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Salt Lake City, Ut 84111-1919

Via electronic transmission

June 4, 2025

U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
Attention: Crypto Task Force

Re: Crypto Task Force Meeting with tZERO Group, Inc. – Follow-Up Notes

Dear Crypto Task Force Staff:

tZERO Group, Inc. (“tZERO Group”) and its broker-dealer subsidiaries (collectively, “tZERO”) are grateful to the U.S. Securities and Exchange Commission’s (the “Commission”) crypto task force (the “Task Force”) for the constructive meeting we had on May 29, 2025. As one of the two registered special purpose broker-dealers (“SPBDs”), with strategic backing from a leading operator of global exchanges and clearing houses, Intercontinental Exchange, Inc., and other institutional investors, tZERO brings a unique perspective to the conversation.

As a follow up to our meeting, please find a summary the key topics we discussed for your continued reference and consideration:

- Broker-Dealer Custody of Digital Assets. Following the Commission’s recent FAQ¹, the only path for broker-dealer self-custody of digital asset securities is the temporary safe harbor in the SPBD statement² (the “SPBD Statement”). It is of critical importance to establish permanent guidance and rules setting forth the manner in which broker-dealers may take self-custody of digital asset securities. That is a question of process and substantive regulation that protects the marketplace, facilitates these new products and is competitively fair to us and other market participants who invested significant time and resources. Any framework adopted by the Commission should set forth a clear and manageable approval and vetting process that broker-dealers must undertake prior to being permitted to act as a digital asset custodian. Such a framework should adopt the aspects of the SPBD Statement that have worked for secure custody of digital asset securities by a broker-dealer, such as conditions 4, 5, 6 and 7 of the SPBD Statement, and remove the constraints set forth in the SPBD Statement that have prevented SPBDs from having a commercially viable business. The framework for broker-dealer custody of digital asset securities should also be established as the permissible manner by which broker-dealers take custody of non-security crypto assets.
- Broker-Dealer Retailing, Custodying and Trading Digital Assets. In furtherance of Chairman Atkins’ goal of enabling platforms to offer securities and non-securities under a single roof, the

¹ Division of Trading and Markets: Frequently Asked Questions Relating to Crypto Asset Activities and Distributed Ledger Technology (last updated May 15, 2025), <https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/frequently-asked-questions-relating-crypto-asset-activities-distributed-ledger-technology>.

² Custody of Digital Asset Securities by Special Purpose Broker-Dealers, Exchange Act Release No. 90,788, 86 Fed. Reg. 11,627 (Apr. 27, 2021), *available at* <https://www.federalregister.gov/documents/2021/02/26/2020-28847/custody-of-digital-asset-securities-by-special-purpose-broker-dealers>.

Commission should clarify that manner in which broker-dealers can retail and custody non-security crypto assets and quote non-security crypto assets on alternative trading systems. As we discussed, while certain platforms have achieved the appearance of a “super app” on their front-end interfaces, this service cannot be offered solely by a broker-dealer because offering securities and commodities on one platform, digital or otherwise, currently requires a patchwork of licenses, entities and operations on the backend to support this business model.

- Definition of a Digital Asset Security. The Commission should issue new guidance that clarifies the definition of a digital asset security, which has been inconsistent, so that it is clear which securities must comply with rules specific to digital asset securities and which securities are solely subject to the rules for conventional securities. The Commission defines a “digital asset security” as a digital asset that meets the definition of a “security” under the federal securities laws.³ It defines a “digital asset” as an asset that is issued and/or transferred using distributed ledger or blockchain technology (“distributed ledger technology”), including, but not limited to, so-called “virtual currencies,” “coins,” and “tokens.”⁴ In our experience as an SPBD, this definition was interpreted to mean that SPBDs are not permitted to custody any securities where any person(s) (e.g., transfer agents) maintain official off blockchain securityholder registries. We believe it is important for the Commission to clarify that securities with controlling shareholder registers maintained on a blockchain will be treated as digital asset securities, even if the issuer or transfer maintains off-chain records relating to personal identifiable information which must be protected for a range of regulatory and terms of usage reasons. Likewise, the Commission should clarify that all securities that do not meet the definition of a digital asset security will receive the same treatment as conventional securities under US federal securities laws.
- Federal Preemption. The framework developed by the Commission for broker-dealer digital asset businesses should preempt any overlapping state laws currently governing this activity (including with respect to money transmission, scope of what is or is not lawful security, etc.). We recognize this may also require an act of Congress.

We thank you again for our very insightful conversation and welcome the opportunity to further discuss these topics with the Task Force. If you would like to schedule another meeting or if you have follow-up questions, please contact me (akonevsky@tzero.com) or Vanessa Savino, tZERO’s Deputy General Counsel (vsavino@tzero.com).

Respectfully Submitted,

Alan Konevsky
Executive Vice President
Chief Legal and Corporate Affairs Officer

cc: Bo Hines
(Executive Director, Presidential Council of Advisers for Digital Assets)

David Goone
(Chief Executive Officer, tZERO Group, Inc.)

³ *Id.* at 11,628-29 n.1.

⁴ *Id.*