



**Comment Letter Re: Public Offerings of Digital Assets (Questions 7–9)
Submitted in Response to Commissioner Peirce’s Statement “There Must Be Some Way Out
of Here”**

June 13, 2025

Dear Commissioner Peirce,

Thank you for your continued leadership in seeking pragmatic, forward-looking approaches to crypto asset regulation. I write in response to Questions 7 through 9 of your February 21, 2025, statement, which solicits views on how to improve the pathways for compliant public offerings of digital asset securities.

As the organization that represents the investment crowdfunding industry, we have observed firsthand the challenges and opportunities facing digital asset issuers under the existing securities law regime.

The CfPA is committed to the protection of retail investors from fraud and a well-functioning marketplace for non-public securities that minimizes unnecessary burdens on issuers and intermediaries.

Question 7. Targeted Relief and Disclosure Guidance

[Question: 7. Could disclosure guidance and/or targeted relief address the concern, or are new forms or other mechanisms needed?]

The Commission should prioritize **disclosure-based solutions** over the creation of entirely new regulatory silos for digital assets. Specifically, tailored guidance or interpretive relief under Reg CF and Reg A would reduce friction for compliant token issuers without undermining investor protection.

As it stands, traditional registration mechanisms—especially Form S-1—do not accommodate the distinctive operational models of many blockchain projects. By contrast, Reg CF and Reg A already contemplate early-stage ventures, democratized access, and scaled disclosure.

Reinvigorating these exemptions to explicitly accommodate digital asset offerings is the most efficient and equitable path forward.

Suggested areas for targeted relief include:

- Clarification on how to disclose tokenomics (supply schedule, burn mechanisms, staking rewards);
- Interpretation of “use of proceeds” where funds support decentralized network development;
- Guidance on handling multisig wallets, smart contracts, or governance protocols involving DAOs.

Question 8. Tailored Disclosures for Crypto Asset Offerings

[Question 8: Should the Commission develop tailored disclosure requirements for offerings or classes of specific categories of crypto assets? What types of disclosures would be important for investor protection? Should disclosure occur both at the time of sale and on an ongoing basis? If so, what information should the ongoing disclosure contain and how should that disclosure occur?]

Tailored disclosures are essential to meaningful investor protection in crypto asset offerings. Disclosures specific to digital asset offerings should be required across all exemptions and registrations (Reg CF, Reg A, Form S-1, etc.). These might include:

- **Protocol-level details:** network structure, consensus mechanisms, upgrade governance, decentralization plan and timeline, if applicable;
- **Token characteristics:** fungibility, vesting, inflation/deflation mechanics, staking rights;
- **Governance:** decision-making processes, DAO involvement, and any concentrations of voting power;
- **Liquidity and trading:** whether and how the token will be tradeable, including planned ATS listings or liquidity restrictions.

While tailored disclosure is important, we do not advocate for a “disclosure-lite” regime for crypto assets. Ensuring that investors in both crypto asset offerings and traditional asset offerings receive equal protection should remain paramount. This avoids a confusing, two-tiered investment system that can be easily manipulated by bad actors seeking to operate in a “regulation-lite” environment.

Question 9. Unlocking the Potential of Regulation A

[Question 9. Does Regulation A under the Securities Act, including the disclosure and ongoing reporting requirements, provide a useful vehicle to conduct offerings of crypto assets? Would revising aspects of Regulation A make it more useful for crypto asset offerings?]

Regulation A remains underutilized by token issuers. Its built-in features—tiered disclosure, public participation, and streamlined qualification—make it uniquely suited for compliant crypto offerings. However, several practical barriers remain:

- **Uncertainty** around what kinds of crypto assets are eligible for Reg A offerings;
- **Conflicting** requirements for accounting treatment of crypto assets;
- **Delays and inconsistency** in qualification timelines at both the SEC and FINRA, particularly where novel instruments are involved;
- **Ambiguity** around post-offering liquidity and secondary trading of tokenized Reg A securities.

We support **clarification that tokens with both investment and functional characteristics may qualify for Reg A**, so long as they comply with disclosure and investor protection standards.

The Commission should also consider:

- Raising the **Tier 2 cap beyond \$75M, to at least \$150M** to better accommodate capital-intensive infrastructure and protocol development projects. This change will , enable broader retail participation in early-stage ventures and investment opportunities, both in the crypto space and in traditional markets;
- Coordinating with FINRA and other agencies to **streamline paths to compliant ATS trading** for crypto assets or tokenized securities offered under Reg A;
- Allowing for compliant ATS trading to **preempt state secondary trading regulations**.

Ancillary Policy Recommendations

Although outside the direct scope of Questions 7–9, the Commission’s overall efforts in this area would benefit from parallel reforms, some of which could be made by the Commission (others require statutory amendments as indicated below). The following changes would greatly improve the regulated investment crowdfunding ecosystem, which would benefit all issuers, including those issuing digital assets.

1. Annual Reports

We request that the Commission provide a more user-friendly tool (outside of EDGAR, which is extremely confusing for inexperienced users) for submitting annual reports under Reg CF so that issuers may avoid vendor and legal fees for filing their reports. This would improve compliance with timely Form C-AR filing and ease the process for issuers, allowing them to complete the reports themselves and avoid the expense of hiring a third-party provider or lawyer. We recommend sending automated reminders to companies prior to their respective

Form C-AR due dates, plus a simple online form that provides data entry fields and clear instructions.

2. Reform of Requirements for Financial Reporting

The requirement to provide an independent review or audit is nonsensical for a business with no operating history – we support tailoring the financial reporting requirements so that reviews and audits are only required for businesses with at least six months of operating history. Similarly, the requirement of GAAP financials should be waived for early-stage and smaller businesses (including crowdfunding vehicles they use for their raises). This applies to post-raise reporting as well. For those issuers that choose to provide a higher level of reporting, this can be prominently disclosed so that potential investors know that they are receiving a more fully vetted financial report. Note that the Small Business Administration does not require GAAP-compliant financials for its borrowers.

3. Avoiding the Registration Requirement

Rule 12g-6 provides a conditional exemption from the registration requirements under Section 12(g). It provides that securities issued in a Reg CF offering will not be counted towards Section 12(g)'s record holder threshold if: (1) the issuer is current in its ongoing annual reports; (2) has gross assets of \$25 million or less as of the end of the most recently completed fiscal year; and (3) has engaged a transfer agent to serve as the transfer agent for the securities in question.

For Reg A, 12g5-1(a) removes the exemption from registration once an issuer has a public float of equal to or greater than \$75 million, or, in the absence of a public float, annual revenues of \$50 million or more.

Artificially imposing public reporting requirements on Reg CF and Reg A issuers is impractical for many digital assets and capital intensive private companies (benefiting neither the company nor its investors) and has failed to keep pace with inflationary costs over the last several years.

We request the following changes:

- i. An increase in the exemption limits under 12(g) in contemplation of the rapid growth expected from digital assets to avoid premature registration and encourage a more predictable regulatory environment for capital growing businesses
 - a. an increase to the \$25 million asset cap to avoid the 12(g) registration requirement;
 - b. An increase to the \$50 million dollar annual revenue requirement ; and
- ii. confirmation from the SEC staff that terminating a crowdfunding issuers' annual reporting obligations (which is permitted under Rule 202(b) of Reg CF) will not

eliminate such issuers' ability to rely on the conditional exemption from Section 12(g) reporting provided by Rule 12g-6.

4. Reg CF Eligibility for Funds (would require a statutory amendment)

Permitting investment funds to raise under Reg CF would responsibly expand retail access to diversified private vehicles. This would:

- Broaden wealth-building opportunities for everyday investors in emerging asset classes;
- Modernize capital formation pathways to match how blockchain-based funds operate;
- Bring crypto-native funds into a regulated and transparent framework with tested investor safeguards.

Regulated investment crowdfunding has proven to be a sustainable, well-regulated tool for small businesses. Extending its reach to private funds is a logical next step—especially in the crypto sector, where compliant, U.S.-based options are critical to retaining innovation onshore.

5. When a Reg CF or Reg A Issuer Goes Public

Investors who have invested in an issuer via Reg CF and Reg A have difficulty getting their securities into a brokerage account when the issuer conducts an IPO. This sometimes results in the Reg CF and Reg A investors being unable to sell when the shares are at their highest price.

We propose regulatory changes through SEC rulemaking and FINRA guidelines mandating clear communication and lower fees for Reg CF and Reg A share transfers, requiring issuers, brokers and transfer agents to expedite the transfer process and provide timely updates. Additionally, FINRA should establish guidelines encouraging brokers to support Reg CF and Reg A share transfers and offer necessary investor support. By developing industry standards for communication and process transparency, these regulatory changes would protect small investors' interests and contribute to a healthier, more efficient capital raising ecosystem, ultimately promoting greater investor confidence and participation

6. Raising the Offering Caps Under Reg CF and Reg A (would require a statutory amendment)

Raising the Reg CF cap to at least **\$20 million** and the Reg A Tier 2 cap to at least **\$150 million** would bring the exemptions into better alignment with modern capital needs—especially for technology-driven ventures with open-source, infrastructure-heavy models. These reforms would significantly expand access to capital for compliant digital issuers operating in the U.S., rather than pushing them to unregulated jurisdictions.

7. Harmonization and Simplification of Per Investor Caps and Advertising Restrictions under Reg CF and Reg A (it is uncertain whether these changes could be made by the Commission without an amendment to the statute)

a. Per Investor Caps

The investor limits under Reg CF cause investor confusion because the requirements differ from and are more complicated than the restrictions in a Regulation A offering.

The requirements under Reg A are much easier to understand and user-friendly: there are no limits to how much accredited investors can invest in Reg A offerings. Non-accredited investors can invest up to 10% of their net worth or annual income per offering, whichever is greater.

We recommend removing the complex limits under Reg CF and replacing them with the limits ascribed under Reg A.

b. Advertising Restrictions

The advertising rules under Reg CF are challenging and time-consuming to apply in practice. Crowdfunding issuers are prohibited from publicly communicating the “terms” of the offering except as strictly permitted by the Rule.

Regulation CF issuers express widespread frustration regarding ongoing communication restrictions that are difficult to follow and not user-friendly. The complexity of the communication rules results in almost inevitable inadvertent violations e.g., when an issuer accidentally mentions what they are offering or how much they are raising, undermining the intention of the JOBS Act to be user-friendly for small businesses who can’t afford lawyers. The prohibition on mentioning the “terms” of the offering does nothing to protect investors.

To simplify the advertising rules, we propose harmonizing them with the requirements under Reg A.

Conclusion

The core principles of U.S. securities law—disclosure, antifraud, and investor protection—remain sound. However, their application must evolve in tandem with technology. We urge the Commission to **modernize Reg CF and Reg A as the primary venues for tokenized offerings**, ensuring that U.S. capital markets remain competitive and inclusive in the digital age.

Thank you for your continued leadership and for welcoming dialogue on these critical issues.

Respectfully submitted,
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