



BSV
BLOCKCHAIN

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To:

SEC Crypto Task Force

Securities and Exchange Commission

100 F Street, NE

Washington, DC 20549-1090

Re: Public Comment for the SEC Conference - "Emerging Trends in Asset Management" (June 5, 2025), with a Focus on Digital Assets, Tokenization, Blockchain Utility, Investor Protection, and Market Stability – A BSV Blockchain Perspective on Functional Regulation and the Dual Nature of Digital Assets

Executive Summary

The Securities and Exchange Commission's conference on "Emerging Trends in Asset Management" convenes at a genuinely defining moment for the U.S. financial regulatory system and the digital asset economy. This juncture is characterized by the confluence of rapidly maturing blockchain technology—now capable of enterprise-grade performance—an increasingly urgent market demand for clear and predictable regulatory frameworks, and a commendable willingness from current SEC leadership to engage substantively on these complex issues. It is in this spirit of constructive dialogue that the BSV Blockchain Association offers this public comment.

The BSV Blockchain Association is the global industry organization dedicated to advancing the adoption and understanding of the BSV Blockchain—an enterprise-grade public blockchain that restores and adheres to the original Bitcoin protocol as outlined by Satoshi Nakamoto. With a focus on lawful innovation, the Association engages with regulators, policymakers, developers, and enterprise leaders to promote a transparent, secure, and scalable blockchain infrastructure capable of supporting diverse use cases—from micropayments and digital asset management to supply chain traceability and compliance automation. We serve as a resource and partner to governments and institutions seeking to explore blockchain's role in building accountable, efficient digital systems that align with public policy goals and regulatory obligations.

Our association contends that digital asset innovation, particularly when it distinguishes between an asset's core data utility and its financial instrumentality, requires a nuanced regulatory approach. This submission outlines a roadmap for embracing lawful, utility-driven innovation—as exemplified by the BSV Blockchain, which adheres to the original Bitcoin protocol—within a clear, predictable, and robust regulatory framework, drawing on insights from current legislative concepts being considered in the U.S. Congress, such as the Digital Asset Market Clarity Act of 2025 ("CLARITY Act").

The digital asset sector has long awaited well-defined "rules of the road" that move beyond reactive enforcement to provide prospective guidance. The BSV Blockchain Association believes that such clarity is not only essential but is most effective when it accommodates the diverse economic functions of digital assets—whether they operate primarily as sophisticated data carriers and processing systems or as instruments of financial value transfer. The BSV Blockchain, architected for unbounded on-chain scaling (demonstrating world-record transaction volumes),

efficient micropayments (enabling entirely new economic models), and extensive data functionalities alongside secure financial transactions, is uniquely positioned to demonstrate how these dual capabilities can be lawfully regulated and can serve as a foundational layer for a compliant and innovative digital economy. Our proactive stance on lawful innovation is rooted in a protocol designed for transparency, auditability, and integration with existing legal and regulatory structures, reflecting Bitcoin's original vision as a system capable of supporting global-scale, utility-focused applications.

This submission advocates for a regulatory framework that is both innovation-friendly and uncompromising in its commitment to investor protection and market integrity.

Specifically, we urge the Commission to consider a framework that:

- **Establishes Clear Functional Distinctions:** Recognizes and codifies the fundamental differences between digital assets primarily serving as robust data infrastructure or utility tokens (leveraging their data-carrying capacity), and those operating chiefly as financial instruments, thereby enabling appropriately tailored regulatory oversight.
- **Supports Verifiable Utility and "Digital Commodities":** Actively supports the development and recognition of "digital commodities," consistent with the proposed CLARITY Act principles, where an asset's value is demonstrably derived from the use and utility of its underlying blockchain system—its data functionality—rather than speculative activity alone.
- **Provides Pathways to Regulatory Clarity for Mature Systems:** Develops transparent and achievable pathways for digital assets, which may have initially been offered as part of an "investment contract asset," to be recognized for their standalone utility and potentially regulated as commodities upon their underlying networks achieving "mature blockchain system" status through demonstrated functionality, genuine decentralization of control, and widespread adoption for utility purposes.

The BSV Blockchain's architecture—designed for enterprise-grade utility, regulatory compatibility (including built-in AML/KYC/CTF support at the protocol level where feasible), and sustainable growth—offers a compelling model for how such a functional and forward-looking regulatory approach can affirm U.S. leadership in global financial innovation and market resilience. We believe our perspective can

significantly contribute to the SEC's evaluation of emerging asset management trends.

Embracing Functional Classification Based on Economic Reality

- BSV's capacity for large-scale, low-cost data transactions underpins numerous utility applications where the primary function is data management and service provision, not speculative investment. A number of applications built on the BSV Blockchain in use today showcase the power of blockchain as a service (BaaS) where the token or transaction facilitates access to, or represents, real-world utility.
 - **Tokenovate:** This UK-based fintech firm leverages BSV to offer a distributed financial market infrastructure platform for the programmatic lifecycle management of over-the-counter (OTC) and exchange-traded derivatives. By integrating the International Swaps and Derivatives Association (ISDA) Common Domain Model (CDM), Tokenovate automates the creation and management of smart legal contracts, embedding complex financial logic into on-chain transactions. The economic reality here is a quantifiable service: providing enhanced compliance, significant risk reduction, and dramatic cost savings in institutional financial markets, with its value derived directly from the use of BSV for efficient and auditable contract management.
 - **Certihash Sentinel Node:** Developed in alliance with IBM, this cybersecurity solution utilizes BSV to create an immutable, real-time audit trail of IT system operations. Transactions on BSV anchor cryptographic hashes of system logs every few seconds, creating an unassailable evidentiary record. The economic reality is a high-value security monitoring and data integrity service; its value is derived from providing verifiable proof of system states and rapid breach detection, aligning perfectly with the "value from use of the blockchain system" principle of a "digital commodity."
 - **UNISOT & Gate2Chain's "Trace":** These platforms use BSV for comprehensive supply chain traceability and product authentication, allowing businesses to track goods from origin to consumer with unprecedented transparency. BSV transactions serve as immutable proofs of custody and condition, directly combating counterfeiting and enhancing consumer trust. The value is derived from the verifiable data integrity and enhanced logistical efficiency provided by the BSV ledger.

- **Smart Grow AgriTech Innovations and Verifiable Data Ecosystems:** The agricultural sector is witnessing transformative applications built on BSV, showcasing the blockchain's capacity to create verifiable data ecosystems. AgriTech initiatives are piloting the use of BSV for immutable record-keeping of farm-level data, crucial for modern agriculture. This includes exploring AI-driven interpretation of farm data, where insights are anchored to the blockchain for transparency and auditability. Furthermore, AgriTech is testing methods for on-chain attestation and signing of environmental data, such as that from IoT devices like the Weatherflow Tempest network, potentially enhancing the reliability of weather information for agricultural decision-making. The economic reality is the creation of high-integrity data services that can support precision agriculture, enable new markets for verified sustainable practices, and enhance supply chain transparency. The value of these applications is derived directly from BSV's capacity to handle extensive data sets at minimal cost, making field-level data notarization and complex data attestations economically viable and fostering "digital commodities" in the form of verified data streams or auditable agricultural insights.
- **Programmable Contracts and Workflow Automation:** Platforms like the open-source Tokenized Protocol on BSV enable tokens that execute legally binding processes or manage complex commercial data flows. The economic reality is automated workflow and data exchange, where tokens act as carriers of rights, obligations, or verified information, deriving value from their operational utility rather than speculative trading. BSV's Turing-complete Script enables the creation of sophisticated smart contracts that can automate a wide range of business processes.
- **Identity, Credentials, and Public Records:** Applications for Decentralized Identifiers (DIDs), verifiable academic or health credentials (e.g., VX Pass), and immutable public records (e.g., land registries, permitting systems) on BSV use transactions to create secure, auditable, and user-controlled data. Their value lies in data integrity, accessibility, and the efficiency gains from digitizing and securing such records.
- **IoT and Machine-to-Machine (M2M) Economies:** BSV's proven capacity for processing transactions at fractions of a cent (micropayments and even nanopayments) enables tokens that monetize real-time data streams from IoT

devices (e.g., Rekord IoT) and facilitate autonomous M2M commerce, unlocking entirely new economic models based on data throughput and network use.

This demonstrable dual nature of assets and transaction types on BSV—serving as both a robust data ledger and an efficient value transfer network—underscores the critical need for a regulatory framework that can distinguish based on primary economic function and utility, as current legislative proposals such as the CLARITY Act proffer. Such a framework, by providing defined categories and pathways, would allow the SEC to fulfill its mandate while fostering innovation in areas where blockchain technology offers transformative utility beyond financial speculation.

Tokenization for Capital Formation and Efficiency: Data Defining the Asset

Tokenization—the transformation of asset rights into programmable, blockchain-native digital tokens—represents a paradigm shift in how capital is raised, managed, and distributed. By embedding ownership details, compliance logic, contractual terms, and auditability directly into the asset itself, tokenization can eliminate legacy frictions, expand market access, and significantly enhance transparency. This is not merely an efficiency upgrade; it is a structural innovation with the potential to democratize investment and streamline capital formation, particularly for startups, SMEs, and real estate ventures often underserved by traditional financial channels. The International Monetary Fund (IMF) has recognized tokenization's potential to reduce market inefficiencies across the asset lifecycle.

This aligns directly with the SEC's commendable initiatives to enhance capital formation pathways. Recent discussions by the SEC's Small Business Capital Formation Advisory Committee, attended by Chairman Atkins and Commissioners Uyeda and Peirce, have focused on making Regulation A a more viable and cost-effective tool. Considerations include eliminating certain prohibitions (like those on at-the-market offerings) and addressing geographical concentration to improve its utility. Tokenization offers a powerful means to automate and enhance such reforms. Eligibility criteria, investor accreditation checks, offering caps, and ongoing reporting requirements—key elements of frameworks like Reg A and the disclosure provisions (e.g., Sec. 4B) within CLARITY Act principles—can be embedded directly into the token's lifecycle and smart contract logic. Where traditional markets rely on costly intermediaries and fragmented compliance, tokenized markets can offer built-in trust, granular traceability, and regulatory interoperability encoded in real-time, on-chain.

Balancing Innovation with Regulatory Stability: Clarity as the Foundation for Enduring Growth

The pursuit of innovation within capital markets is essential for economic dynamism, yet it must be carefully harmonized with the SEC's enduring mission to protect investors, maintain fair and orderly markets, and facilitate capital formation. Commissioner Caroline Crenshaw's cautionary "Regulatory Jenga" analogy—warning against the potential weakening of foundational safeguards through rapid or ill-considered deregulatory shifts—raises important considerations that deserve thoughtful attention. Her concerns regarding the departure of experienced SEC staff, the erosion of institutional memory, and the use of informal "guidance" to alter established rules without due process or rigorous economic analysis, highlight the complexities of navigating regulatory evolution.

While these concerns are valid, the path to enduring market stability and investor confidence does not lie in perpetuating regulatory ambiguity or resisting technological advancement. Stability itself is a product of clarity. Rather, it is best achieved through the establishment of clear, consistent, and prospectively defined rules that provide a solid foundation upon which lawful innovation can flourish. Legislative frameworks embodying CLARITY Act principles—which aim to define terms, delineate jurisdictional responsibilities, and create transparent pathways for new technologies—offer precisely this kind of structural integrity, contrasting with the instability engendered by uncertainty.

CLARITY Act Principles and BSV: Towards "Regulation by Design"

A legislative framework reflecting CLARITY Act principles—by providing clear definitions for "digital commodities" and "mature blockchain systems," establishing functional asset classifications, and mandating that agencies like the SEC consider "innovation" (as proposed in Title V of the CLARITY Analysis)—offers a pathway to the very stability and predictability that Commissioner Crenshaw rightly seeks. Such a framework moves away from the "Jenga" risk by building a more robust and well-engineered regulatory structure from the ground up.

The BSV Blockchain, with its emphasis on a stable protocol ("set in stone"), massive on-chain scaling for transparent data management, low transaction fees enabling auditable micro-processes, and features like Digital Asset Recovery that integrate with legal frameworks, aligns with a "regulation by design" philosophy. This approach seeks to embed compliance, transparency, and accountability into the technological architecture itself, thereby reducing reliance on solely after-the-fact enforcement and

fostering a market environment where innovation and integrity can coexist and reinforce one another. This proactive stance on lawful utility and regulatory compatibility is how the U.S. can lead in building a resilient and trustworthy digital economy.

Digital Asset Recovery via BSV Blockchain: Lawful Recourse and Investor Confidence

One of the most persistent challenges undermining investor confidence and complicating regulatory oversight in the broader digital asset realm is the perceived irreversibility of transactions. While immutability is a core tenet of blockchain technology, its absolute interpretation can leave victims of theft, fraud, or accidental loss without effective recourse. The BSV Blockchain directly addresses this critical issue through its innovative Digital Asset Recovery (DAR) framework—a system that integrates legal due process with the blockchain's operational rules, thereby harmonizing the principle of an immutable historical ledger with the imperative of justice and lawful asset recovery. This unique capability directly supports investor protection, a core tenet of the SEC's mission and a crucial element for any blockchain system aspiring to widespread, regulated adoption.

A. Context and Background: The Need for Recoverability

The inability to recover stolen or lost digital assets on many blockchain platforms has been a significant barrier to mainstream adoption and institutional investment. It creates an environment where illicit actors can operate with a greater sense of impunity and leaves legitimate users vulnerable. For regulators and law enforcement, the challenge of tracing and reclaiming illicitly obtained digital assets is substantial. A credible mechanism for asset recovery is therefore essential not only for investor protection but also for fostering a more mature, trustworthy, and legally compliant digital asset ecosystem, aligning with the CLARITY Act's emphasis on market integrity.

B. The BSV Digital Asset Recovery (DAR) Framework: Technical Architecture and Legal Basis

The BSV DAR process is designed to allow rightful asset owners to petition courts for redress and, upon obtaining a valid court order, have their assets reassigned on-chain by network transaction processors. This is achieved without altering historical blocks, thus preserving the integrity of the ledger.

1. **Initiation through Legal Due Process:** The DAR process begins when a court in a recognized jurisdiction verifies the rightful ownership of specific Unspent

Transaction Outputs (UTXOs) that represent the digital assets in question. This adherence to established legal channels is fundamental.

2. **Translation to On-Chain Action:** An alert—issued through the BSV Network’s *Alert System*—is sent to the network’s transaction processors (commonly referred to as miners or nodes), containing the contents of the court’s directive to freeze or reassign the specified digital assets. This alert, authenticated and timestamped, instructs transaction processors to take the appropriate action—either marking UTXOs as unspendable or preparing for lawful reassignment—ensuring compliance with the legal directive across the network.
3. **Network Processor Compliance:** BSV network transaction processors, particularly those operating under the established Network Access Rules (formalized in 2024), are contractually obligated to honor such court orders originating from designated legal jurisdictions (initially including England, Wales, and Switzerland, with potential for expansion). This creates a reliable mechanism for legal enforcement.
4. **On-Chain Reassignment:** Upon receiving a legally notarized “freeze” directive, transaction processors will mark the disputed UTXOs as unspendable, effectively preventing any attempted transactions involving those coins from being accepted into the blockchain. This initial freeze preserves the status quo while legal claims are assessed. If a subsequent “reassign” directive is issued by a competent authority, transaction processors will enact a new, court-mandated transaction that moves the frozen coins to an address designated by the rightful owner. The original transaction history remains intact and immutable; recovery is achieved by appending this new, superseding transaction to the blockchain—ensuring a transparent, auditable, and lawful chain of custody.

C. Enforcement Mechanisms within the BSV Network

Compliance with DAR directives is not merely voluntary; it is woven into the economic and operational incentives of the BSV network:

- **Network Consensus:** Transaction processors that fail to act upon valid, properly broadcasted court orders risk having their mined blocks orphaned (i.e., rejected) by the majority of other compliant processors.
- **Economic Incentives:** Since orphaning blocks results in the loss of block rewards and transaction fees, there is a strong economic incentive for processors to

adhere to the Network Access Rules, including DAR protocols. This ensures that legal enforcement becomes an integrated and self-regulating aspect of network operations—a feature notably absent in many other public blockchain ecosystems which often resort to contentious hard forks or off-chain pressures.

D. Early Implementation and Legal Engagement

The DAR framework and the supporting Network Access Rules were formally implemented in 2024. This has paved the way for practical application. For instance, law firms such as The Barrister Group are actively developing procedures and utilizing these tools to assist individuals and entities in recovering BSV assets, particularly in cases involving lost access, unauthorized transfers, or assets held on defunct custodial platforms, contingent upon rightful ownership being established through due legal process. These initiatives are laying the groundwork for DAR to become a robust and recognized instrument for regulatory and judicial engagement with digital assets.

F. Broader Implications and Use Cases for Digital Asset Recovery

The applications of a robust DAR framework extend far beyond addressing simple theft or fraud. Potential use cases include:

- **Inheritance:** Facilitating the lawful transfer of digital assets to rightful heirs when private keys are lost or inaccessible due to the owner's incapacitation or demise.
- **Misappropriated Client Assets:** Enabling the recovery of assets in situations where custodial platforms become insolvent, are mismanaged, or engage in fraudulent activities, directly impacting asset managers and their clients.
- **Exchange Hacks and Emergency Freezing:** High-profile incidents, such as the FTX hack in November 2022, highlight the need for coordinated recovery mechanisms. In that case, over \$400 million in crypto assets were illicitly siphoned off during the company's collapse. A DAR-enabled framework could have empowered regulators or appointed administrators to swiftly freeze those stolen funds across participating nodes and jurisdictions, preventing laundering and improving restitution outcomes for creditors.
- **Corporate Governance and Asset Protection:** Addressing instances of corporate sabotage or internal malfeasance where insiders abscond with company-held digital assets.

- **Sanctions Enforcement and Proceeds of Crime:** Providing a mechanism for authorities to lawfully freeze and reassign assets linked to illicit activities, in compliance with international sanctions regimes or court orders related to the forfeiture of criminal proceeds.

Data-Driven Utility vs. Speculative Crypto Finance: A Core Distinction for Regulation

A critical bifurcation exists within the digital asset ecosystem: one segment is characterized by assets and activities primarily driven by data utility and enterprise solutions, while the other is largely centered on speculative financial behavior. Recognizing and addressing this fundamental distinction is paramount for crafting effective, risk-appropriate regulation that fosters productive innovation while mitigating the systemic risks associated with purely speculative instruments. The BSV Blockchain, by design and application, champions the data-driven utility paradigm, where the blockchain serves as a global, immutable ledger for all forms of data and transactions.

A. Defining the Dichotomy: Function Over Form

1. **Data-Driven Utility Applications:** These applications leverage blockchain technology for its inherent capabilities in secure, transparent, and immutable data recording, verification, transfer, and processing. Transactions in such systems often represent actions like logging data entries, authenticating credentials, executing steps in an automated workflow, or managing information for IoT devices. The economic value is derived not from token price appreciation driven by market sentiment, but from the tangible utility of data processing, storage integrity, transactional throughput, and the services enabled by the blockchain. The BSV Blockchain, with its architecture engineered for massive on-chain data handling (having processed world-record block sizes containing billions of individual transactions), micropayments, and extremely low transaction fees, is a prime example of an infrastructure built to support this data-utility model.
2. **Speculative Crypto Finance:** In contrast, this segment of the market is largely focused on the trading of tokens with the primary objective of capital gain. The tokens are often treated as purely financial instruments, with market dynamics heavily influenced by speculative sentiment, leverage, and, in some cases, a lack of transparency regarding underlying value or utility.

Understanding this distinction is essential for building a regulatory framework, such as that envisioned by CLARITY Act principles, which aims to channel capital and

compliance efforts toward productive innovation rather than speculative excess. The CLARITY Act's definition of a "digital commodity"—an asset whose value is "derived from or is reasonably expected to be derived from the use of the blockchain system"—directly supports this functional differentiation, focusing on the *economic purpose* of the asset.

Summary of Key Recommendations:

1. **End regulation-by-enforcement; establish clear rules based on functional asset classification** (e.g., "digital commodity," "investment contract asset," "mature blockchain system" as per CLARITY Act concepts), recognizing the distinct roles of an asset's data-carrying capacity versus its financial applications.
2. **Promote lawful, on-chain digital asset recovery (DAR)** as a key investor protection mechanism, showcasing how blockchain systems can mature to integrate with legal processes and safeguard managed assets.
3. **Prioritize data utility over speculative finance in oversight**, consistent with CLARITY's "digital commodity" definition, fostering scalable, low-cost blockchains that support real-world enterprise and data services fundamental to modern asset management and economic activity.
4. **Champion universal data standards and true interoperability**, supporting foundational public ledgers capable of efficiently managing diverse data types, thereby reducing fragmentation and enhancing market efficiency.
5. **Incorporate "innovation" as a core consideration in rulemaking**, as proposed in CLARITY's Title V, and engage with utility-focused blockchain ecosystems to understand and support beneficial technological advancements.

Sincerely,



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