



**VIA ELECTRONIC SUBMISSION**

**May 29, 2025**

**Subject:**

**Comment on SEC Crypto Task Force and Framework for Onchain Equity Securities Markets**

**TO:**

Chairman Paul S. Atkins  
Commissioner Hester M. Peirce, Chair of the Crypto Task Force  
SEC Crypto Task Force  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**FROM:**

Joris Delanoue  
Chief Executive Officer  
Fairmint, Inc.

---

Dear Chairman Atkins,  
Dear Commissioner Peirce,  
Members of the SEC Crypto Task Force,

We thank the Securities and Exchange Commission of the United States (the “Commission”) to provide input on crypto market structure and the development of fair, orderly, and efficient markets. We offer practical insights from managing over \$1 billion in onchain securities issuances and transactions through our programmable equity infrastructure in production. Fairmint delivers transfer agent services through its SEC-registered subsidiary, designed to support smart contract-based cap tables and compliant equity ownership onchain.

This letter addresses the critical need for standardized infrastructure in equity securities markets. Rather than requesting exemptions or accommodations, we propose frameworks that strengthen regulatory oversight while enabling technological advancement, specifically through **protocol-level standardization**, **real-time regulatory observability**, and **modernized investor protections** that position American markets for continued global leadership.

## Executive Summary

The U.S. private securities market is a global leader in early-stage capital formation, but it still operates on infrastructure designed for the analog era. While the underlying assets have evolved dramatically, the systems that track, transfer, and administer them remain fragmented across incompatible databases and manual processes. This creates unnecessary friction, compliance gaps, and limits the full potential of American capital markets.

The Commission has the opportunity to modernize this infrastructure through targeted regulatory frameworks that leverage blockchain technology while strengthening investor protections.

To support this opportunity, we present a comprehensive framework built on seven interconnected solutions: infrastructure modernization through protocol-level standardization enabling interoperability while preserving innovation; regulatory enhancement via real-time oversight through Observer Node architecture; investor empowerment through self-custody rights with embedded compliance protections; access modernization replacing outdated wealth thresholds with knowledge-based accreditation; market innovation enabling non-custodial broker-dealer frameworks for programmable securities; controlled development through regulatory sandboxes for compliant DeFi experimentation; and settlement evolution toward direct onchain infrastructure replacing legacy intermediaries.

These recommendations strengthen rather than weaken regulatory oversight by providing real-time monitoring, immutable records, and programmatic compliance enforcement. The goal is not accommodation but transformation, positioning American capital markets to lead the next generation of financial infrastructure while maintaining the world's highest investor protection standards.

## I. The Infrastructure Imperative

### Current State: Fragmentation Undermines Market Function

The U.S. equity securities ecosystem suffers from structural fragmentation. Each registered transfer agent maintains proprietary databases with incompatible schemas. This creates legal ambiguity when ownership records conflict, settlement delays from manual reconciliation processes, compliance gaps due to inconsistent enforcement, and investor protection failures from opaque ownership structures.

The public markets solved this through centralization (DTCC), but private markets lack comparable infrastructure. As equity issuance increasingly moves to programmable systems, this fragmentation becomes systemically dangerous.

### The Path Forward: Protocol-Level Standardization

The solution lies not in creating another centralized intermediary, but in establishing **open, auditable protocols** that enable interoperability while preserving decentralized innovation.

The Open Captable Protocol (OCP)<sup>1</sup> exemplifies this approach. Built on the Open Captable Format (OCF)<sup>2</sup> (developed by leading securities law firms including Gunderson Dettmer, Cooley, and Orrick), OCP provides real-time synchronization across all market participants, immutable audit trails for complete transaction histories, programmatic compliance enforcement embedded in smart contracts, and universal API standards for seamless integration.

**Recommendation:** The Commission should recognize protocol-conformant infrastructure as satisfying books and records obligations under Exchange Act Section 17A(c) and Rule 17Ad-6, provided such systems maintain immutable, complete, and reconstructable ownership histories with proper identity controls.

## II. Real-Time Regulatory Observability

### Beyond Periodic Reporting: Continuous Oversight

Current compliance relies on periodic filings (such as Form TA-2) and post-facto reporting, a model designed for paper certificates, not programmable infrastructure. In markets where cap table events execute as smart contracts, regulatory visibility should be continuous.

Today's delayed oversight creates reactive enforcement, limits investor protection, and imposes unnecessary compliance burdens. The SEC lacks real-time visibility into vesting events, transfer violations, or ownership limit breaches.

### Observer Node Architecture

We propose **Observer Nodes**, read-only interfaces that provide regulators real-time access to onchain activity without compromising privacy or confidential information.

These nodes would monitor anonymized but traceable ownership transitions, flag compliance violations at execution rather than weeks later, reconstruct position states from immutable event logs, and operate through standardized APIs requiring no SEC infrastructure.

Importantly, **Observer Nodes** would operate strictly **in a read-only capacity**, ensuring no influence over transaction execution or network governance. They are designed solely for post-trade audit and regulatory oversight, not active market participation.

---

<sup>1</sup> For technical documentation, see the open source repository of the Open Captable Protocol at : <https://github.com/Open-Captable-Protocol/ocp>

<sup>2</sup> OCF by the Open Cap Table Coalition ( <https://www.opencaptablecoalition.com> ) with members:  
 Law Firms: Gunderson Dettmer, Cooley, Fenwick, Goodwin, Orrick, Perkins Coie, Latham, Magnolia Law, Blakes, Morrison Foerster, Osler, Wilson Sonsini  
 Vendors and Transfer Agents: Fairmint, Carta, Mercury, NPM, Pave, Pulley, Cake, Centri, Clara, Edda, EquityShift, Eqvista, Forge, Mantle, Qapita, Walter, Equity Denim Co., Fidelity, AngelList, Morgan Stanley

**Legal Foundation:** This approach strengthens existing books and records mandates under Rules 17Ad-6 and 17Ad-10. Immutable state records eliminate manipulation risks while role-based access controls ensure proper authorization.

**Implementation:** Begin with voluntary pilot programs where transfer agents using onchain infrastructure provide standardized data feeds to independent Observer Nodes. These pilot programs would establish technical standards for real-time regulatory reporting through Observer Node interfaces, creating streamlined alternatives to existing periodic filing requirements while maintaining transfer agent independence and operational flexibility.

### III. Investor Self-Custody Rights

#### Technology Enables Direct Ownership

Current market structure artificially forces investor reliance on intermediaries, even when technology allows direct legal title holding. Onchain infrastructure enables investors to custody securities directly while maintaining all compliance protections through embedded smart contract restrictions.

This model provides reduced counterparty risk by eliminating unnecessary intermediaries, enhanced transparency with direct issuer-investor relationships, strengthened compliance through programmatic restriction enforcement, and improved investor control over personal assets.

#### Compliance-First Self-Custody

Self-custody must incorporate robust compliance mechanisms: identity verification through cryptographic KYC/AML attestations, programmatic restrictions preventing unauthorized transfers, transfer agent oversight maintaining compliance oracles, and revocation capabilities for changed circumstances.

**Legal Precedent:** SEC Rule 12g5-1 already recognizes various indirect ownership forms. Self-custodied securities with verified identity mapping clearly satisfy "holder of record" standards while potentially exceeding traditional protection levels. This approach aligns with existing interpretive guidance recognizing indirect or beneficial ownership (e.g., SEC No-Action Letters re: DTC/CEDE structures), and extends it using cryptographic identity attestations to preserve recordholder integrity.”

**Implementation:** An interpretive guidance clarifying that verified self-custody arrangements satisfy regulatory requirements under existing transfer agent rules, provided that proper identity verification and compliance mechanisms remain in place, would enable transfer agents to support wallet-native securities issuance while maintaining their traditional oversight responsibilities through smart contract-based compliance systems. Transfer agents would continue to perform essential compliance-support functions, including coordinating with issuers or third-party providers to facilitate KYC/AML verification, monitoring compliance, and maintaining regulatory records, but would rely on programmable restrictions embedded in the securities themselves rather than physical custody to enforce compliance. Such an approach would preserve all existing investor protections while enabling the technological efficiencies that direct ownership provides, including reduced counterparty risk and enhanced transparency.

## IV. Modernized Accreditation Standards

### From Wealth-Based to Knowledge-Based Access

The current accredited investor definition relies on outdated financial thresholds that serve as poor proxies for investment sophistication. The 2020 expansion to include certain license holders acknowledged this principle shift from wealth to knowledge, but remained too narrow.

### Digital Accreditation Framework

Establish standardized accreditation through competency-based assessments testing investment knowledge, digital attestations providing portable verifiable credentials, time-limited validity requiring periodic recertification, and smart contract integration enabling automated eligibility verification.

This preserves investor protection while expanding access to demonstrably sophisticated participants regardless of net worth.

**Legal Authority:** Section 413 of the Dodd-Frank Act<sup>3</sup> explicitly directs the Commission to review the accredited investor definition every four years and adjust the criteria as the Commission deems appropriate for investor protection and capital formation. This authority is intentionally broad, recognizing that investment sophistication cannot be captured by static financial thresholds alone. Section 2(a)(15) of the Securities Act provides the Commission with definitional authority over the "accredited investor" standard, which the Commission has exercised multiple times, most recently in 2020<sup>4</sup> when it expanded the definition to include holders of certain professional licenses. The 2020 amendments established the critical precedent that knowledge and experience can serve as qualifying criteria independent of net worth, explicitly recognizing that "certain professional knowledge and experience can substitute for the financial requirements." Building on this foundation, the Commission has clear statutory authority to further expand knowledge-based pathways without requiring Congressional action, particularly given the ongoing evolution of financial markets and investor sophistication that Section 413 was designed to address.

**Implementation:** Enable third-party digital validators operating under Commission guidance, with standardized assessment protocols and revocable attestation systems.

---

<sup>3</sup> *The SEC's 2020 rulemaking (Release No. 33-10824) expanded accredited investor eligibility beyond wealth-based metrics. Section 413 of the Dodd-Frank Act authorizes the Commission to further define sophistication-based criteria.*

<sup>4</sup> *This comment references the Commission's 2020 Accredited Investor rulemaking (Release No. 33-10824).*

## V. Non-Custodial Broker-Dealer Framework

### Regulatory Clarity for Modern Infrastructure

Traditional broker-dealer regulation assumes custody-based intermediation, a model increasingly misaligned with programmable infrastructure capabilities. Smart contracts can enforce compliance without any party taking asset possession, yet regulatory uncertainty stifles innovation in compliant secondary markets.

### Defined Role for Non-Custodial Broker-Dealers

Formally recognize Non-Custodial Broker-Dealers (NCBDs) as regulated intermediaries that facilitate transaction matching without asset custody, operate on audited smart contracts enforcing regulatory constraints, interface with registered transfer agents for real-time record updates, and maintain full regulatory oversight without unnecessary custody requirements.

**Legal Foundation:** Exchange Act Sections 3(a)(4) and 3(a)(5) define brokers and dealers based on the functions they perform, not on whether they take custody. The Commission has previously recognized non-custodial models in interpretive guidance, including in certain alternative trading systems (ATS) operating on a non-custodial basis, and through no-action letters involving order-routing technologies that do not hold funds or securities.

**Implementation:** Issue interpretive guidance clarifying that non-custodial facilitation of compliant onchain secondary transactions doesn't trigger additional obligations solely due to custody model differences. Smart contracts would serve as auditable compliance infrastructure, with final settlement and record updates managed by registered transfer agents. This structure ensures regulatory continuity even in the absence of traditional custody.

## VI. Regulated DeFi Sandbox

### Controlled Innovation Environment

The U.S. lacks safe harbor frameworks for compliant blockchain-based financial innovation, forcing development offshore or underground. A purpose-built regulatory sandbox would enable controlled experimentation within existing legal frameworks.

The sandbox should operate under limited scale with defined participant and asset limits, heightened disclosure and data-sharing obligations, registered intermediary requirements ensuring professional oversight, rollback mechanisms enabling intervention when necessary, and investor protection emphasis maintaining compliance by design.

This approach enables prototyping of compliant secondary marketplaces (including AMMs), wallet-native ownership models, and automated compliance systems while maintaining regulatory oversight.

**Legal Feasibility:** The Commission's exemptive authority under Exchange Act Section 19 provides clear precedent through existing pilot programs and conditional no-action relief frameworks.

## VII. Post-DTCC Settlement Architecture

### Direct Settlement Through Protocol Infrastructure

Private securities markets don't require centralized clearing, they need standardized protocols enabling direct, compliant settlement. Onchain infrastructure offers superior alternatives to legacy systems: instant settlement eliminating counterparty risk, transparent ownership replacing omnibus obscurity, automated compliance through smart contract enforcement, and real-time auditability exceeding traditional capabilities.

This proposal supports, not replaces, the Commission's oversight role by embedding compliance logic into the settlement layer and preserving full audit traceability of securities movements.

### Implementation Framework

Current Exchange Act Section 17A requirements for accurate, efficient settlement systems are technology-neutral. Onchain protocols with registered transfer agent oversight can exceed traditional performance while reducing systemic risk.

**Path Forward:** Recognize qualified onchain protocols as satisfying settlement obligations, establish certification frameworks for smart contract compliance infrastructure, and provide exemptive relief enabling non-centralized private market clearing.

## Regulatory Impact and Implementation

### Enhanced Oversight Through Technology

These recommendations strengthen rather than weaken regulatory oversight: real-time monitoring replaces periodic reporting delays, immutable records eliminate manipulation possibilities, programmatic compliance prevents violations at execution, and complete transparency enables comprehensive market surveillance.

### Phased Implementation Strategy

1. **Pilot Programs** - Voluntary adoption by qualified transfer agents
2. **Guidance Development** - Clear standards for compliant infrastructure
3. **Sandbox Launch** - Controlled experimentation environment
4. **Framework Expansion** - Broader market adoption incentives
5. **Full Integration** - Comprehensive onchain private market ecosystem

## Conclusion

The Commission stands at a historical inflection point. The opportunity is clear: lead the transformation to programmable, transparent, efficient securities infrastructure.

These recommendations provide a comprehensive framework for maintaining U.S. market leadership while enhancing investor protection through superior technology. The infrastructure exists today. The legal precedents support modernization. The only requirement is regulatory vision to embrace the future rather than preserve the past.

The path out of legacy system limitations runs through standardized, compliant, onchain infrastructure. America will lead this transformation.

We respectfully request the Commission's consideration of these recommendations and would be pleased to engage further on these matters. If you have any questions or would like to discuss our comments, please contact me at [joris@fairmint.com](mailto:joris@fairmint.com).

**Respectfully submitted,**

Signed by:  
  
9E9F464D7B04411...

**Joris Delanoue**  
Chief Executive Officer  
Fairmint, Inc.