



U.S. Shutdown, Assuming It Doesn't Run Long, Will Slow, Not Cripple Crypto Efforts

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September 25, 2023

Experts suggest that the courts and the SEC will keep rolling if the government is shuttered, but an already sluggish interaction with federal officials may be slowed even further.

The crypto industry's business in Washington is coming to a head just as a looming congressional budget impasse could shut down an array of federal services next week. But the digital assets sector can expect its most important matters won't go entirely dark, experts suggest, even if they're dragged out longer than crypto firms had hoped.

The industry's most urgent needs from the federal government include answers from the U.S. Securities and Exchange Commission (SEC) on exchange-traded fund (ETF) applications, progress in several key court cases and the next hurdles in crypto legislation. It's unlikely any of those will be entirely derailed.

SEC Chair Gary Gensler has warned the agency will operate with a "[skeletal](#)" staff during a shutdown, just as his agency is facing deadlines that could determine the future of easily traded crypto ETFs even as its many court cases are steaming toward resolutions that could remake the U.S. crypto industry.

An SEC spokeswoman told CoinDesk that the agency is following its [operations plan for shutdowns](#), a situation it's faced more than once, including during the Trump administration when the federal government went dark for 35 days. That plan says the agency will halt litigation when possible, unless the situation poses a threat to consumers' property, and will stop reviewing and approving applications for new products.

That sounds bad for those companies waiting for SEC decisions on bitcoin spot ETF applications and for companies such as Binance that are in the middle of court disputes with the regulator, but those who've been through this process before suggest it probably won't stop the wheels from turning completely.

Anne Kelley, a longtime former SEC official who is now at Mercury Strategies, said that while the agency's plan technically "only allows work to be done to prevent a risk of imminent harm to investors, our markets, or property," it has some budgetary flexibility to use reserved funds.

In 2013, she said, it stayed open "for the entire 16-day shutdown period," and in 2018, it kept its doors open for a portion of that record shutdown.

"It will be interesting to see if the SEC has the necessary funds this time and whether they decide to stay open," Kelley said.

One silver lining of a sort: Most of the SEC's [investigations and enforcement activity](#) will grind to a halt, apart from urgent interventions to rescue investors. That means the agency is unlikely to continue what's been a steady enforcement drumbeat against crypto firms, giving a temporary reprieve to the companies that haven't been targeted yet.

This week, lawmakers in the House of Representatives are planning to hit Gensler with shutdown questions when he shows up at a Sept. 27 SEC oversight hearing, according to a person familiar with the planning for the House Financial Services Committee's hearing.

Courts Have Cash

Federal courtrooms are [likely to continue operating](#) for a few weeks as normal until the judiciary runs through the cash it collects from court fees and the like.

Near-term disputes such as [the legal battle between the SEC and Binance](#) or the similar one [with Coinbase](#) should remain in motion for now. If the shutdown were to move past those initial weeks, a reduced version of its workload and staffing takes over under the Anti-Deficiency Act, with limited personnel handling only certain cases.

Those in the cryptocurrency industry who are preparing to tune in to the lengthy [criminal trial of FTX founder Sam Bankman-Fried](#) next month can seek some assurance from the fact that criminal trials should proceed.

"Federal criminal processes just constitutionally have to continue," said John Sparacino, a lawyer at McKool Smith. If the shutdown persists, he said, some court activity may slow. "You might start to see some process slowdowns in the bankruptcy courts."

With so many companies such as FTX, Celsius and Voyager, having tailspun into bankruptcy during last year's meltdown, some of the industry's future strength depends on the outcomes of those cases, which should be returning locked-up funds to crypto investors.

Stalled Congress

As for the cryptocurrency sector eventually gaining a system of tailored U.S. rules, the federal legislation that would move in that direction probably isn't going to be helped by a disrupted Congress.

"If the government shuts down, forward progress on bills will be stalled," said Sheila Warren, CEO of the Crypto Council for Innovation, an industry advocacy organization, who says she's concerned about lawmakers losing the focus that's been a challenge for the industry to build. "In the aftermath of a shutdown, it is unclear what issues will rise to the top of the priority list in terms of gathering congressional interest. The one thing we know for sure is that the policy world is not static; every week a new issue rises to the top of the list."

Of course, the House bills that have cleared their committee hurdles – most notably one that would set up top-to-bottom regulations for U.S. crypto markets and another that would establish rules for stablecoins – are generally expected to represent a limited success, because the Senate isn't likely to pick up the House's ball and run with it.

Former Sen. Pat Toomey, who now advises Coinbase in policy matters, told CoinDesk TV he [thinks the pain from a potential shutdown is being overblown](#), though he said Congress would necessarily have to focus on getting the budget resolved instead of working on other priorities.

“Does that focus come at the expense of potentially moving crypto related legislation on the House floor? Probably not,” he said. “I think the time frame for getting legislation on the House floor is a little later, maybe November.”

Of course, those comments would assume the shutdown is resolved in less time than it took to end the last one, which stretched almost five weeks. If the impasse goes longer, with conservative Republican lawmakers holding the line on making major cuts to U.S. spending, it may test uncharted waters.

The apparatus of the U.S. government has been growing more accustomed to periodic drama from Congress, so crypto world may not notice a stark difference at first. Of course, a shutdown that blows through previous records would almost certainly begin having heavy repercussions as unpaid employees start finding work elsewhere and government offices run through the final pennies in their rainy-day funds.