

Tokenization & Blockchain-Based Technologies in the United States

Firepan appreciates the SEC's ongoing leadership in examining digital assets and blockchain-based technologies. We believe this is a pivotal moment to bring clarity to a regulatory environment where important distinctions are not always clearly defined.

Distinguishing Fundraising Tokens from Protocol Tokens

Currently, crypto tokens are often viewed through a single regulatory lens, but their functions vary widely. Some tokens are explicitly used as fundraising mechanisms, raising capital with the expectation of investor returns. These should fall squarely within the SEC's jurisdiction.

At the same time, other tokens play a fundamentally different role. They are necessary for the functioning of decentralized protocols. For example: to validate transactions, provide governance of a blockchain or dapp, or enable access to services. These protocol-level tokens are better understood as software utilities than as investment contracts. Clarifying this distinction would help ensure investor protections are preserved without discouraging the continued development of decentralized infrastructure.

Smart Contracts as Neutral Infrastructure

Another area of uncertainty lies in the treatment of smart contracts. Smart contracts are, at their core, software code that automates predefined business logic or transaction flows. They are not fundraising tools, nor are they financial instruments in themselves.

Applying securities law to smart contracts risks conflating the infrastructure layer of blockchain technology with the activities conducted on top of it. We encourage the SEC to recognize smart contracts as neutral infrastructure, subject to existing standards for software integrity, cybersecurity, and contractual enforceability, but distinct from the scope of securities regulation.

Firepan's Role as a Software Provider

Firepan operates within this modular ecosystem as a provider of tokenization infrastructure. Our platform enables institutions to tokenize, distribute, and manage real-world assets with transparency and scalability. Importantly:

- Firepan does **not** provide custody, compliance, or securities issuance services.
- These responsibilities remain with licensed and regulated partners who are accountable under existing frameworks.
- By focusing on infrastructure, Firepan enhances security, interoperability, and auditability without taking on regulatory roles designed for financial intermediaries.

This separation of roles supports regulatory clarity and fosters innovation while ensuring regulated actors remain responsible for investor-facing functions.

Account Abstraction and Self-Custody

Account abstraction is an emerging feature that enables more flexible and user-friendly interactions with decentralized applications. Importantly, it does not give the dApp or developer access to users' private keys or assets. The user retains full control, ensuring that custody remains with the individual and not the software provider.

Self-custody is paramount to the principles of decentralization and asset security. Firepan encourages the SEC to recognize that account abstraction enhances usability without creating custodial risk, and that software employing this model should not be treated as holding or managing client funds. This distinction is essential to both investor protection and continued innovation.

Recommendations for Consideration

- **Clarify distinctions** between fundraising tokens, protocol/utility tokens, and smart contracts.
- **Regulate based on purpose:** Tokens issued for capital-raising should be treated as securities, while protocol tokens should not.
- **Recognize software neutrality:** Smart contracts should be treated as code that enables activity, not as regulated financial products.
- **Support modular models:** Encourage frameworks that distinguish between software providers and licensed custodians/issuers, ensuring accountability at each functional layer.

Conclusion

By providing clarity in these areas, the SEC can strike the right balance between investor protection and innovation. Firepan is committed to supporting this mission. We stand ready to collaborate with regulators, custodians, and institutions to ensure tokenization evolves responsibly, bringing transparency, access, and resilience to financial markets while also positioning the US to be the crypto capital of the world.

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