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The Honorable Commissioner Hester Peirce
Crypto Task Force
U.S. Securities and Exchange Commission
100 F Street NE
Washington DC 20549

Dear Commissioner Peirce,

Subject: Recommendations for Enhancing Regulation Crowdfunding (Reg CF) Through Blockchain Technology

In August 2020, following a review by the SEC and FINRA staff, Akemona, Inc. was registered as one of the earliest blockchain-based funding portals in the United States. We appreciate the cooperation and support provided by the SEC staff throughout this process.

Over the past four years of operation, we have facilitated multiple offerings and observed several challenges in the Reg CF space. Despite its potential, startups seeking capital have not widely adopted the exempt offering framework under Reg CF. Many promising startups have been forced to cease operations due to funding constraints. Total expenses for a \$1 million fundraise under Reg CF could easily reach \$250,000, including marketing and outreach expenses.

To address these challenges and unlock the full potential of Reg CF, we respectfully submit the following recommendations to promote innovation, improve capital formation, and enhance investor access:



1. Enable Secondary Trading of Tokenized Reg CF Securities via Public Blockchains

The existing complex regulations on secondary trading of Reg CF securities disproportionately harm small investors in Reg CF offerings, as their investments remain illiquid for indefinite periods. Without a pre-existing relationship with the issuer, small investors have limited incentives to participate in promising Reg CF offerings, thereby restricting entrepreneurs' access to capital and small investors' access to promising startups. Blockchain technology—with its price transparency, elimination of intermediaries, and reduced counterparty risk—can facilitate efficient on-chain secondary trading of tokenized securities issued under Reg CF. We recommend amending Securities Laws and related regulations to permit funding portals to provide secondary trading of tokenized Reg CF securities through public blockchain transactions.

2. Allow CEO-Certified Financial Statements for Raises Up to \$500,000

Startups face significant costs in preparing audited or reviewed financial statements, which can deter them from utilizing Reg CF. Permitting CEO-certified financial statements for offerings up to \$500,000 would reduce barriers to entry, lower capital-raising costs, and encourage broader adoption of Reg CF. Currently, the total cost of raising \$1 million under Reg CF is about \$250,000, an exorbitant sum for many startups.

3. Permit Smart Contract-Based Escrow in place of Qualified Custodians for Raises Up to \$1 Million

The current requirement for qualified custodians imposes substantial costs on startups raising capital under Reg CF, particularly if the payment transactions are on-chain. Public blockchains and smart contracts can securely hold funds in escrow in a multi-signature (multisig) crypto wallet until predefined conditions are met, eliminating the need for a traditional custodian for offerings up to \$1 million.

We propose allowing on-chain escrow arrangements, where funds are held in a multisig wallet jointly controlled by the funding portal and the corresponding issuer, as a compliant alternative. The maximum amount to be maintained in escrow in such a multisig crypto wallet could be set at \$25,000. When the amount in such an escrow wallet reaches the maximum amount, the corresponding investments could be rolling-closed and the raised amount would be transferred to the issuer, thereby reducing the risk of loss and reducing



the cost of raising capital. Presently, qualified custodians of digital assets (in an onchain Reg CF offering) charge \$5,000 for setup and between \$500 and \$2,000 per month—a prohibitive expense for many early-stage companies.

4. Expand Reg CF Eligibility to Include Investment Companies and Private Funds Issuing Tokenized Securities

While accredited investors have access to private funds and investment opportunities, small investors are excluded. Allowing investment companies and private funds to issue tokenized securities under Reg CF would democratize access while maintaining investor protection. This change would foster innovation in decentralized finance (DeFi) by integrating compliant, regulated offerings with blockchain-based capital formation.

Conclusion

By incorporating blockchain technology into the exempt offering framework, the SEC can enhance liquidity for small investors, reduce costs for startups, and promote more efficient capital formation, while maintaining robust investor protections. We believe these reforms would fulfill the original promise of Reg CF: empowering entrepreneurs and expanding investment opportunities for small investors.

We welcome the opportunity to discuss these recommendations further and appreciate your consideration. Please do not hesitate to contact us with any questions.

Sincerely,

Ravi Srivastava

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Akemona, Inc.