

Recommendations from StartEngine on Regulatory Reforms to Support the Tokenization of Securities

StartEngine, a leading platform for private equity investing under the JOBS Act, respectfully submits the following recommendations to the SEC's crypto task force as it considers rulemaking to facilitate the tokenization of securities.

As a comprehensive capital formation platform, StartEngine operates under Regulation Crowdfunding (Reg CF) and Regulation A (Reg A), and is registered as a broker-dealer, a transfer agent, and operates an Alternative Trading System (ATS) for secondary trading. Our infrastructure supports startups and growing businesses in raising capital while providing investors—particularly retail investors—access to investment opportunities that have traditionally been out of reach.

We believe the SEC's exploration of blockchain and digital asset regulation is both timely and essential to modernizing the U.S. capital markets. To that end, StartEngine respectfully offers the following **policy recommendations** to strengthen the ecosystem, improve investor protections, and enhance access to capital for American entrepreneurs:

1. Expand Offering Limits to Match Market Needs

- **Raise the Reg CF cap from \$5 million to \$50 million** to provide meaningful capital access to early- and growth-stage companies.
- **Increase the Reg A limit from \$75 million to \$250 million** to make Reg A a more viable alternative to traditional IPO pathways.

2. Permit Fund Structures within Reg CF and Reg A

- **Allow the creation of pooled investment vehicles (funds)** under Reg CF and Reg A offerings. These structures are essential for enabling diversification, increasing investor choice, and promoting innovative fund models within a compliant framework.

3. Streamline Secondary Market Access

- **Waive Blue Sky compliance for all secondary transactions conducted on SEC-registered ATs.** This would enhance liquidity and reduce barriers to secondary trading for investors nationwide, without compromising regulatory oversight.
-

4. Enable the Tokenization of Private Securities

- **Permit the issuance and trading of tokenized securities** under Reg CF, Reg A, and Reg D. Tokenization can offer real-time settlement, increased transparency, and lower administrative costs, all while maintaining a robust compliance structure.
-

5. Allow Digital Asset Functionality for Broker-Dealers

- **Authorize broker-dealers with \$250,000 in net capital to custody and transact in digital assets,** including stablecoins, Bitcoin, and Ethereum. This would allow registered intermediaries to integrate modern payment methods and settlement tools while preserving strong compliance safeguards.
-

6. Mandate Insurance for Token Custody

- **Require broker-dealers who custody tokenized securities to maintain adequate insurance** in the event of technological loss of access (e.g., key compromise or system failure), ensuring holders are not left with irrecoverable investments.
-

StartEngine believes these changes will empower American capital markets to remain competitive, secure, and accessible in a rapidly digitizing global economy. By providing regulatory clarity and adapting legacy frameworks to emerging technologies, the SEC can foster an environment where innovation and investor protection grow together.

We appreciate the Commission's ongoing work in this area and stand ready to collaborate further as these initiatives evolve.

Sincerely,

StartEngine Crowdfunding, Inc.