

MEMORANDUM

To: Crypto Task Force Meeting Log
From: Crypto Task Force Staff
Re: Meeting with Representatives of Term Finance

On September 15, 2025, Crypto Task Force Staff met with representatives from Term Finance.

The topic discussed was approaches to addressing issues related to regulation of crypto assets. Term Finance representatives provided the attached document, which was discussed during the meeting.

Proposed Attendees

- **Dion Chu** – CEO, Term Finance
 - **Michael Peng** – Legal Counsel, Term Finance
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Detailed Agenda and Plan for Substantive Discussion

1. Introduction to Term Finance (10 minutes)

We will provide an overview of Term Finance's protocol, including:

- The design of our short-term, fixed-rate loan markets,
- The use of overcollateralized crypto-assets in tri-party repurchase structures,
- The role of smart contracts in ensuring non-custodial, automated execution.

2. Legal Frameworks for Characterization of Loans and Tokens (20 minutes)

We would like to engage with the SEC on how our products may be analyzed under existing securities law frameworks:

- **Reves (notes test):** Whether short-term, secured, overcollateralized loans facilitated by smart contracts should resemble exempt notes (e.g., commercial lending for liquidity purposes) rather than investment securities.
- **Howey (investment contract test):** Whether protocol tokens, which represent loan entitlements but operate without ongoing managerial efforts from Term, could fall outside Howey's scope once the protocol is fully automated.

Substantive questions for discussion:

- Under what circumstances would the SEC apply *Reves* vs. *Howey* to overcollateralized crypto-backed lending arrangements?
- How does the SEC weigh **public perception** of a product versus its **technical and economic design**?
- To what extent does **broad retail accessibility** increase securities law risk compared to institutionally-focused participation?

- What is the SEC’s view on reliance on a protocol’s **graphical user interface (GUI)** — if maintained by the developer — in the “efforts of others” analysis under *Howey*?
- How should we think about **secondary market activity** for protocol tokens created independently by third parties, with and without Term’s involvement?

3. Consumer Protection and Risk Mitigation (15 minutes)

We will outline safeguards built into the protocol to reduce risk to participants, including:

- Overcollateralization requirements,
- The use of decentralized price oracles,
- Real-time auditability.

We seek the SEC’s perspective on whether such features are relevant to the investor protection concerns underlying securities regulation.

4. Ongoing Engagement and Compliance Pathways (10 minutes)

We would like to discuss potential avenues for continued dialogue and alignment, including:

- Participation in regulatory “sandbox” models,
- Periodic reassessment with SEC staff as the protocol evolves,
- How to ensure public communications avoid mischaracterization of loans or tokens as investments.