

JOINT PETITION FOR RULEMAKING

A functional legal boundary between blockchain systems and ordinary or centrally controlled ledgers

To: Secretary, U.S. Securities and Exchange Commission; Secretariat, U.S. Commodity Futures Trading Commission

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Date: August 31, 2026

Authority: 5 U.S.C. § 553(e); SEC Rule of Practice 192, 17 C.F.R. § 201.192; CFTC Regulation 13.1, 17 C.F.R. § 13.1

Petition

Bart Hondebrink respectfully petitions the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) to adopt the same functional definitions of “distributed ledger,” “blockchain,” and “blockchain system” in rules of general application. The requested rule preserves a simple legal fact: every blockchain uses a ledger, but not every ledger is a blockchain.

The distinction should turn on three cumulative functions: a cryptographically secured and independently verifiable ledger; decentralized governance that removes unilateral control; and native decentralized financial functionality that allows users to transfer and settle value under predetermined rules without a custodian or central approver. A system that lacks any one of those functions may be a database or distributed ledger, but should not receive the legal label “blockchain.”

This petition requests a binding rule, not another temporary staff view. A foundational definition left to revocable staff statements or case-by-case terminology is administration by temporary posture rather than durable law. The agencies should fix the category before exemptions, registration boundaries, custody rules, recordkeeping rules, or consumer disclosures are built on it.

Requested agency action

1. The SEC should add new 17 C.F.R. § 240.3b-17, using the text below, for purposes of the Securities Exchange Act of 1934 and Commission rules, filings, applications, required disclosures, orders, and official guidance.
2. The CFTC should amend 17 C.F.R. § 1.3 by adding the same definitions, using the text below, for purposes of the Commodity Exchange Act and Commission rules, filings, applications, required disclosures, orders, and official guidance.
3. The Commissions should jointly state that “distributed ledger” is the broader category and that “blockchain system” is the narrower functional category. A regulated person may not obtain

blockchain treatment merely by using the word “blockchain,” distributing copies of a database, or cryptographically signing centrally controlled records.

Proposed rule text

§ 240.3b-17 / § 1.3 — Distributed ledger and blockchain definitions.

(a) Scope. For purposes of the Act and the rules and regulations thereunder, and unless a more specific provision expressly provides otherwise, the following definitions apply whenever a person uses the terms distributed ledger, blockchain, or blockchain system in a filing, application, required disclosure, customer communication required by Commission rule, or submission to the Commission.

(b) Distributed ledger. Distributed ledger means technology through which data is replicated, shared, or synchronized across more than one node, system, or participant and in which cryptography is used to verify data integrity, authorize entries, or link records. A distributed ledger may be permissioned, centrally administered, or subject to unilateral control.

(c) Blockchain ledger. Blockchain ledger means a distributed ledger in which: (1) transactions or state changes are cryptographically linked in an append-only, tamper-evident record; (2) independent network participants can verify the validity and ordering of transactions or state changes under publicly available protocol rules; and (3) no system administrator can rewrite confirmed history outside transparent protocol procedures that are equally observable and verifiable by network participants.

(d) Decentralized governance. Decentralized governance means a transparent, rules-based system through which independent participants form consensus or agreement concerning validation, protocol operation, maintenance, or amendment, and in which no person or group of persons under common control has unilateral authority to: (1) alter confirmed ledger history; (2) materially change consensus, validation, or protocol rules; (3) approve, reverse, censor, or prohibit otherwise valid user transactions; or (4) exclude a user from protocol-level participation on discretionary grounds.

(e) Decentralized financial functionality. Decentralized financial functionality means native protocol functionality through which multiple participants may initiate, validate, and settle transfers of digital value or execute financial transactions: (1) under automated rules or algorithms that are predetermined and non-discretionary; (2) without reliance on a person other than the user to maintain custody or control of the user’s digital assets; and (3) without reliance on a central person to approve final settlement. The term does not require a trading venue or a particular class of smart contract; direct peer-to-peer transfer and settlement of digitally native value may satisfy this paragraph.

(f) Blockchain system. Blockchain system means a blockchain ledger, together with its publicly available protocol and any publicly available applications, that satisfies both paragraphs (d) and (e). All three elements — blockchain ledger, decentralized governance, and decentralized financial functionality — are required.

(g) Exclusions. Blockchain system does not include: (1) a conventional database or replicated database; (2) a permissioned or consortium ledger subject to unilateral or coordinated control by a person or group under common control; (3) a centrally issued token register in which an administrator can approve, reject, reverse, freeze, or rewrite transactions outside neutral protocol rules; (4) a cryptographically signed or hash-linked audit log that lacks decentralized governance or decentralized financial functionality; or (5) any system marketed as a blockchain that fails one or more requirements of paragraph (f). A system excluded by this paragraph may still be described as a distributed ledger if it satisfies paragraph (b).

(h) Substance over label. Classification shall depend on actual operational authority and technical function, not branding, contractual description, the number of database copies, or the use of cryptography alone. The person asserting blockchain status bears the burden of identifying the independent validators, the applicable governance rules, the limits on unilateral authority, and the user-controlled mechanism for transfer and final settlement of digital value.

Why the distinction is necessary

1. Cryptography alone does not decentralize control

A bank, government, exchange, or software vendor can cryptographically sign entries and distribute database copies while retaining the power to authorize users, alter rules, freeze balances, reverse transactions, or determine finality. That architecture can be useful, but it is not functionally equivalent to a blockchain. Calling both systems “blockchain” hides the identity of the controlling intermediary — the most important legal fact.

2. Governance is not optional

The legal consequence of decentralization is not that many computers exist. It is that no single person can exercise the powers normally held by an administrator, bank, transfer agent, clearing organization, or platform operator. The rule therefore asks who can change consensus rules, censor a valid transaction, rewrite history, or deny protocol-level participation. If the answer is one person or one controlled group, the system is a controlled ledger.

3. The ledger must perform the financial function

A blockchain is not merely a storage method. Its distinguishing public function is that participants can transfer and settle digitally native value without handing custody or transactional discretion to an intermediary. “Decentralized financial functionality” is used in this petition in that basic sense. It includes Bitcoin’s peer-to-peer transfer and settlement function; it does not require an exchange, lending protocol, yield product, or complex smart-contract platform.

4. False equivalence creates regulatory laundering

If centrally controlled systems may use the same legal label as systems without a controller, an intermediary can retain control while borrowing the exemptions, public trust, and innovation narrative created for decentralized systems. The result is regulatory laundering: the architecture remains

centralized, but the legal and commercial description changes. A three-part functional test prevents that result without banning any technology.

Relationship to the Digital Asset Market Clarity Act

The House text of H.R. 3633 defined blockchain by independently verifiable network records, cryptographic linkage, propagation among participants to reach consensus, and publicly available source code. It separately defined decentralized governance and a decentralized finance trading protocol. Those provisions identified the correct functions, but did not make all three cumulative conditions of the word “blockchain.”

The Senate-reported amendment dated June 1, 2026 uses the broader term “distributed ledger” and defines it as a public digital ledger in which cryptography links data to maintain integrity and execute other functions. It then separately defines distributed-ledger protocols, distributed-ledger systems, decentralized governance systems, smart contracts, and decentralized finance trading protocols. The amendment therefore confirms that these are separate legal functions; it also makes it easier for the word “distributed ledger” to swallow the more demanding public meaning of blockchain.

This petition asks the agencies to preserve the hierarchy explicitly: ledger is the broad category; blockchain is the narrow combination of cryptographic ledger, decentralized governance, and decentralized financial execution. The petition does not ask either agency to implement pending legislation before enactment. It asks each agency to adopt the same functional boundary within its existing regulatory vocabulary and to carry that boundary into any later implementation of the CLARITY Act.

Operational examples

System	Classification under requested rule
Bitcoin network	Potential blockchain system. Its ledger is independently verifiable; protocol operation and amendment are not under one administrator’s unilateral control; and users can transfer and settle native value without a custodian or central settlement approver.
Centrally administered tokenized deposit	Distributed or cryptographic ledger, but not a blockchain system if the bank or issuer can unilaterally admit users, freeze or reverse transfers, change rules, or determine final settlement.
Permissioned consortium ledger	Distributed ledger. It is not a blockchain system where consortium members act under coordinated control or retain discretionary authority over validation, access, censorship, or reversal.
Hash-linked corporate audit log	Cryptographic record, but not a blockchain system because the enterprise controls governance and the record lacks native user-controlled transfer and settlement of digital value.
Public smart-contract network	Potential blockchain system only if the underlying ledger, governance, and financial functionality each satisfy the rule. Public code or smart contracts alone are insufficient.

Petitioner's interest

Bart Hondebrink is a Dutch financial adviser and entrepreneur who studies and designs consumer-facing financial systems in which users retain control of their own records and value. The legal distinction affects which architectures can credibly be offered as alternatives to intermediary-controlled finance, how consumers understand custody and control, and whether centrally controlled systems can appropriate the blockchain label.

The right to petition is not limited to United States citizens. SEC Rule 192 and CFTC Regulation 13.1 each permit “any person” to request a rule of general application. Digital-asset markets, protocols, software, and regulatory classifications operate across borders; foreign users and businesses are directly affected by the terminology and market structure adopted by United States regulators.

Costs and benefits

1. Investor and consumer protection. The rule makes custody, control, reversibility, and governance visible instead of allowing a technical label to conceal them.
2. Competition. Decentralized systems are not forced into the same factual category as controlled ledgers merely because both use cryptography or replicated records.
3. Regulatory efficiency. A single functional test reduces repeated, inconsistent, and reversible staff interpretations across filings, enforcement matters, registration applications, and future rules.
4. Technology neutrality. The rule does not mandate a consensus mechanism, token, programming language, or business model. It classifies authority and function.
5. Low compliance burden. A person invoking blockchain status already knows — or should know — who validates, who governs, who can censor or reverse, and who controls user assets. The requested disclosure burden is therefore minimal.

Conclusion

The agencies should open a joint rulemaking and adopt the proposed functional definitions. The legal boundary can be stated in one sentence: a blockchain is a cryptographic ledger governed without unilateral control and capable of user-controlled, rule-based transfer and settlement of digital value. Remove any one of those functions and the system may remain a ledger, but it is no longer a blockchain.

Respectfully submitted,

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Authorities and source materials

5 U.S.C. § 553(e) (right to petition for issuance, amendment, or repeal of a rule).

SEC Rule of Practice 192, 17 C.F.R. § 201.192; SEC, “Petitions for Rulemaking Submitted to the SEC,”

<https://www.sec.gov/rules-regulations/petitions-rulemaking-submitted-to-sec>.

CFTC Regulation 13.1, 17 C.F.R. § 13.1; Public Rulemaking Procedures, 84 Fed. Reg. 68,787 (Dec. 17, 2019),

<https://www.cftc.gov/LawRegulation/FederalRegister/finalrules/2019-27103.html>.

H.R. 3633, 119th Cong., House text and Senate-reported amendment (June 1, 2026), GovInfo,

<https://www.govinfo.gov/content/pkg/BILLS-119hr3633rs/xhtml/BILLS-119hr3633rs.html>.

17 C.F.R. Part 240, including reserved § 240.3b-17, <https://www.ecfr.gov/current/title-17/chapter-II/part-240>.