June 2025

Crypto Task Force
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Request for Meeting – Decentralized Physical Infrastructure

I. Overview

Nova Labs, Inc. (d/b/a Helium Mobile) and the undersigned companies (hereafter, "**Helium**" or collectively, "**we**") respectfully requests a meeting with the U.S. Securities and Exchange Commission's (the "**SEC**" or the "**Commission**") Crypto Task Force to address Commissioner Hester Peirce's request for information regarding the status of certain distributions of digital assets.[1] Specifically, we seek to discuss the application of the federal securities laws to Decentralized Physical Infrastructure ("**DePIN**")[2] systems and the products and digital assets involved in these ecosystems.

As an agenda, we propose to discuss why the Commission should publicly clarify when the Commission will not consider the issuance and trading of digital assets from DePIN ecosystems and the sale of consumer products, including hardware and software, to be subject to U.S. federal securities laws. In addition to providing a clear framework for the regulation of DePIN-related tokens and digital assets, such clarification would encourage innovation and adoption of this important new technology model.

DePIN is a network architecture that uses blockchain technology to decentralize physical infrastructure deployment, operation, and management. DePIN offers a new approach to effectively address the challenges of centralized physical infrastructure networks, such as data privacy risks, service disruptions, and high capital expenditure costs.

There has been rapid growth in the development of DePIN since it first emerged in or around 2019.[3] The 2024 State of DePIN Report published by Messari noted that, even then, more than 13 million devices contribute to DePINs every single day.[4] In 2024 alone, investments in DePIN projects exceeded $850 million, indicating a growing recognition of their importance.[5] Today, the current market capitalization

[1] Commissioner Hester M. Peirce, "There Must Be Some Way Out of Here" (February 21, 2025). Specifically, question 2 asks: "Should the Commission address when crypto assets fall within any category of financial instruments, other than investment contracts, that are specifically listed in the definition of "security" in the federal securities laws?"

[2] DePIN is also referred to as Proof of Physical Work ("PoPW") or Token Incentivized Physical Networks ("TIPIN"). *See* Tangem team, *Top DePIN Crypto Tokens by Market Cap in April 2025*, Top DePIN Crypto Tokens by Market Cap in April 2025 (Apr. 1, 2025), https://tangem.com/en/blog/post/depin-crypto/.

[3] *DePIN Explained: Connecting Web3 with Real-World Applications*, XY Finance (Aug. 8, 2024), https://blog.xy.finance/depin-explained/.

[4] *See State of DePIN 2024, Messari* (Accessed May 1, 2025), https://messari.io/report/state-of-DePIN-2024.

[5] *DePIN Scan, The DePIN Explorer* (Apr. 29, 2025), https://DePINscan.io/news/2025-04-29/DePIN-a-decentralized-solution-for-internet-connectivity-during-power-outages.

of DePIN is approximately $17 billion, with a daily trading volume of $3.15 billion across roughly 27 million DePIN devices for 320 DePIN projects.[6]

Despite this rapid growth and the significant potential for continued expansion of DePIN projects, this technology is not addressed, directly or indirectly, in any existing or contemplated legislative efforts. This is an area where the SEC's ability and willingness to provide clarity could foster this important innovation.

DePIN is a unique interplay between physical and digital infrastructure. This model allows multiple stakeholders to participate in the deployment, management and operation of the physical assets that comprise the infrastructure through contributing resources, data, or services that create or utilize the physical infrastructure. Because digital assets may be generated in association with a DePIN ecosystem to incentivize its deployment and maintenance or in conjunction with a consumer service product attached to the DePIN, DePIN participants must consider whether such transactions constitute an offer or sale of a security. **The SEC should issue guidance clarifying that digital assets distributed either as (i) the payment for services associated with the DePIN ecosystem (e.g., a consumer service product, such as a mobile phone plan or internet data plan) or (ii) the reward incentive for deploying, operating, and maintaining the physical assets of the DePIN, do not constitute investment contracts under the U.S. federal securities laws.**

Helium (formerly Helium Systems, Inc.) is a U.S.-based company that created the open-source Helium Network, one of the largest decentralized wireless networks and one of the first real-world applications in DePIN. Helium continues to build products and services that are compatible with the Helium Network. Helium was founded in 2013 and initially focused on creating a network for the "Internet of Things" ("**IoT**"). The Helium Network uses a token ("**HNT"**) to incentivize individuals to deploy and operate hotspots, creating a network of interconnected devices. As a trailblazer in this space, Helium actively supports the development of responsible policies and standards for the DePIN space.

In January 2025, the SEC filed a complaint against Nova Labs, Inc., asserting that (i) the "hotspots" (i.e., wireless access points) associated with its IOT and MOBILE DePIN networks were unregistered securities that mined digital assets (HNT) and (ii) Helium's consumer service products – the Helium Mobile phone plan with the optional customer "Discovery Mapping" feature – were also unregistered securities because the purchasers of those products could opt into Discovery Mapping to earn digital assets. The complaint further alleged that "*Nova Labs would use its entrepreneurial efforts and expertise to build, run, and create demand for a wireless network that relied on HNT[] such that, if Nova Labs' efforts were successful, then demand for and value of HNT[] would grow, and the investors who acquired them would earn a profit.*"[7] On April 24, 2025, the Commission dismissed its unregistered securities claims against Helium with prejudice and agreed to forego injunctive relief.[8] In light of the dismissal, Helium encourages the Commission to provide regulatory clarity to digital asset industry participants that seek to engage with

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[6] *Id.* However, CoinGecko reported that the market capitalization of the DePIN sector was approximately $20.61 billion, with a 24-hour trading volume exceeding $974.74 million, across only 109 protocols. *See DePIN Market Today, CoinGecko* (Accessed May 1, 2025), https://www.coingecko.com/en/categories/DePIN#:~:text=The%20DePIN%20market%20cap%20today,in%20the%20last%2024%20hours. The data from EV3, the first venture capital fund dedicated to DePIN, are even more substantial, boasting an Annual Recurring Revenue (ARR) of $17 million and a market capitalization of $53 billion. *See DePIN Ninja* (Accessed May 2, 2025), https://DePIN.ninja/analytics.

[7] *See* SEC v. Nova Labs, Inc., Civil Action No. 1:25-00539 (S.D.N.Y.) at 2. Available at: https://www.sec.gov/files/litigation/complaints/2025/comp26291.pdf.

[8] *See* Helium (2025) *SEC dismisses claim*, *Medium*. (Accessed May 1, 2025). Available at: https://blog.helium.com/sec-dismisses-claims-a-major-win-for-helium-and-the-people-819af63c2663.

DePIN. Such clarity would have an immediate positive impact on the growth and adoption of DePIN within the U.S. and encourage innovators in the rapidly growing U.S. DePIN market.

Such clarification would be consistent with recently-issued guidance from the SEC's Division of Corporation Finance clarifying that mining activities described in the guidance ("**PoW Guidance**")[9] and the staking protocol activities described in the guidance (the "**PoS Guidance**")[10] did not constitute the offer and sale of securities The activities described in the PoW and PoS Guidance are analogous to conduct included in the SEC's complaint against Helium and the way DePIN operates. Clarity around the SEC's view of this conduct is appropriate.

The PoW and PoS Guidance suggests that certain transactions involving covered crypto assets that "are intrinsically linked to the programmatic functioning of a public, permissionless network" that are "*used to participate in and/or earned for participating in such network's consensus mechanisms or otherwise used to maintain and/or earned for maintaining the technological operation and security of such network*" do not amount to an offer or sale of securities under the federal securities laws.[11] Just as a miner does not join a mining or pool based on the ability to earn profits passively from the activities of the pool operator, and a staker does not delegate validation rights to earn profits from the entrepreneurial efforts of the node operator, a DePIN participant does not contribute hotspots or other resources to the ecosystem for the purpose of earning profits passively from the activities of the DePIN operating group, but rather from their own administrative and ministerial activities. Using Helium as an example, these "administrative and ministerial" activities are: supplying the real estate, the internet backhaul, the power, and performing the work to install, operate, and maintain the hotspot to propagate the wireless coverage that makes up the Helium Network, i.e., the DePIN. [12]

II. Legal Analysis

The physical infrastructure components of DePINs and the related consumer service products are both upstream and downstream of the digital ledger technologies ("**DLT**"), which records the data's transmission through the DePIN ecosystem, including the number of users, the number of nodes, the number of transactions, and more. In its complaint, the Commission employed the theory that the offer and sale of any device or service product connected to the digital assets of a DePIN constitutes an "investment contract."[13] Helium encourages the Commission to set forth guidance and the legal analysis that establishes that selling hardware and distributing tokenized digital assets for network growth does

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[9] *See Statement on Certain Proof-of-Work Mining Activities*, Securities and Exchange Commission (Mar. 20, 2025), https://www.sec.gov/newsroom/speeches-statements/statement-certain-proof-work-mining-activities-032025#_ftnref10 (PoW Statement). .

[10] See Statement on Certain Protocol Staking Activities, Securities and Exchange Commission (May 29, 2025), https://www.sec.gov/newsroom/speeches-statements/statement-certain-protocol-staking-activities-052925.

[11] *Id. See also PoS Statement* ("Node Operators contribute their own resources and stake their own Covered Crypto Assets, thereby securing the PoS Network and facilitating the network's operation through the validation of new blocks. . . . A Node Operator's expectation to receive rewards is not derived from any third party's managerial or entrepreneurial efforts upon which the PoS Network's success depends. Instead, the expected financial incentive from the protocol is derived solely from the administrative or ministerial act of Protocol Staking. As such, rewards are payments to the Node Operator in exchange for the services it provides to the network rather than profits derived from the entrepreneurial or managerial efforts of others."). The PoS Statement draws the same conclusion for both self-custodial staking directly with a third party and custodial arrangements for staking activities.

[12] *See PoW and PoS Statements.*

[13] *See SEC v. Nova Labs, Inc*. at 2.

not automatically cause any compatible hardware or software or the distribution of tokens through the DePIN to become investment contracts in the eyes of the Commission.

Investment contracts are defined by the U.S. Supreme Court's holding in *S.E.C. v. W.J. Howey Co.*, which requires a contract, transaction, or scheme, whereby a person invests money, in a common enterprise, with a reasonable expectation of profits to be derived from the efforts of others.[14]

With respect to the question of whether the tokens from a DePIN ecosystem constitute an investment contract, we urge the Commission to provide a clear framework for DePIN ecosystems that do not meet the *Howey* test. Without clarity, and as demonstrated by the Commission's complaint against Helium, DePIN assets are subject to broad interpretations that create legal risk in marketing or operating such systems.

Investment of Money

The SEC should clarify that the investment of money element of the *Howey* test is not satisfied if a DePIN operating group (i.e., the founding team behind the DePIN, service operators on the DePIN, and/or core developers of the DePIN) does not publicly sell or intend to publicly sell the tokens for the purpose of raising capital to support the development of the DePIN. Absent such a sale, token holders do not commit any assets to any enterprise in a manner that could subject themselves to financial loss. Rather, the vast majority of DePIN ecosystems are designed to issue tokens directly to participants as incentives to encourage participation in the deployment, management and operation of the physical assets that comprise the physical infrastructure. The SEC should clarify that participants in DePIN systems meeting these standards are not making an investment of money.

Common Enterprise

The purchase of the underlying hardware, software, or consumer product that comprises and utilizes the DePIN likewise does not constitute an investment in a common enterprise, regardless whether the seller is the DePIN operating group or another entity. These purchasers are not committing any assets to any enterprise in a manner that could subject themselves to financial loss – they are buying commercial goods and services. Nor do the tokens earned from such participation represent an interest in a common enterprise. Digital assets awarded to DePIN participants are not revenue for the DePIN operating company, do not represent an ownership interest in the DePIN operating company, and do not create any contract between the deployer and the DePIN operating company. The SEC should clarify that participants in DePIN systems meeting these standards are not investing in a common enterprise.

Expectation of Profits

Participation in DePIN systems does not satisfy the expectation of profits element of the *Howey* test.

DePIN ecosystems utilize many types of tokens, each with their own purpose. The most common type of DePIN token is the utility token that enables trading services or resources within the network. For instance, in a decentralized energy grid,[15] utility tokens could be used for the payment of electricity or for rewarding individuals to contribute their excess power to the grid. Similarly, incentive tokens are used to reward participants for contributing resources, such as bandwidth, computational power, or energy. By encouraging participants to actively engage in the network, incentive tokens ensure that the DePIN remains operational and efficient. Governance tokens allow participants to vote on proposals that

[14] *S.E.C. v. W.J. Howey Co.*, 328 U.S. 293, 301, 66 S. Ct. 1100, 1104, 90 L. Ed. 1244 (1946).

[15] See, e.g., https://sourceful.energy/.

determine the future development of the DePIN, such as upgrades, resource allocation, and protocol changes. Often, a token can have simultaneously a governance, incentive and utility purpose.

The expectation of profits analysis is objective and focuses on the promises and offers made to purchasers of the relevant instrument, rather than the precise motivation of each purchaser. Participants of the DePIN ecosystems seeking tokens either directly through building the DePIN or on the secondary market to use the tokens to further interact with the DePIN ecosystem, such as paying their phone bills or participating in governance, do not do so with an expectation of profit. DePIN rewards that accrue on a proof-of-physical-work protocol (e.g., Helium's proof of coverage protocol) serve as compensation in the form of a service fee payable to those who contribute to the physical infrastructure network and thereby contribute to the security of the DePIN, rather than profit within the meaning of *Howey*. The Commission staff came to a similar conclusion for miners in a mining pool: "when a miner combines its computational resources with other miners to increase their chances of successfully mining new blocks on the network . . . the miner merely is engaging in an administrative or ministerial activity to secure the network, validate transactions and add new blocks, and receive Rewards."[16] Likewise, a "Node Operator's expectation to receive rewards is not derived from any third party's managerial or entrepreneurial efforts upon which the PoS Network's success depends. Instead, the expected financial incentive from the protocol is derived solely from the administrative or ministerial act of Protocol Staking. As such, rewards are payments to the Node Operator in exchange for the services it provides to the network rather than profits derived from the entrepreneurial or managerial efforts of others."[17] The same conclusion applies regardless whether the Node Operator is self-staking, or staking through a third party and/or custodian.

The SEC should clarify that DePIN operating companies do not offer or sell securities if they do not (i) engage in any marketing tactics that indicate the devices powering the DePIN or the tokens are an investment, (ii) refer to device or token holders as investors, and (iii) market the devices or tokens as instruments to be used for speculative purposes. DePIN operating companies should be free to focus on the device's and token's utilities as physical and digital assets that are required for the creation and use of the DePIN ecosystem. This illustrates these assets' functionality where the asset holders have a consumptive rather than investment motive.[18]

Efforts of Others

A deployer of DePIN technology is solely responsible for the work necessary to create the DePIN (e.g., supplying power, internet backhaul, and the real estate essential for the successful deployment of the device), and the token, if earned, serves as compensation for that work, without which the DePIN would not exist.

DePINs are designed to improve efficiency and accessibility of traditionally centralized physical infrastructure systems. Such systems use rewards to incentivize participants to contribute their resources, which then leads to increased DePIN network capacity and improved services. These improved services attract more participants, who in turn infuse the DePIN ecosystem with more resources to further develop and grow the DePIN. This is true for both hardware-focused physical resource networks, providing

[16] *See Statement on Certain Proof-of-Work Mining Activities.*

[17] See Statement on Certain Protocol Staking Activities.

[18] *In the Matter of Munchee Inc.*, Securities Act Release No. 10445 (Dec. 11, 2017) (the SEC focused on certain public statements either made by Munchee or endorsed by Munchee that may indicate an investment motive on behalf of the purchaser, such statements touting an opportunity to profit); *In the Matter of Kelvin Boon, LLC and Rajesh Pavithran*, Securities Act Release No. 10817, Exchange Act Release No. 89548 (Aug. 13, 2020) (the SEC alleged the representations in the online offering and promotional materials related to Boon Coins created a reasonable expectation of profits derived from the efforts of others).

location-specific services, and software-focused digital resource networks, offering location-independent digital services.[19] DePIN allows participants to collectively manage the infrastructure through decentralized governance models, relying on consensus mechanisms to help all participants reach consensus, thereby ensuring network security and sustainability.[20] Unlike in centralized infrastructure, participants can propose and vote on network changes, reducing the risk of corruption or mismanagement by a single authority or a smaller group of stakeholders. DePIN operating companies, as good practice, should hold less than 20% of the total amount of digital assets generated within the system.

In its PoW and PoS Statements, the Commission staff stated that a miner or a node operator being rewarded by the network in accordance with its protocol for contributing the computational or token resources derives profit from her own service rather than the efforts of others.[21] A miner using a high-performance GPU or a staker using her own tokens to validate transactions and secure blocks and in turn earn rewards functions the same as a DePIN participant contributing her resources to the physical or digital infrastructure network (such as a hotspot), for which she is rewarded by the DePIN's protocol. Just as the miner's or node operator's expected financial incentive is derived from the administrative or ministerial act of protocol mining or staking performed by the miner or node operator, the reward tokens are payments to the DePIN participant in exchange for services she provides to the DePIN ecosystem rather than profits derived from the entrepreneurial or managerial efforts of others.[22] The staff found that *even when* some of the pool operator's activities may benefit the group of miners pooling computational resources, "any such efforts are not sufficient to satisfy Howey's "efforts of others" requirement because miners primarily are relying on the computational resources that they provide in conjunction with other members to the mining pool to earn profits."[23] The Commission reached the same conclusion for node operators who delegated tokens to a third-party and/or custodial staking service.[24] Similarly, a DePIN participant does not contribute hotspots or other resources to the DePIN ecosystem for the purpose of earning profits passively from the activities of the DePIN operating group.

These common characteristics mean that no DePIN operating group nor any of their related persons who may be deemed an "other" under the *Howey* test will engage in essential managerial efforts that will affect the failure or success of the token or DePIN. DePIN participants will be able to access the DePIN and use the tokens at any time, regardless of whether the DePIN operating group or any "other" continues to participate in the DePIN.

Just as the Commission staff characterized that a miner or a node operator does not expect profits from the efforts of any third party but rather from their own efforts, which are an "administrative or ministerial activity," under this interpretation, the distribution of tokens used to participate in, and earned from, a DePIN ecosystem should be treated as payment in exchange for the participant's service to the DePIN, and not a securities transaction. As such, the SEC should issue guidance clarifying that digital assets found in either (i) the payment for services associated with the DePIN ecosystem (the consumer service product, such as the payment of a mobile phone bill or internet data plan) or (ii) in the value assessed on the secondary trading market do not constitute investment contracts under the U.S. federal securities laws.

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[19] *The Emergence of Decentralized Physical Infrastructure Networks*, DePIN Scan (July 22, 2024), https://depinscan.io/news/2024-07-22/the-emergence-of-decentralized-physical-infrastructure-networks.

[20] *DePIN Explained.*

[21] *See Statement on Certain Proof-of-Work Mining Activities.*

[22] *Id.*

[23] *Id.*

[24] *See Statement on Certain Protocol Staking Activities.*

III. Guidance Would Help Reduce Current Barriers to DePIN

Allowing users to build a decentralized connectivity infrastructure offers a more capital-efficient model that relies on individual contributions to network growth and not massive upfront costs or reliance on government resources. By aligning incentives across the network, DePINs provide a model where everyone benefits from the network's success.[25] Uncertainty as to whether digital assets issued as incentives by DePIN ecosystems are subject to U.S. securities laws is a significant barrier to the widespread U.S. adoption of DePIN models. Existing regulations, notably securities regulations, do not fully capture the nuances of DePINs.[26]

As U.S. institutions, enterprises and individuals explore the possibilities introduced by DePIN ecosystems, those who are interested in adopting DePIN still face regulatory risk of participating in DePINs and holding or trading the digital assets associated with the DePINs.

Further, many teams aiming to foster innovation, promote DePIN, and set industry standards for transparency, security, and efficiency, are based outside of the U.S., including the DePIN Association, an industry group based in Switzerland.[27] As with other crypto innovators, the lack of a similar U.S.-based organization is likely out of concern that any presence in the U.S. markets will create exposure to regulatory or legal liability. This has been empirically born out, where early leaders in DePIN like Helium that were founded in the U.S. were subjected to costly investigation and litigation. This obviously deters others from opting to take on such regulatory risk.

Helium has outlined criteria for digital assets associated with the DePIN ecosystem that fall outside U.S. federal securities laws, and seeks confirmation from the Commission of clear regulatory rules of the road for such digital assets.

IV. Benefits of DePIN and Use Cases

We believe that the DePIN model provides numerous significant benefits to businesses and consumers wishing to address the challenges of centralized physical infrastructure networks, such as data privacy risks, service disruptions, and high expansion costs. Decentralized models incentivize individuals globally to build and support resilient and safe network infrastructure.

- **Wireless Communication.** One of the earliest and most successful examples of DePIN in action has been the democratization of internet access. The centralized organizations making up the oligopoly that operates the telecommunications infrastructure has led to slow service and high prices. With the ever-increasing demand for bandwidth and data processing, DePIN creates an opportunity for revolutionizing our communication networks.[28] Allowing participants to earn tokens for creating additional wireless services capacity has allowed for the availability of low-cost, unlimited decentralized data plans, which will eventually lead to removing the middlemen and a decrease in service prices in the broadband industry.[29] As discussed above, Helium

[25] *Helium — The King of DePIN.*

[26] Matrika Tiwari, *Blogs*, (Nov. 11, 2024), https://tde.fi/founder-resource/blogs/dao/everything-you-need-to-know-about-depin/.

[27] *DePIN Association*, DePIN Association (Feb. 15, 2024), https://www.depinassociation.com/.

[28] Deepak Sharma, *DePIN Explained: Tokens, Benefits, and Use Cases in Decentralized Physical Infrastructure*, Fuze Blog (Dec. 19, 2024), https://fuze.finance/blog/depin-explained/.

[29] Hugo Feiler, *The Quiet Rise Of DePIN: Why You Should Pay Attention To Decentralized Physical Infrastructures Networks*, (July 7, 2024), https://www.forbes.com/councils/forbestechcouncil/2024/07/02/the-quiet-rise-of-depin-why-you-should-pay-attention-to-decentralized-physical-infrastructures-networks/.

rewarded contributors who deployed hotspots, verified coverage, and contributed to the growth of the DePIN ecosystem with HNT Tokens.[30]

- **IOT.** DePIN allows IoT manufacturers to access new opportunities, from tokenized heavy machinery to fees from valuable data sales. Manufacturers can design consumer products with DePIN in mind, such as frequency of use affecting durability of design and the interoperability among other related devices.[31] Helium launched its IoT-focused network LoRaWAN by incentivizing users to deploy nearly 1 million hotspots providing IoT coverage.[32]
- **Shared Information - Vehicles**. Participants can share analytical data with large companies who can then use this data to improve the service or product provided to the participants. For example, DIMO (Digital Infrastructure for Moving Objects) allows vehicles owners to collect, use and monetize data from a sensor on their vehicles, either through a hardware device or via their car's app, for which they are rewarded with $DIMO tokens.[33] Electric vehicle owners could earn rewards for sharing their driving data through sensors, which is then used by auto manufacturers and insurance providers to improve their services and products. Additionally, DePINs like ChargePoint and Electrify America allow participants to increase the availability of charging stations for a wider range of electric vehicles, filling in a lacking infrastructure across the U.S. and reducing the risk of monopoly.[34]
- **Mapping.** Hivemapper enables contributors to collect high-quality street-level imagery using specialized dashcams while driving, earning $HONEY tokens as rewards. Unlike centralized mapping services that update infrequently and maintain exclusive control, Hivemapper creates a more cost-effective, frequently updated, and censorship-resistant mapping solution by leveraging everyday drivers who contribute data as a byproduct of their regular activities.
- **Internet Service Provider.** Through Andrena's DAWN protocol, property owners and residents can buy and sell internet capacity in their local area. The platform uses blockchain technology to facilitate transactions between users, implementing service level agreements through smart contracts. DAWN provides an alternative to traditional internet service providers by distributing connectivity through a network of household nodes.
- **Compute.** Decentralized compute resource sharing via DePIN enables the utilization of underutilized server capacity across global data centers through blockchain technology. This model creates an open marketplace where individuals and organizations can offer excess computing power and users can access these resources at lower costs than traditional cloud services. Akash Network connects users with providers through a marketplace where customers propose prices and providers compete for business.[35] Using Akash's platform, participants can deploy containerized applications via Kubernetes without managing servers, while the network's native AKT token facilitates transactions, governance, and security through staking. This

[30] *Helium — The King of DePIN.*

[31] See Max Thake, *DePIN: How It's Transforming The Business Model For IoT Manufacturers*, (Dec. 12, 2023), https://www.forbes.com/councils/forbestechcouncil/2023/12/12/depin-how-its-transforming-the-business-model-for-iot-manufacturers/.

[32] *Helium*, DePINHub (Accessed May 20, 2025), https://depinhub.io/projects/helium.

[33] *See DIMO, DePINHub* (Accessed May 20, 2025), https://depinhub.io/projects/dimo.

[34] *Quiet Rise of DePIN*.

[35] Akash Network's official website (https://akash.network/); Akash Network documentation (https://akash.network/docs/getting-started/intro-to-akash/akash-network/).

decentralized model not only reduces costs compared to centralized cloud providers but also enhances resource efficiency by tapping into previously idle computing capacity.[36]

- **Efficient and Clean Energy.** Energy grids are generally centrally managed by a small group of utilities controlling the flow of energy, which often creates inefficiencies and high costs. Decentralized energy grids could increase access to renewable energy, optimize the distribution of energy, and reduce costs by allowing stakeholders to feed in excess energy from solar panels to the network, and get tokens that can be used to purchase energy or sold within the DePIN. Projects like GLOW demonstrate this approach by connecting individuals to community-powered solar farms, where participants earn Impact Points that measure their contribution to reducing CO2 emissions.[37] With 76 active solar farms producing over 2,500 MWh monthly, GLOW uses a decentralized governance system with elected Certification Agents who verify solar farm production. Meanwhile, platforms like Daylight support the broader DePIN ecosystem by providing transaction infrastructure that helps drive onchain GDP, potentially enabling energy-focused projects to reach millions of users through their distribution channels.[38] These incentive mechanisms encourage more participants to provide extra services and assist in overall energy grid infrastructure growth, including expanding energy grids in rural areas.
- **Affordability.** Unlike traditional systems, which demand significant capital outlays, DePIN distributes the cost of financing hardware, making it possible for people worldwide to contribute without the need for a central entity to bear all the costs.[39] The removal of middlemen to supply new or existing hardware to individuals or businesses that need it often results in goods and services being more affordable and delivered more quickly. The significant upfront cost of equipment, time, and development resources to set up the necessary infrastructure can be counteracted by utilizing DePIN for crowdsourcing.[40]

The applications of DePIN ecosystems remain in their infancy. In each of these cases, the use of incentive tokens, governance tokens and utility tokens are essential to incentivize participation and ensure decentralization of the DePIN ecosystem. Overregulation or lack of clear regulatory structures concerning the physical assets and consumer services products upstream and downstream of the DLT will have a chilling effect on DePIN development and harm U.S. competitiveness in these sectors.

V. Helium's Proposal

a. Digital Assets Associated With DePIN Ecosystems Should Be Regulated As Digital Commodities Or Ancillary Assets, Not Securities.

Helium urges the Commission to establish clear classifications for tokens, precisely delineating securities, commodities, and other asset types based on industry standards. In particular, ambiguity in token classification leads to confusion. Additionally, regulations should be promulgated to provide consumer protection on the trading platform, not on the DePIN operating company or governing ecosystem body, which does not control secondary market trading by digital asset holders and does not participate in secondary marketing trading of DePIN-associated digital assets. Regulation can ensure compliance while enabling growth by providing sound definitions, guidance, and clear jurisdictional divides.

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[36] Coinbase information on Akash Network (https://www.coinbase.com/price/akash-network)

[37] Glow's Official website (https://glow.org/).

[38] Daylight Official Website (https://www.daylight.xyz/).

[39] *Helium — The King of DePIN.*

[40] *XY DePIN Explained*.

Further, the Commission should establish that the distribution of a digital asset via a DePIN ecosystem does not constitute an "offer" or "sale" for purposes of the Securities Act of 1933 (the "**Securities Act**") if:

- **Utility:** Consider the extent to which the token that serves as a digital asset enables the underlying infrastructure ecosystem**.**
  - **Reward Systems**: Participants are rewarded with tokens for contributing to the resources, maintenance or growth of the network, such as through powering physical infrastructure, contributing storage or validating sensor data.[41]
  - **Staking and Governance:** Tokens create a system of self-reliance by giving the participant a stake in the infrastructure network and giving participants a say in decision-making, such as the management of the infrastructure and its upgradation.[42]
  - **Access and Payment**: Tokens also enable transactions within the network, such as paying for access to the physical infrastructure or services.[43]
- **Connection to Real-World Activity**:
  - Digital assets may be generated in association with a DePIN ecosystem to incentivize its deployment and maintenance or in conjunction with a consumer service product attached to the DePIN. The values of these digital assets are found in either the payment for services associated with the DePIN ecosystem (access to the ecosystem or a consumer service product, such as the payment of a mobile phone bill or internet data plan) or in the value assessed on the secondary trading market.
- **Reward**
  - **Access to Network Rewards –** The DePIN programmatically and transparently generates and transfers network rewards to participants based on the participants' contributions to the DePIN.
  - **No Guarantee of Liquidity –** The DePIN does not purport to guarantee liquidity for the tokens on the DePIN.
  - **No Guarantee of Rewards -** The DePIN does not purport to guarantee the user a specified quantity of rewards, if any.
- **Degree of Decentralization:**
  - **No Contract**: These digital assets do not generate revenue for the DePIN operating group, do not represent an ownership interest in the DePIN operating group, and do not give rise to any contract between the deployer and the DePIN operating group.
  - **No Managerial Discretion** – The DePIN operating group cannot transact in users' assets other than to transmit reward tokens, if any. DePIN operating groups, as

[41] *DePIN Explained.*

[42] *Id.*

[43] *Id.*

good practice, should hold less than 20% of the total amount of digital assets generated within the system.

- **Participant Ownership**: DePIN stakeholders and participants retain ownership of their tokens at all times, and the DLT functions as a receipt for ownership/electronic document of title.

The Commission should consider adopting these criteria to clarify when a DePIN is not subject to U.S. securities laws.[44]

b. **Digital Assets Associated With DePIN Ecosystems Sold On The Secondary Market Do Not Place The DePIN Operating Groups In Violation Of Securities Laws.**

In addition, DePIN is cultivating ecosystems that prioritize equitable participation, transparency and a shared sense of ownership. This includes the ability to trade and sell such tokens on the secondary market, which can help early-stage projects with small teams jump-start community participation. To ensure that the DePIN secondary market can freely adopt practices and features that reduce risks and protect users, the Commission should also clarify that it does not view the following activities in connection with a DePIN as "efforts of others" that would give rise to the existence of an investment contract or other type of security:

- DePIN operating groups should be able to describe and promote the features and benefits of the DePIN ecosystem, including the types of tokens available in connection with the system, provided the DePIN and the tokens are not promoted as investment opportunities or provide a guarantee as to the amount of incentive tokens participants can earn or the expected value of such tokens.
- Participants should be allowed to arrange for listings and limited market making on crypto trading platforms or other venues where such DePIN tokens may be traded, and this does not constitute the DePIN operating group making recommendations or providing investment advice.
- DePIN operating groups should still be permitted to engage in ministerial or clerical efforts to protect users without this action jeopardizing their regulatory status.

The industry would benefit from receiving guidance from the SEC clarifying that the issuance and secondary market trading of DePIN tokens do not constitute securities transactions.

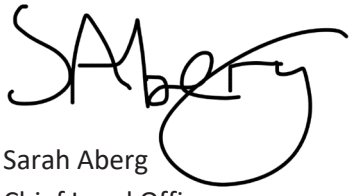
VI. Conclusion

The undersigned companies appreciate the Crypto Task Force's consideration of this memorandum and would welcome the opportunity to elaborate on these points at a meeting.

[44] Helium emphasizes that in its view, even if a DePIN token does not meet all of these criteria, that does not mean it is subject to U.S. securities laws, only that further analysis may be required.

Sincerely,

Nova Labs, Inc. dba Helium Mobile



Sarah Aberg
Chief Legal Officer

Hivemapper

Gabe Nelson
Head of Operations

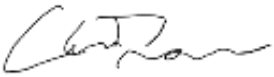
Decentralized Wireless Foundation

Scott Sigel
Chief Executive Officer

Andrena

Neil Chatterjee
Chief Executive Officer

Glow Labs



Chris Denaro
Chief Operating Officer

Overclock Labs, Inc.

Gregory Osuri
CEO and President