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Comptroller General
of the United States

Accessible Version

May 15, 2025

The Honorable Paul S. Atkins
Chairman
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Priority Open Recommendations: Securities and Exchange Commission

Dear Mr. Chairman:

Congratulations on your appointment. The purpose of this letter is to call your personal attention to our open priority recommendation for the Securities and Exchange Commission (SEC), which is enclosed.¹ Additionally, there is one other open GAO recommendation that we will continue to work with your staff to address.²

We are highlighting the following area that warrants your timely and focused attention. Specifically:

Blockchain technology. In 2023, we found that financial regulators lacked an ongoing coordination mechanism for addressing blockchain risks in a timely manner. For example, regulators identified financial stability risks posed by stablecoins in 2019 but did not identify the need for action to address these risks until November 2021. We recommended that SEC and the other federal financial regulators jointly establish or adapt an existing formal coordination mechanism to identify and address risks posed by blockchain-related products and services. Such a mechanism would help SEC and the other regulators collectively identify risks and develop and implement a regulatory response in a timely manner.

Please see Enclosure 1 for additional details about the status and actions needed to fully implement this recommendation.

We also provide in Enclosure 2 additional information on SEC's recommendation implementation rate, as well as implemented and closed recommendations since our May 2024 letter to Chairman Gensler. The enclosure also discusses relevant management challenges from our High-Risk List that apply to SEC. Additionally, in response to legislation enacted in

¹GAO considers a recommendation to be a priority if, when implemented, it may significantly improve government operations—for example, by realizing large dollar savings; eliminating mismanagement, fraud, and abuse; or making progress toward addressing a high-risk or duplication issue.

²In February 2025, GAO recommended that SEC and five other agencies jointly prescribe regulations or guidelines for incentive-based payment arrangements. GAO, *Bank Regulation: Agencies Should Finalize Rulemaking on Incentive Compensation*, [GAO-25-107032](#) (Washington, D.C.: Feb. 20, 2025).

December 2022, the enclosure includes information on any additional congressional oversight actions that can help agencies implement priority recommendations and address any underlying issues related to such implementation.

Copies of this letter are being sent to the appropriate congressional committees. The letter will also be available on the GAO website at [Priority Recommendations | U.S. GAO](#). If you have any questions or would like to discuss any of the issues outlined in this letter, please do not hesitate to contact me or Daniel Garcia-Diaz, Managing Director, Financial Markets and Community Investment, at GarciaDiazD@gao.gov. Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this letter. Our teams will continue to coordinate with your staff on addressing this priority recommendation and the other remaining open recommendation. I appreciate SEC's continued commitment and thank you for your personal attention to these important issues.

Sincerely,

//SIGNED//

Gene L. Dodaro
Comptroller General
of the United States

Enclosures – 2

Enclosure 1

Priority Open Recommendation to the Securities and Exchange Commission

Blockchain Technology

Blockchain in Finance: Legislative and Regulatory Actions Are Needed to Ensure Comprehensive Oversight of Crypto Assets. [GAO-23-105346](#). Washington, D.C.: June 22, 2023.

Year Recommendation Made: 2023

Recommendation: The Chairman of the Securities and Exchange Commission (SEC) should jointly establish or adapt an existing formal coordination mechanism with the Consumer Financial Protection Bureau, Commodity Futures Trading Commission, Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve System, National Credit Union Administration, and Office of the Comptroller of the Currency for collectively identifying risks posed by blockchain-related products and services and formulating a timely regulatory response. To facilitate these objectives, this mechanism could include formal planning documents that establish the frequency of meetings and processes for identifying risks and responding to them within agreed-upon time frames.

Actions Needed: SEC neither agreed nor disagreed with the recommendation. In April 2024, SEC officials told us that the Financial Stability Oversight Council, of which SEC is a member, established a coordination mechanism through the creation of the Digital Asset Working Group. The group was formed to promote information sharing and enhance interagency coordination in identifying potential financial stability-related risks in the digital asset space.

In July 2024, the agencies provided documentation demonstrating that the working group meets regularly and has developed and implemented processes for identifying risks and regulatory challenges concerning blockchain-related products and services. In March 2025, SEC staff noted that they would provide further updates on the status of efforts to respond to the recommendation in summer 2025.

To fully implement the recommendation, the agencies should continue to work toward developing processes for responding to those risks and challenges that cross regulatory jurisdictions within agreed-upon time frames. Such a mechanism would help SEC and the other regulators collectively identify risks and develop and implement a regulatory response in a timely manner.

High-Risk Area: [Modernizing the U.S. Financial Regulatory System](#)

Director: Michael E. Clements, Financial Markets and Community Investment

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Enclosure 2

Key Information About the Status of GAO Recommendations and Improving Agency Operations

Securities and Exchange Commission's (SEC) Recommendation Implementation Rate

In November 2024, we reported that, on a government-wide basis, 70 percent of our recommendations made 4 years ago were implemented.³ SEC's recommendation implementation rate was 100 percent.⁴ As of April 2025, SEC had two open recommendations.

Implemented, Closed, and New Priority Recommendations

Our May 2024 letter to Chairman Gensler identified one priority recommendation.⁵ The recommendation has not yet been fully implemented. No new priority recommendations have been designated for SEC since our May 2024 letter.

High-Risk List

In February 2025, we issued our biennial update to our High-Risk List.⁶ This list identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement. It also identifies the need for transformation to address economy, efficiency, or effectiveness challenges. One of our high-risk areas—[modernizing the U.S. financial regulatory system](#)—relates directly to SEC. Specifically, we urge your attention to the effective and efficient oversight of financial institutions and activities.

Several other government-wide, high-risk areas also have direct implications for SEC and its operations. These include [improving management of IT acquisitions and operations](#), [improving strategic human capital management](#), [improving the personnel security clearance process](#), [managing federal real property](#), and [ensuring the cybersecurity of the nation](#).

In addition to SEC's high-risk area, we urge your continued attention to the other government-wide, high-risk issues as they relate to SEC. Progress on high-risk issues has been possible through the concerted actions and efforts of Congress, the Office of Management and Budget, and the leadership and staff in agencies, including within SEC. In March 2022, we issued a report on key practices to successfully address high-risk areas, which can be a helpful resource as your agency continues to make progress to address high-risk issues.⁷

³GAO, *Performance and Accountability Report: Fiscal Year 2024*, [GAO-25-900570](#) (Washington, D.C.: Nov. 15, 2024).

⁴We calculated the implementation rate based on the total number of recommendations we made 4 years ago that we have closed as implemented.

⁵GAO, *Priority Open Recommendations: Securities and Exchange Commission*, [GAO-24-107293](#) (Washington, D.C.: May 23, 2024).

⁶GAO, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, [GAO-25-107743](#) (Washington, D.C.: Feb. 25, 2025).

⁷GAO, *High-Risk Series: Key Practices to Successfully Address High-Risk Areas and Remove Them from the List*, [GAO-22-105184](#) (Washington, D.C.: Mar. 3, 2022).

Congress's Role on GAO Recommendations

We also recognize the key role Congress plays in providing oversight and maintaining focus on our recommendations to ensure they are implemented and produce their desired results. Legislation enacted in December 2022 includes a provision for GAO to identify any additional congressional oversight actions that can help agencies implement priority recommendations and address any underlying issues relating to such implementation.⁸

Congress can use various strategies to address our recommendations, such as incorporating them into legislation. Congress can also use its budget, appropriations, and oversight processes to incentivize SEC to act on our recommendations and monitor its progress. For example, Congress can hold hearings focused on SEC's progress in implementing GAO's priority recommendation, withhold funds when appropriate, or take other actions to provide incentives for SEC to act. Moreover, Congress can follow up during the appropriations process and request periodic updates.

Congress also plays a key role in addressing any underlying issues related to the implementation of these recommendations. For example, Congress can pass legislation providing SEC explicit authority to implement a recommendation or require SEC to take certain actions to implement a recommendation.

⁸James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263, § 7211(a)(2), 136 Stat. 2395, 3668 (2022); H.R. Rep. No. 117-389 (2022) (accompanying Legislative Branch Appropriations Act, H.R. 8237, 117th Cong. (2022)).