GOVT GIVES IN TO IMF, MORE THAN DOUBLES GAS TARIFF: APPROVES INCREASE OF UP TO 113% IN NATURAL GAS PRICES

ISLAMABAD: The government on Monday approved an increase up to 113% in the natural gas prices to recover Rs310 billion from the majority of consumers in six months, putting a minimum of Rs736 billion additional burden on the citizens in the form of taxes and energy cost to revive the International Monetary Fund (IMF) programme. Although the government started implementing one after another condition of the IMF to revive the programme, it had not yet shown willingness to reduce the cabinet size and impose taxes on traders as well as the stock market.

The decision was taken by the Economic Coordination Committee of the Cabinet (ECC) that passed on the maximum burden of 113% on to those domestic consumers who had monthly consumption of above four cubic metres.

The prices for the domestic consumers had been increased in the range of 8.5% to 113% besides "optimising" the previous slab benefit.

For the bulk, commercial, power producers, fertiliser plants, cement, exporters, general industry and CNG stations, the gas prices had been increased from 10.4% to 105%, the details showed.

The increase was needed to stop both the gas supplying companies from bankruptcy, which had already sustained Rs577 billion revenue shortfall since 2013.

The Petroleum Division tabled a summary on Natural Gas Sale Pricing FY 2022-23 and presented tariff proposals for all categories of consumers in accordance with the Revised Estimated Revenue Requirements (RERR) for fiscal year 2022-23, according to the Ministry of Finance.

"The ECC after a detailed discussion approved a gas price revision proposal for domestic, commercial and power sectors for six months – January to June 2023," according to the statement. With the fresh approval, the government had so far met two prior actions of increasing the electricity and gas prices, which were set by the IMF along with other conditions, for reaching a staff-level agreement.

The details showed that the gas consumers would pay extra Rs310 billion in just six months.

The government had already increased the electricity prices by Rs3.30 to Rs15.52 per unit to recover Rs237 billion more till June. Another burden of Rs189 billion would be passed on in the shape of increase in taxes by June 2023.

Cumulatively, these three measures would force the people to cough up an extra Rs736 billion in just six months –a cost that had been increased due to the government's failure to timely revive the IMF programme.

Finance Minister Ishaq Dar started conceding to one after another condition, including letting the rupee gain its market price, which was now almost Rs100 to a dollar above the threshold where Dar wanted to see it four months ago.

The government on Monday exchanged its fresh position on the first draft of the Memorandum for Economic and Financial Policies (MEFP) with the IMF team.

The government introduced a new category of protected consumers whose rates were lower than the non-protected ones.

In addition to paying the normal gas usage rates, the protected consumers would also pay a fixed Rs50 per month charge.

The non-protected consumers would pay Rs500 fixed monthly charge, excluding the meter rent.

The decision would take effect from Jan 1, subject to the endorsement by the federal cabinet.

The ECC approved an increase in the gas prices for domestic consumers using up to 0.5 cubic metres per month of gas to Rs150 per MMBTU – an increase of 24%. Their existing rate was Rs121. For consumers using up to 1.5 cubic metres of gas, the prices had been increased to Rs600 per MMBTU –a surge of 8.5%.

The gas rates for domestic consumers of two cubic metres per month had been increased to Rs800 per MMBTU – an increase of Rs247 or 45%.

The consumers of up to three cubic metres of gas would now pay Rs1,100 per MMBTU price, which was higher by Rs362 or 49% over the existing prices. The existing rate for this category was Rs738 per MMBTU.

However, a major burden had been passed on to consumers using above three cubic metres of gas a month. As against the Rs1,107 existing rate, the consumers of up to four cubic metres of gas would pay Rs2,000 per MMBTU –a surge of Rs893 or 81%.

The consumers of above four cubic metres of gas would now pay Rs3,100 as against Rs1,460 – an increase of Rs1,640 or 113%.

The bulk consumers would be charged at the average prescribed price of Rs1,600 per MMBTU –up by Rs820 or 105%.

The Petroleum Division said that the gas sector's circular debt, which was Rs299 billion in June 2018, had increased to Rs1.642 trillion in June 2022. The domestic sector consumed 47% of indigenous gas and only 27% of the population got piped gas.

The ECC approved to sell gas to tandoors at Rs697 per MMBTU with no change. The commercial gas connection prices had been increased by 29% to Rs1,650 per MMBTU.

The power plants of K-Electric, Sindh Nooriabad Power and Engro Powergen would be charged at Rs1,050 –higher by Rs193 or 22.5%. The liberty power would be charged at Rs2,406 per MMBTU – up by Rs1,225 or 104%.

The export-related processing consumers of general industry had been charged at Rs1,100 per MMBTU – up by 34%.

The export-related captive power plants had been charged at Rs1,100 per unit –higher by Rs248 or 29%.

The general industry would now pay Rs1,200 – an increase of 10.4% to 14%.

The gas prices for the cement plants had been increased to Rs1,500 –a surge of Rs223 or 17.5%. That for the CNG sector had been approved at Rs1,805 per MMBTU, showing an increase of 32% or Rs434.

The Engro Fertilizer would pay Rs140 per MMBTU on feed –higher by 20%, the other fertiliser plants would pay Rs510 per MMBTU on their feed – up by 69%. The fertilised fuel gas price would be Rs1,500 per MMBTU – up by Rs477 or 47%.

Other decisions

The ECC approved the debt rescheduling contract with Russia to the tune of $14.5 million as part of the G-20 Debt Service Suspension Initiative (DSSI) of 2020.

This debt relief was announced in April 2020 for IDA eligible countries to mitigate the socioeconomic impact of Covid-19.

So far, 37 debt rescheduling agreements with 15 creditor countries had been signed.

In order to clear the backlog of the Benazir Income Support Programme, the ECC approved a Rs40 billion grant for the beneficiaries, taking the total allocation to Rs400 billion.

A sum of Rs12 billion would go to pick the additional stipend of Rs833 per month per family for people of age 50 years and above, taking the total benefit to Rs3,067 per month. The below 50 years of age beneficiaries would keep getting Rs2,233 per month.

A sum of Rs22 billion would go to clear the arrears of the flood relief cash assistance. An amount of Rs5 billion had been given for two conditional grants for health and education of the children of the beneficiaries.

TR 14-2-2023

GAS PRICES HIKED

ISLAMABAD: The government has increased up to 124 percent in the gas prices for domestic consumers from January 1, 2023, to generate a revenue of Rs310 billion from the consumers in the next six months (January-June 2023) to curtail the circular debt in the gas sector. A day after staff level 10-day discussion on the 9th review with the International Monetary Fund (IMF) team, Finance Minister Ishaq Dar told the media during the press conference that the government is required to reduce the gas sector circular debt to zero as per one of the prior actions for completion of the review.

On Monday, the Economic Coordination Committee (ECC) of the Cabinet meeting presided over by the finance minister gave approval for an increase in the gas sale prices for various slabs and categories. Up to 1 hm3 slab consumers gas price has been increased from Rs300 MMBTU to Rs350 followed by up to 2 hm3 slab consumers from Rs553 to Rs730, up to 3 hm3 slab consumers Rs738 to Rs1,250, and for up to 4 hm3 slab consumers from Rs1,107 to Rs2,250, and above 4 hm3 slab consumers gas sale price has been increased from Rs1,460 to Rs3,270.

The prices would be effective from 1st January 2023. Gas price for the bulk category was increased from Rs780 per MMBTU to Rs1,600 per MMBTU, commercial Rs1,283 to Rs1,630, Power (KE, SNPC, EPQL) from Rs857 to Rs1,050, Liberty from Rs1,181 to Rs2,406, fertilizer feed Engro Rs117 to Rs140 per, feed (FFBQL) from Rs302 to Rs510, fuel Rs1,023 to Rs1,500, cement Rs1,277 to Rs1,500, export industries process Rs819 to Rs1,100, captive Rs852 to Rs1,100, non-export industries process from Rs1,054 to Rs1,200, captive Rs1,086 to Rs1,200, and for CNG sector from Rs1,371 to Rs1,805 MMBTU. The gas sale price increase would become effective from 1st January 2023.

The ECC was informed that ERR was issued by Ogra for the fiscal year 2022-2023 on 3rd June 2022 for both gas companies. As per determination, SNGPL required a revenue of Rs261 billion and SSGL Rs285 billion in the fiscal year 2022-2023 but the Ogra did not allow previous year's revenue shortfall. Meanwhile, both the gas companies filed petitions to the OGRA for review of ERR and OGRA vide its decision dated 09.01.2023 determined the RERR of both the Sui companies for the fiscal year 2023 based on the RERR, the cumulative revenue requirement for both the Sui companies has been determined by OGRA at Rs610 billion – Rs288 billion for the SNGPL and Rs322 billion for the SSGC.

Based on the advice of the federal government, the OGRA notifies tariffs for various categories and slabs of consumers. The category-wise consumer gas sale prices/ tariff for natural gas reflects the socioeconomic agenda of the federal government especially, the supply of cheap fuel to households. The OGRA Ordinance also requires the federal government to ensure that the sale prices so advised are not less than the revenue requirement determined by the authority.

However, the consumer gas prices have not been adequately revised consistent with the OGRA's determination since the fiscal year 2013-14. This has resulted in the accumulation of revenue shortfall, tariff differential amounting to Rs577 billion (SSGCL Rs245 billion, SNGPL Rs332 billion) as of June 2022.

Current consumer gas prices have been effective since September 2020. If the current consumer gas prices are kept unchanged for the rest of the six-month period i.e., January to June 2023, the Sui companies, would face a combined revenue shortfall of Rs229 billion during the fiscal year 2022-23 which will further increase the circular debt.

The ECC was informed that multiple consultative meetings were held in the Finance Division on the revision of the domestic sector gas tariff. During the discussions held in those meetings, it was proposed that instead of full financial year cost recovery, the tariff proposal has to address apportioned RERR for six months, i.e., January to June 2023. It was further suggested to simplify the proposal by retaining the existing six slab structure in the domestic sector. There shall be a shortfall of Rs110 billion for July to December 2022 in case only six months RERR are considered. This will become a part of circular debt stock and recovery of the same will be considered later.

The ECC was requested that the gas price revisions as proposed may be approved which would generate a revenue of Rs310 billion as against apportioned RERR for six-month January to June 2023 of Rs305 billion; the proposed price increase for power consumers would also be applicable to the power consumers of Mari Petroleum Company Ltd and Pakistan Petroleum Ltd.

The Ministry of Economic Affairs presented a summary with regard to G-20 Debt Service Suspension Initiative (DSSI). This debt relief was announced in April 2020 for the IDA eligible countries to mitigate the socioeconomic impact of Covid-19. Under this initiative debt relief was extended through the suspension of principle and interest payments. So far, 37 debt rescheduling agreements with 15 creditor countries have been signed. Foregoing in view, the ECC allowed the Ministry of Economic Affairs for signing of debt rescheduling agreement with Russia for debt suspension of Covid-related amount US$ 14.53 million. The Ministry of Poverty Alleviation and Social Safety presented a summary for an enhancement of the BSIP budget.

The ECC after discussion granted Rs40 billion as a technical supplementary grant to BISP to meet its budgetary requirements for an increase in the unconditional and conditional grants.

OGRA REDUCES PRICES OF IMPORTED LNG FOR FEB

ISLAMABAD: The Oil and Gas Regulatory Authority (Ogra) on Monday announced a little reduction in imported LNG prices for the consumers of both gas companies - the Sui Northern Gas Pipeline Limited (SNGPL) and the Sui Southern Gas Company (SSGC) for February. Based on eight LNG cargoes imported by Pakistan State Oil (PSO) under long-term LNG contracts with Qatar Petroleum as Eni delivery of a LNG cargo to Pakistan LNG Limited that was scheduled for February was disrupted due to an event of force majeure.

The new price for the consumers of the SNGPL has been set $ 13.7046 per mmbtu which is lower by $ 0.6143 per mmbtu as compared with the previous month of January 2023 which was $ 14.3188 per mmbtu. Likewise, the LNG price for the SSGC supply has been calculated at $ 13.9522 which is down by $ 0.5635 per mmbtu as compared with January 2023 price of $ 13.9522.

The average DEC price is worked out at $ 10.4640 per mmbtu. The UFG has been incorporated on provisional basis at 0.38 percent in respect of transmission and at 7.86 percent in respect of transmission and distribution as per the SNGPL claim in respect of the review of estimated revenue requirement financial year 2021-22.

NBF INDUSTRY’S ASSETS STAND AT RS2562.8BN: SECP

ISLAMABAD: Total assets of the non-banking finance industry now stood at Rs2,562.83 billion as on January 1, 2023, including Modarabas, mutual funds, Asset Management Companies, pension funds, leasing companies, Real Estate Investment Trust, and Private Fund Managers.

The SECP, Monday, released the latest report on the performance of the NBF industry. Out of the total assets of the non-banking finance industry of Rs2,562.83 billion, the share of assets of Mutual Funds and Plans remained highest at Rs1,574.21 billion having 313 licenses.

According to the report, the share of the Mutual Funds and Plans in overall assets of the non-banking finance industry till January 1, 2023, is 61.4 per cent; Asset Management Companies/ Investment Advisors, 1.9 per cent; Discretionary and Non-Discretionary Portfolios, 14.0 per cent; pension funds 1.7 per cent; REIT Management Companies, 0.3 per cent; Real Estate Investment Trust, 6.5 per cent; Private Fund Managers, 0.0 per cent; Private Equity and Venture Capital Funds, 0.5 per cent; lending investment banks, 4.3 per cent; Non-Bank Microfinance Companies, 6.6 per cent; Leasing Companies 0.2 per cent; Modarabas, 2.5 per cent; Housing Finance Companies 0.0 per cent; discounting, 0.0 per cent.

The trend of growth in the total assets of the non-banking finance industry since June 2017 till December 2022 stood at 114.25 per cent. Break-up of Sharia-compliant and conventional assets of the non-banking finance industry (NBFI) revealed that the growth since June 2017 till December 2022 of conventional assets stood at 107.6 per cent and growth in Sharia-compliant assets 128 per cent.

The Sharia-compliant assets include assets of Sharia Compliant Mutual Funds, Sharia Compliant Pension Funds, Sharia complaint REIT Schemes, and Modarabas, while rest of the assets of the NBFI industry are considered as conventional asset, the report said. There is a growth of 5.3 per cent in the assets of the pension funds and the voluntary pension schemes, the SECP data added.

SECP ASKS PEOPLE TO AVOID UNAUTHORISED LENDING APPS

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has warned the public about falling prey to unauthorised lending apps, namely “MoneyBox” and “MoneyClub.” The SECP has observed that the apps are using the names of licenced Non-Banking Finance Companies (NBFCs) to gain public confidence in offering lending services without any regulatory approval.

The SECP has not granted any permission to its licenced NBFCs, Qist Bazaar (Pvt) Limited and QistPay BNPL (Private) Limited, to launch the apps namely “MoneyBox” and “MoneyClub,” respectively. This unauthorised activity poses a serious threat to the public, as these apps have been operating without regulatory approval. The SECP maintains a publicly available list of licenced NBFCs and digital lending apps that have the SECP’s permission to offer lending services.

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SBP DECIDES ACTION AGAINST EXPORTERS FOR DELAYED PROCEEDS

KARACHI: State Bank of Pakistan (SBP) on Monday decided to initiate action against exporters for delay in realization of export proceeds. In this regard the central bank issued a circular to inform presidents and chief executives of authorized dealers in foreign exchange that the SBP had decided to initiate necessary action.

The SBP invited attention of banks and authorized dealers to Para 33 of Chapter 12 (Exports) of the Foreign Exchange (FE) Manual, which provides the procedure for dealing with cases relating to non-realization or delay in realization of the export proceeds. “In order to ensure timely realization of export proceeds, it has been decided to initiate necessary action in all those export cases where full export proceeds are not realized within prescribed time period as defined in Para 6 of Chapter 12 of the FE Manual,” the SBP added.

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RISING PANIC OVER BLOCKED IMPORTS IN CRISIS-HIT PAKISTAN

ISLAMABAD: Pakistan business chiefs are clamouring for the cash-strapped government to allow manufacturing materials stuck at the key port of Karachi into the country, warning that a failure to lift a ban on imports will leave millions jobless. Faced with critically low US-dollar reserves, the government has banned all but essential food and medicine imports until a lifeline bailout is agreed with the International Monetary Fund (IMF).

Industries such as steel, textiles and pharmaceuticals are barely functioning, forcing thousands of factories to close and deepening unemployment.

The steel industry has warned of severe supply-chain issues caused by a shortage of scrap metal, which is melted down and turned into steel bars. In the past few weeks, the bars have reached record prices. “We directly feed materials to the construction industry which is linked to some 45 downstream industries,” said Wajid Bukhari, head of Pakistan’s Large Scale Steel Producers Association. “This whole cycle is going to be jammed.” Smaller factories have already shut after exhausting stocks, while some larger plants are just days from closing, he said. With an import bill of around $150 million a month, the steel industry says its operations directly and indirectly affect several million jobs.

Latest data from the central bank said foreign exchange reserves had plunged to just $2.9 billion — enough for less than three weeks of imports. “This situation triggers fears the construction industry will close down very soon, plunging thousands of labourers into unemployment,” the Constructors Association of Pakistan said, echoing calls for steel and machinery to be exempted from the import ban.

Years of financial mismanagement and political instability have damaged Pakistan’s economy — exacerbated by a global energy crisis and devastating floods that submerged a third of the country. Alongside a shortage of raw materials, soaring inflation, rising fuel costs and a plummeting rupee have battered manufacturing industries. An IMF delegation left Pakistan on Friday after urgent talks to revive a stalled loan programme ended with no deal, leaving lingering uncertainty for business leaders.

The textile and garment industry is responsible for around 60 percent of Pakistan’s exports and employs about 35 million people, processing items such as towels, underwear and linen for major brands across the world.

“The textile industry should be prioritised,” said Shahid Sattar, secretary general of the All Pakistan Textile Association. “We are the mainstay of the country’s exports,” he told AFP. “If you don’t have exports, how will you shore up your foreign exchange reserves? Then consequently, how will the economy recover?” After floods devastated domestic cotton crops last summer the sector is importing a significant amount of raw fabric.

Factory owners appealed to the finance minister last month for “direct intervention” to unjam the backlog, which also affects dyes, buttons and zippers. “The textile industry has more or less come to a grinding halt in Pakistan. We don’t have raw materials to operate our mills,” Sattar said. Around 30 per cent of the textile mills have shut down operations completely, while the rest are working at less than 40 per cent capacity. Tauqeer ul Haq, the head of the Pakistan Pharmaceutical Manufacturers Association, said 40 medicine factories were on the brink of closure because of a lack of key ingredients.

Pakistani economist Kaiser Bengali said the supply-chain crisis was “feeding inflation and also hitting the government’s revenues”. It is also escalating unemployment and fuelling poverty, with a large proportion of construction and factory workers in Pakistan paid daily. “On average during regular production, workers are paid for around 25 days (per month) but now they are getting wages for 10 to 15 days. While some companies have even suspended their production and workers will only get paid once manufacturing resumes,” Bengali told *AFP*. Nasir Iqbal, an economist at the Pakistan Institute of Development Economics, said export bans like the one currently in place “can never be a sustainable solution”.

LCs ISSUE RESULTS IN SHORTAGE OF STEEL REBARS

ISLAMABAD: The country is facing severe shortage of steel rebars due to the delay in the opening of the Letters of Credit (LCs) for raw material of the industry. The situation is being exacerbated by the recent confirmation of energy price increases and a hike in the General Sales Tax (GST) as part of the International Monetary Fund (IMF) conditions.

Pakistan Association of Large Steel Producers (PALSP Monday expressed serious concerns about the prevailing state of affairs of steel industry that is grappling with constantly intensifying situation.

According to PALSP’s Secretary General, Wajid Bukhari, the steel sector is in the midst of an unprecedented turmoil, with massive currency depreciation, shortage of raw materials, high inflation, and increased energy prices. The situation is extremely difficult and unviable for steel industry to survive. Under various heads including quarterly tariff adjustments, deferred fuel price adjustment, and imposition of a surcharge of Re1 per unit on big power consumers, the government has approved a revised circular debt management plan (CDMP) where the tariff would be hiked around Rs7-8 per unit till August 2023. This will have a direct inflationary impact of 7,000 Rs/ton, whereas the increase of GST from 17% to 18% would further have an impact of Rs3,000/ ton.

Currently the prices of deformed rebars are around 305,000 rupees/ ton, whereas inflationary pressures will warrant for further price increases.

According to Bukhari, the steel sector has been hit hard due to problems with the opening of LCs and the rapidly depleting foreign exchange reserves, which have resulted in a shortage of raw materials.

The manufacturers are forced to operate on very low capacities or to close their units, which has raised the cost of production and made it unviable to operate. The increase in prices of steel is also due to massive rupee devaluation and demurrage and detention charges on containers stuck at ports, he said.

The devaluation of the Pak Rupee by 24% over the last two quarters, coupled with a 16% increase in inflation and from 23.8% to highest ever 27.6% and financial charges raised by 13% from 15% to 17% have put the industry in severe crises. Bukhari further stated that the sudden depreciation of the rupee has caused losses worth billions of rupees to the industry, and stakeholders fear an unprecedented change in prices of imported finished and raw materials in case landed costs continue to rise.

The government’s removal of the dollar cap to meet the International Monetary Fund demand has resulted in the Pakistani rupee falling to a historic low and the steel industry is on the brink of collapse. The massive devaluation of the Pak Rupee against the US dollar and the increase in petroleum prices have started to cause an inflationary impact on steel prices.

The industries are forced to increase prices due to the devaluation of the local currency, uncertain economic conditions, and high inflation. The industry fears that this is just the beginning and that consumers will face even more shocking price hikes when the stuck imported containers stricken with heavy demurrage and detentions are released from the port.

The shortage of raw materials is a result of problems with the non-opening of LCs due to the rapidly depleting foreign exchange reserves and a weakening rupee. The shortage has forced many steel manufacturers to operate at very low capacities of 30% to 40%, using local scrap that is of poor quality. The cash-strapped industry is on the brink of collapse as the cost of doing business is increasing due to the massive devaluation of the rupee. PALSP is calling for immediate action to address the situation, Bukhari emphasized.

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A CRYPTO PRACTICE IN REGULATORS' CROSSHAIRS

Crypto companies offering their customers eye-popping yields through so-called "staking" products are earning the ire of the US securities regulator who says such services should be registered. Crypto exchange Kraken on Feb 9 agreed to shutter its staking service for US customers and pay $30 million in penalties, as part of a settlement with the regulator, and investors are worried a broader ban on the practice could follow.

What is staking?

Staking is a process in which cryptocurrency holders volunteer to take part in validating transactions on the blockchain in other words, checking that the ledger all adds up.

The checking is not done by individuals, but by computers in the blockchain network, often via third-party staking services. In return, validators, who cannot use their cryptocurrencies involved in the validating process for a period of time, receive a share of the transaction fees or newly created cryptocurrencies. That reward is then passed on to customers at centralised exchanges who agree to stake their assets. From a customer's perspective, its a way to receive returns on cryptocurrencies, by agreeing for them to be put to work, or locked up, for a certain period of time. Staking is only possible on proof-of-stake blockchains, such as ethereum. The question for regulators is whether this reward scheme resembles an investment contract and should adhere to the accompanying rules.

What firms are engaged in it?

Nearly all of the major crypto exchanges offer staking services to their customers for a variety of tokens, including Coinbase, Binance, Crypto.com, Gemini, Huobi and OKX. Those firms offer clients anywhere from a 2 per cent annual percentage yield to as high as 40pc APY on certain tokens. The most popular tokens that can be staked include ethereum, Solana, Polygon and Avalanche. While those centralised exchanges provide staking as a service to their clients, cryptocurrency owners can also stake their tokens on decentralised exchanges, like Uniswap, although doing so requires more technical know-how. It's not just crypto firms either. British digital banking app Revolut recently started allowing customers in the UK and Europe to stake cryptocurrencies they hold on the platform.

Why are regulators unhappy about it?

The US Securities and Exchange Commission (SEC) has said most staking providers fail to provide customers proper disclosures about how their cryptocurrency will be used and should register their staking services with the agency. In its settlement with the SEC on Feb 9, Kraken neither admitted nor denied the SEC's claim that its staking service should have been registered.

SEC Chair Gary Gensler said the action should put other crypto exchanges that offer similar services to US users on notice, and that those platforms should come into compliance with securities laws. While regulators have expressed concerns about crypto products which lure in customers with the promise of high yields, the practice of staking has not been singled out for specific regulatory attention in countries besides the United States. Kraken said it would continue to offer staking to customers based outside of the United States.

What's next?

Although Gensler said the SEC's settlement with Kraken should be a warning sign to the rest of the cryptocurrency industry, it's not immediately clear that other crypto exchanges that offer staking will register those services with the SEC. In a statement, Coinbase said its staking program was not affected by Kraken's settlement with the SEC because its own service is "fundamentally different" than Kraken's.

The Blockchain Association, an industry trade group that represents a number of prominent crypto firms in the United States, noted that the Kraken settlement isn't law, but should serve as a push for Congress to pass legislation that governs cryptocurrency.

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