us? We'd be happy to have Chairman Gensler testify sooner than later.

Moving forward, we must take a thoughtful bipartisan and balanced approach that protects consumers and promotes innovation and opportunity.

I look forward to hearing our witnesses' perspectives on how we can continue to drive innovation and opportunity while ensuring consumers are protected.

Thank you, Mr. Chairman.