

Submission to the SEC Crypto Task Force

Purpose of Submission:

To encourage the SEC to develop a balanced, multi-agency regulatory framework for blockchain technologies that fosters innovation, protects investors, and recognizes the diversity of use cases across the crypto ecosystem.

Key Points for Consideration

1. Function-Based Regulation Is Essential

- Cryptocurrencies and blockchain assets are not a monolith. They include payment tokens, stablecoins, utility tokens, security tokens, governance tokens, DeFi instruments, NFTs, and more.
- Each category carries distinct functions, risk profiles, and economic purposes.
- A single regulatory lens (e.g., securities law) will not provide the clarity or flexibility needed for proper investor protection or capital formation.
- Regulatory frameworks should be tailored based on token functionality, not one-size-fits-all assumptions.

2. Multi-Agency Collaboration Is Crucial

- A single agency cannot oversee the entire crypto ecosystem.
- Effective regulation requires coordinated guidance from:
 - SEC (security tokens, tokenized equities)
 - CFTC (commodity-based tokens like BTC/ETH)
 - Treasury and FinCEN (AML/CFT requirements)
 - FTC (consumer protection)
 - New or tech-forward entities (for DeFi, DAOs, and smart contract governance)

- Regulatory clarity must come from specialists who understand each domain, not generalists applying outdated standards.

3. Blockchain Is the Most Transparent Financial System Ever Created

- All blockchain transactions are publicly recorded and auditable in real time.
- On-chain analytics tools (e.g., Chainalysis, Arkham) have proven capable of tracking stolen funds, tracing illicit actors, and enhancing AML enforcement.
- According to Chainalysis, only 0.17% of total crypto volume in 2024 was linked to illicit activity, compared to an estimated 2.7% of global GDP laundered through traditional finance (UNODC).
- Blockchain's programmable transparency exceeds the auditability of traditional financial systems.

4. Traditional Finance Continues to Facilitate Illicit Activity

- \$1.6 trillion is estimated to be laundered yearly through banks, NGOs, and opaque offshore structures.
- Traditional institutions have faced numerous scandals despite decades of regulation (e.g., HSBC, Danske Bank).
- Blockchain exposes crime - TradFi often conceals it.

5. Innovation Should Not Be Regulated Out of Existence

- Dismissing blockchain's value due to its misuse by bad actors is counterproductive.
- Every major technology (the internet, email, cloud computing) faced early misuse and skepticism.
- Crypto enables real-world use cases: DeFi, remittances, tokenized assets, micro-finance, identity authentication, and more.
- Overregulation will drive innovation offshore and weaken U.S. leadership in financial technology.

Conclusion

We urge the SEC and regulatory bodies to:

- Classify/Categorize crypto assets based on function and use case.
- Collaborate with other agencies and crypto-native experts.
- Embrace transparency and innovation instead of fearing it.

Blockchain is not a threat to be contained - it is a technology to be understood, supported, and guided. The world is watching how the U.S. responds.