

July 14, 2025

**VIA EMAIL**

Commissioner Hester M. Peirce  
Chair of SEC Crypto Task Force  
[crypto@SEC.GOV](mailto:crypto@SEC.GOV)  
U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, D.C. 20549-1090

**Re: Regulatory Sandboxes, Questions 47 & 48**

Dear Commissioner Peirce and Members of the SEC Crypto Task Force:

On behalf of The Digital Chamber (“TDC”), we respectfully provide this submission in response to Commissioner Hester M. Peirce’s February 21, 2025 statement soliciting public input on regulatory issues related to blockchain technology and crypto assets (the “Statement”). This letter addresses Questions 47 and 48 of the Statement, both of which relate to the creation of a micro-innovation sandbox (the “Sandbox”), which could be used for small scale projects, including tokenization and blockchain projects that potentially implicate the federal securities laws.

Formed in 2014, TDC is the world’s largest digital asset and blockchain trade association. It represents more than 200 diverse entities that utilize or are involved with blockchain technology, including leading financial institutions, digital native businesses, software developers, and startups. In this regard, TDC provides a unique perspective, representing a broad cross section of businesses that are impacted by the federal regulatory environment as it pertains to digital assets.

We would encourage any sandbox regime to be designed with sufficient flexibility to accommodate firms that are not currently SEC-registered but may operate in adjacent or emerging areas, such as tokenization, AI-enhanced financial tools, or decentralized infrastructure. A one-size-fits-all approach will be insufficient for such a dynamic and evolving space.

For purposes of responding to these questions, we conducted a survey of TDC members to obtain their direct input on Sandbox-related issues. Based on our survey results and other interactions with members, participation in digital asset and FinTech-focused Sandboxes has been sparse to date. However, a strong majority of members would consider participating in a properly constructed Sandbox. The challenge is designing a Sandbox that is architected in such a way that encourages participation. From our perspective, key design considerations include: (i) ensuring a speedy, clear, transparent and inclusive application process, (ii) minimizing participation costs, (iii) allowing for broadly inclusive eligibility, (iv) providing participants with sufficient time to test and iterate, (v) providing participants with a clear understanding of what occurs after the

conclusion of the Sandbox period, and (vi) exempting Sandbox participants from state license and registration rules during the Sandbox period.

**I. Question 47: Would the Sandbox help foster tokenization and blockchain innovation? What types of products and services across the fintech landscape would firms like to test in the Sandbox? What regulatory, technical, and operational barriers pose the biggest challenges to innovation in this space? Could the Sandbox mitigate those challenges?**

The United States has long served as a global leader in financial innovation. However, in the digital assets space, the absence of clear, adaptive frameworks has created barriers to responsible innovation. Regulatory complexity and uncertainty, especially for early-stage or exploratory ventures, can disincentivize U.S. market entry, slow product iteration, or push innovation offshore.

A properly constructed Sandbox could help mitigate some of the existing challenges associated with establishing a digital asset business in the United States or launching new products or services. Sandboxes offer temporary exemptions or waivers from specific regulatory requirements, which promotes innovation in a controlled environment. This is particularly important in the context of cutting-edge technologies, where platforms and products do not fit cleanly within existing regulatory frameworks. Reducing barriers to entry allows businesses to experiment and iterate prior to investing considerable resources associated with full-scale regulatory compliance – and they provide a “safe harbor” for businesses reluctant to launch in the U.S. due to uncertainty around how existing regulations may apply.

The investing public benefits from increased competition and innovation. Blockchain technology promises to provide a variety of meaningful benefits, including reduced transaction costs and increased transactional efficiency. Allowing digital asset businesses to safely experiment with blockchain technology can facilitate the realization of the tremendous potential associated with this technology.

Regulators will also benefit from the implementation of a properly constructed Sandbox. The United States has traditionally maintained a leading role in the regulation of financial services, but many digital asset businesses have been reluctant to engage with U.S. financial services regulators, fearing that these interactions may prove fruitless or even counterproductive. Sandboxes can assist regulators seeking to understand emerging technologies and develop evidence-based regulations in this rapidly developing arena. Additionally, a Sandbox provides a controlled environment where issues can be spotted early, allowing participants to address them in a timely manner.

An important point to note is that there is no singular model for a sandbox. We recommend that the SEC consider a modular, flexible approach, drawing on successful international practices. For example:

- *Regulatory sandboxes* enable live market testing with time-limited exemptions;
- *Digital sandboxes* support early-stage prototyping using synthetic or anonymized data;

- *Thematic sandboxes* focus on specific innovation areas such as DeFi, tokenization, or ESG;
- *Policy sandboxes* allow for structured dialogue and data collection even when formal relief is not possible.

Without participation, a Sandbox cannot be successful. Based on our survey of TDC members, key elements of a properly constructed Sandbox should include:

**A transparent and speedy process to enter the Sandbox.** The criteria for participating in the Sandbox should be clear, straightforward, and available to the general public. Based on satisfaction of the applicable criteria, there should be minimal or no discretion for admitting applicants to the Sandbox. To the extent the SEC deems it necessary to evaluate applications, the evaluation methodology should also be available to the public, and approval should be granted or denied within a reasonable period of time, not to exceed thirty days of application.

**There should be minimal or no direct cost in terms of licensing or application fees for application to or once approved, participation in the Sandbox.** Participation costs should be minimal or fully subsidized, particularly for early-stage and small-scale innovators. The sandbox should be designed to reduce—not replicate—the entry barriers of the full regulatory regime.

**Eligibility should be broadly inclusive.** Eligibility should be inclusive of both registered and unregistered entities, including firms that may fall outside current SEC oversight but are developing financial technologies with possible securities implications. This ensures early visibility into market developments and supports better-calibrated future regulation. TDC members have identified several products and services that they would consider appropriate to include in the scope of a Sandbox, including:

- Tokenization of real-world assets up to a certain value
- Digital asset exchange services (limited by type of digital asset and/or total volume amount)
- Investment advisory services with respect to certain digital assets
- Decentralized finance (DeFi) protocols
- The issuance of tokenized bonds and structured notes
- Base layer technology that is utilized to tokenize and trade assets
- Novel products where there is no clear regulator under existing law.

**Sandbox participants should be required to comply with certain consumer protection requirements and be subject to reporting to and/or supervision by the SEC.** Sandbox participants should be required to provide clear disclosures to their customers or users that their activities are being performed pursuant to the Sandbox and that the full scope of the securities laws are not applicable to such activities. In addition, the antifraud provisions of the securities laws should apply to activities conducted within the Sandbox. Participants should be required to provide periodic updates or reports to the SEC and be subject to a basic level of supervision by the SEC.

**The Sandbox should give participants sufficient time to test and iterate, and participants should have a clear understanding of what occurs after the conclusion of the Sandbox program.** One potential model would allow Sandbox participants a 12-month test period, followed by a structured post-Sandbox process. This could include regulatory dialogue, proportional licensing pathways, or no-action frameworks. Where licensure is required, firms should be able to continue operating under transitional relief while their application is under review. If licensure is required, but not approved, participants should be afforded a reasonable period to wind down operations. Clarity on post-Sandbox expectations will be critical to participation and market confidence.

**Sandbox participants should be exempt from state licensure and registration rules for the duration of the Sandbox testing period.** The SEC should consider means, such as exercising its rulemaking authority to preempt state securities laws under Section 18 of the Securities Act of 1933, to prevent a situation in which the SEC permits certain activities, but a state regulator disagrees or imposes additional burdensome requirements.

**II. Question 48: Could a cross-border Sandbox address challenges that U.S. and non-U.S. firms face when attempting to innovate in multiple jurisdictions? If so, how should the Commission structure it to operate globally? Do Sandboxes in other jurisdictions serve as a good model?**

As noted above, high compliance cost is one of the most significant barriers to innovation in the financial and technology space. As an inherently borderless industry, the compliance burden for blockchain and digital assets businesses can be overwhelming and difficult for firms operating in multiple jurisdictions since they are required to comply with regulations from each jurisdiction, which in some cases can be conflicting. Additionally, some digital assets firms aim to “democratize” financial services and make them available to the largest number of consumers, without regard to geography.

Because many digital assets businesses wish to be able to operate in multiple jurisdictions, a multi-jurisdictional Sandbox would, in theory, be the ideal solution for testing products and services in multiple markets. However, establishing agreements with regulators in other countries for a multi-jurisdictional Sandbox could take significant time, and the digital assets industry in the United States will likely benefit more from the establishment of a regulatory Sandbox in the United States if it means companies could begin testing in the U.S. market more quickly. Given the regulatory uncertainty that has persisted in the United States over the past few years and the hope for a practical path forward, many digital assets businesses are eager to begin offering products and services to persons in the United States.

In a survey of TDC members, respondents indicated limited prior engagement with regulatory Sandboxes and did not identify a single jurisdiction as a definitive model. However, the majority expressed a strong interest in the United States establishing a Sandbox that would permit conditional passporting or equivalence-based recognition of products and services approved under other regulatory regimes (e.g., a MiCA-compliant platform, a VARA-licensed activity, or a sandboxed protocol under Singapore MAS).

To facilitate such cross-border experimentation, we strongly support deeper SEC engagement with the Global Financial Innovation Network (GFIN). The SEC is already a GFIN member, alongside other U.S. agencies such as the CFTC, FDIC, OCC, Federal Reserve Board, CFPB, NYDFS, FINRA, and the National Futures Association. With more than 80 participating authorities globally, GFIN provides a trusted multilateral platform for regulatory coordination, particularly for sandbox pilots, knowledge exchange, and thematic innovation projects.

We encourage the SEC to take an active leadership role in GFIN's 2025 workstreams, which include: The AI Project, co-led by the UK's Financial Conduct Authority and the Dubai Financial Services Authority, which explores the implications of consumer-facing AI tools (e.g. robo-advice, personalized finance) in financial services; The Tokenization Project, led by the Central Bank of Bahrain and Jersey Financial Services Commission, focusing on risks to consumer protection in tokenized asset markets.

Both projects are highly relevant to current SEC priorities. A globally interoperable U.S. Sandbox, aligned with GFIN discussions, would accelerate responsible innovation while maintaining core investor protection and market integrity principles.

TDC would also welcome the opportunity to facilitate a roundtable or bilateral discussion between SEC staff, global regulators, and U.S.-based innovators to explore practical design options for a sandbox framework aligned with global best practices.

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If you have any comments or questions relating to foregoing or would like to arrange a meeting to discuss further, please do not hesitate to contact the undersigned.

Sincerely,



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