May 5, 2025

Crypto Task Force
Securities and Exchange Commission
100 F Street, NE,
Washington, DC 20549

Dear Members of the Crypto Task Force,

Following up on our meeting with the Task Force on April 9, we write to provide our analysis of the correct regulatory treatment of self-custody wallets under U.S. securities laws. As practitioners and scholars with experience in U.S. securities regulation as it applies to the development of blockchain technologies, we respectfully submit the following for the Commission's consideration.

I. Self-Custody Wallets and Their Features

Self-custody wallets are software or hardware tools that enable individuals to directly control cryptographic private keys. Through control of these keys, users are empowered to access, transfer, and otherwise exercise rights over blockchain-based assets, such as cryptocurrencies, digital tokens, NFTs, credentials, stablecoins and other forms of digital property.

Unlike custodial wallets—where a third-party entity retains possession of client assets—self-custody wallets ensure that users maintain exclusive possession and control of their assets at all times. The wallet provider does not retain, pool, or control customer assets and typically lacks the technical ability to access private keys. They should be freely available to create, access and utilize.

Functionally, these wallets are publicly available technology products, not financials products. They operate as transaction signing tools and cryptographic key managers that allow users to interact directly with public blockchain networks. Examples include both hardware wallets (e.g., Ledger, Trezor) and software wallets (e.g., MetaMask, Phantom, Keplr).

In addition to basic key management, many self-custody wallets offer optional, integrated functionalities that enable users to interact with decentralized networks:

Decentralized Exchange (DEX) Integrations: Wallets may allow users to sign and broadcast transactions to decentralized exchanges to facilitate peer-to-peer asset swaps without custodial intermediation.

Staking Interfaces: Wallets often provide access to native blockchain staking mechanisms, allowing users to delegate tokens to validators directly from their wallets without relinquishing custody.

Non-Fungible Token (NFT) Management: Users may store, display, and transfer NFTs through wallet interfaces, interacting directly with underlying smart contracts.

Cross-Chain Bridges and Asset Swaps: Certain wallets integrate with protocols that enable users to move assets across different blockchain ecosystems.

On-Ramp and Off-Ramp Services: Through partnerships with regulated third-party service providers, some wallets allow users to buy or sell digital assets using fiat currencies. However, these services are typically opt-in and provided externally.

In all cases, the self-custody wallet merely serves as a user-controlled gateway for direct interaction with decentralized networks. Wallet providers do not intermediate transactions, custody assets, or guarantee financial returns. Furthermore, KYC/AML compliance and counterparty due diligence requirements should only be focused on centralized services and not the wallet provider and/or the end user.

II. Why Are Self-Custody Wallets Important?

Self-custody wallets are not merely a technological convenience; they are foundational to the ethos and architecture of blockchain-based financial systems.

Public blockchains are designed to eliminate the need for trusted intermediaries by enabling peer-to-peer transfers of value secured through decentralized consensus mechanisms. In this environment, self-custody wallets serve as the critical bridge between individuals and decentralized networks, enabling users to assert direct ownership and control over their assets without reliance on centralized institutions.

Self-custody promotes the core values of the crypto ecosystem, including:

Personal Sovereignty and Financial Autonomy: Self-custody allows individuals to exercise full control over their digital property, mitigating risks associated with custodial insolvencies, fraud, and regulatory overreach.

Privacy and Security: Because self-custody minimizes reliance on third parties, it reduces the collection of sensitive user data and decreases attack surfaces vulnerable to centralized breaches.

Innovation and Open Access: Self-custody wallets enable open, permissionless participation in decentralized finance (DeFi), digital identity solutions, governance protocols, and other emergent Web3 innovations.

Global Inclusion: In regions with unstable financial institutions or limited banking infrastructure, self-custody offers critical financial access without requiring permission from intermediaries.

Clearly defining the regulatory status of self-custody wallets is thus not only a matter of technical classification but also a necessary step toward preserving the values of open networks, consumer choice, and financial resilience that blockchain technology was fundamentally designed to advance.

III. A Representative Survey of Self-Custody Wallets

To provide additional context, we offer the below survey of several of self-custody wallets in the digital asset ecosystem. These examples illustrate the diversity of wallet providers, the range of available functionalities, and the consistent non-custodial structure that characterizes the sector.

Wallet Name	Type	Key Features	Custody Model
MetaMask	Software (browser extension + mobile app)	Key management, access to Ethereum and compatible blockchains, decentralized app (dApp) integrations, optional swap functionality	User holds private keys locally; no custodial access by MetaMask
Ledger	Hardware (physical device)	Offline key storage, integration with Ledger Live app for sending/receiving assets, staking access, NFT management	Private keys never leave the device; full user custody
Trezor	Hardware (physical device)	Offline key storage, staking support, NFT display, integration with multiple blockchain networks	Private keys remain offline; user retains exclusive custody
Phantom	Software (browser extension + mobile app, focused on Solana)	Solana asset management, staking SOL directly from wallet, NFT gallery, dApp connectivity	User controls private keys; Phantom cannot access user assets
Keplr	Software (browser extension + mobile app, focused on Cosmos ecosystem)	Access to Cosmos blockchains, staking, governance participation	Users manage keys locally; non-custodial structure
XDEFI Wallet	Software (browser extension)	Multi-chain support (Bitcoin, Ethereum, Cosmos, Thorchain, etc.), swap integrations, NFT management	User maintains full control over private keys
Uniswap Wallet	Software (mobile app)	Direct access to Ethereum-based assets, built-in token swapping, deep DeFi integrations	Non-custodial; keys stored and managed by the user locally

When considering this range of products from a securities law perspective, it is important to keep in mind a few of their basic characteristics.

Non-Custodial Design: Across both hardware and software solutions, the unifying feature is that users retain exclusive control over their private keys. Wallet providers build interfaces, but do not access or control user funds.

Functional Diversity: Some wallets (e.g., MetaMask, Phantom) offer integrated access to decentralized exchanges or staking services, but always through user-initiated, user-signed transactions.

Security Models: Hardware wallets like Ledger and Trezor emphasize secure offline storage ("cold wallets"), while software wallets focus on ease of access to decentralized applications ("hot wallets").

Regulatory Distinction: As we explain below, none of these products, based solely on offering non-custodial key management and blockchain transaction facilitation, fits the traditional legal definition of a custodian, broker, or exchange under U.S. securities law.

IV. Securities Law Analysis

A. Are Self-Custody Wallets "Custodians" within the Meaning of U.S. Securities Law?

Self-custody wallets are not custodians under U.S. securities law, including under Rule 206(4)-2 of the Investment Advisers Act of 1940 (the "Custody Rule").

Custody is defined by the possession or control of client funds or securities. A custodian exercises fiduciary responsibilities for safekeeping assets on behalf of others. In contrast, in self-custody models, the user retains exclusive control of their private keys and assets. No third party—including the wallet provider—has authority, possession, or discretionary control over the user's assets.

Leading analyses, including those submitted to the Commission (e.g., Coinbase Wells Submission, April 2023), and respected think tanks (e.g., Cato Institute, Coin Center) uniformly affirm that self-custody does not create custodial relationships.

Thus, self-custody wallets are outside the scope of custodianship under existing securities law frameworks.

B. Are Self-Custody Wallets "Exchanges" within the Meaning of U.S. Securities Law?

Self-custody wallets are not "exchanges" under Section 3(a)(1) of the Securities Exchange Act of 1934.

An "exchange" is defined as an entity that brings together orders for securities from multiple buyers and sellers using established, non-discretionary methods under which such orders interact. Self-custody wallets, by contrast, do not match orders, operate order books, or facilitate securities trading among multiple participants. They simply provide tools for users to sign and broadcast their own transactions to public blockchains or smart contract protocols.

Even when wallets integrate decentralized exchange access points, they serve as technical interfaces, not as the venues where matching or execution occurs. Without order aggregation, execution mechanisms, or control over transaction terms, the operation of a self-custody wallet does not meet the statutory or regulatory definition of an "exchange."

C. Are Self-Custody Wallets "Brokers" within the Meaning of U.S. Securities Law?

Self-custody wallets are not brokers under Section 3(a)(4) of the Exchange Act.

A broker is defined as any person engaged in the business of effecting transactions in securities for the account of others. Wallets do not solicit transactions, route orders, match trades, or hold funds in escrow on behalf of clients. They simply allow users to sign transactions and interact directly with decentralized networks. Wallet software facilitates user autonomy, rather than engaging in transactions "for the account of others," as required by the Exchange Act's broker definition.

As such, no meaningful legal basis exists to treat self-custody wallets as brokers under traditional or evolving SEC interpretations. In a recent case (*SEC v. Coinbase*, SDNY 2023)[1], a federal court rightly concluded that self-custody wallets do not perform the functions that define brokers and that those claims should not be allowed to proceed past a motion to dismiss.

D. Are Self-Custody Wallets Creating an "Investment Contract" by Offering Staking Services?

An "investment contract" requires, per *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946), (1) an investment of money, (2) in a common enterprise, (3) with an expectation of profits, (4) based on the efforts of others.

Where users individually stake their own assets through direct interaction with network protocols—maintaining control over private keys and without pooling of assets or reliance on wallet-provider managerial efforts—the staking arrangement fails to satisfy the "efforts of others" prong. Users are responsible for their own participation, and rewards are typically derived from protocol-level operations, not managerial discretion of the wallet provider.

Thus, self-custody staking interfaces that empower user-directed participation do not create an investment contract under *Howey*.

V. Conclusion

[1] "In sum, even when considered in the aggregate, the factual allegations concerning Wallet are insufficient to support the plausible inference that Coinbase 'engaged in the business of effecting transactions in securities for the account of others' through its Wallet application. In consequence, the Complaint does not plausibly allege that Coinbase is a broker with respect to its Wallet service." *Id*. at 83-84 (internal citations omitted).

Self-custody wallets are technological tools for individual empowerment in managing digital property. They do not act as custodians, brokers, exchanges, or issuers of investment contracts under U.S. securities law as traditionally interpreted.

Efforts to regulate self-custody wallets as such would exceed statutory authority, conflict with settled legal doctrines, and threaten critical constitutional protections regarding property, privacy, and innovation.

We respectfully urge the Commission to affirm that self-custody wallets remain outside the scope of regulated financial intermediary frameworks, and to encourage the responsible development of decentralized user-controlled technologies.

Thank you for your consideration. We would be pleased to discuss these issues further or to participate in any relevant Commission workshops or hearings.

Sincerely,

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