Petition for Rulemaking

Verifiable Digital Asset Reserve Disclosure for Public Reporting Companies and Spot Digital Asset Exchange-Traded Products

Submitted to: Vanessa A. Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E., Washington, D.C. 20549-1090

Petitioner: Han Wooram
Contact: [CONTACT EMAIL - OMIT FROM PUBLIC COPY IF DESIRED]
Date: September 13, 2026

Requested action: Adopt disclosure rules requiring material digital-asset reserve holders and spot digital-asset ETPs to provide periodic, independent, publicly verifiable evidence of reserve existence and control, together with disclosure of liens, pledges, lending, borrowing, rehypothecation, and other encumbrances. The verification should supplement - not replace - a full financial statement audit.

I. Petition and Requested Commission Action

Pursuant to Rule 192 of the Commission's Rules of Practice, the undersigned respectfully petitions the Securities and Exchange Commission (the "Commission") to initiate rulemaking addressing the verification and disclosure of material digital-asset reserves held by Exchange Act reporting companies and by spot digital-asset exchange-traded products whose shares are offered or traded as securities.

The requested rule should not regulate the Bitcoin network or other public blockchains themselves. It should regulate the quality of disclosure made to investors in securities when an issuer, trust, or exchange-traded product represents that it owns or controls a material quantity of bearer-controlled digital assets recorded on a public blockchain.

The central investor-protection problem is straightforward: a public blockchain can provide unusually strong evidence that specified digital assets exist at specified addresses, while cryptographic signatures or equivalent methods can provide evidence of control. Yet investors often cannot independently reconcile an issuer's publicly reported aggregate holdings with a verifiable reserve set. Existing audits can be rigorous, but the most probative underlying blockchain evidence is generally not exposed in a form that public investors can independently reproduce.

II. Proposed Rule - Substance

The Commission should require a covered entity to publish, at least quarterly and within a reasonably prompt period after the measurement date, a Digital Asset Reserve Verification Report containing the following elements:

1. **Reserve quantity and snapshot time.** The exact units of each material digital asset represented as owned or controlled, the date and time of the reserve snapshot, and the custodian or custodians responsible for safekeeping.
2. **Independent confirmation.** Direct confirmation by the independent registered public accounting firm, qualified custodian, or other Commission-approved independent verifier of the aggregate digital-asset balance attributed to the covered entity.
3. **Blockchain reconciliation.** Reconciliation of the confirmed balance to the relevant public blockchain or blockchains using reproducible procedures and a clearly identified block height or equivalent timestamp.
4. **Cryptographic proof of control.** Publicly verifiable evidence that the relevant private keys were controlled by the covered entity or its authorized custodian at the snapshot time. Acceptable methods could include challenge-response message signing, proof-of-control transactions, or a Commission-approved cryptographic protocol. The rule should not require movement of all reserve assets.
5. **Encumbrance and liability disclosure.** Separate disclosure of assets that are pledged, subject to liens, lent, borrowed, rehypothecated, posted as collateral, contractually restricted, or otherwise subject to third-party rights. Borrowed digital assets should not be presented as unencumbered owned reserves.
6. **Public verifiability with security flexibility.** A covered entity should either disclose the relevant reserve addresses/UTXOs or use a Commission-approved privacy-preserving or auditor-mediated cryptographic method that allows investors to verify the aggregate result without forcing disclosure of operational wallet architecture.
7. **Anti-window-dressing controls.** The challenge or verification procedure should be generated or finalized only after the measurement time, and the report should describe procedures designed to detect temporary borrowing, round-trip transfers, or other balance-sheet window dressing around the snapshot.
8. **Audit non-substitution statement.** The report must prominently state that digital-asset reserve verification is supplemental evidence and is not a substitute for an audit of the entity's financial statements, internal controls, liabilities, related-party transactions, or going-concern status.
9. **Material-change disclosure.** If a covered entity publicly reports a material increase or decrease in digital-asset reserves between periodic reports, it should provide a prompt follow-up attestation or equivalent verification sufficient to reconcile the reported change to custodial and blockchain records.

III. Scope of Covered Entities

The Commission should apply the rule to (1) spot digital-asset ETPs and trusts whose securities derive a material portion of their value from directly held digital assets, and (2) Exchange Act reporting companies for which digital assets are material to total assets, net asset value, financing strategy, or the investment thesis communicated to shareholders.

A bright-line asset threshold could be combined with a principles-based materiality test. The Commission could, for example, require the enhanced verification when digital assets equal or exceed a specified percentage of total assets, while retaining a materiality standard for entities whose treasury strategy makes reserve quantity especially important even below the threshold.

The rule should focus on assets for which ownership or control can be meaningfully evidenced through public-ledger records and cryptographic keys. The Commission should retain flexibility to prescribe asset-specific technical standards.

IV. Why Existing Practice Supports - But Does Not Eliminate - the Need for the Rule

Existing audit practice already demonstrates that blockchain-based verification is feasible. BlackRock's iShares Bitcoin Trust (IBIT) disclosed in its 2025 Form 10-K that its auditor confirmed the Trust's bitcoin with the third-party custodian, compared the confirmation to the Trust's records, compared the confirmed investment to the public blockchain, and traced certain withdrawal transactions to the public blockchain in evaluating access to private cryptographic keys.

Strategy Inc. likewise disclosed in its 2025 Form 10-K that its auditor obtained custodian confirmations of digital assets, compared confirmed balances to the company's records, compared digital-asset transactions to the public blockchain using audit software, and involved specialists in controls over private-key generation, key storage, and reconciliation of custodial ledgers to the public blockchain.

These procedures are substantial protections. The proposed rule would build on them by making a standardized portion of the reserve evidence independently reproducible by investors, while leaving the comprehensive financial statement audit in place.

V. The Rule Should Avoid the Known Weaknesses of Simplistic Proof-of-Reserves

The Commission's Office of the Chief Accountant has warned that non-audit crypto "assurance" work can be misleading when marketed as equivalent to a financial statement audit. That concern is well taken. A reserve snapshot alone cannot establish solvency, completeness of liabilities, absence of undisclosed related-party arrangements, or adequacy of internal controls.

The requested rule therefore should expressly reject "proof-of-reserves" as a substitute for an audit. Instead, the Commission should treat cryptographic reserve verification as a supplemental disclosure control uniquely suited to bearer-controlled assets on public blockchains.

Requiring disclosure of encumbrances and third-party rights is essential. A blockchain can show that coins exist at an address, but it cannot by itself prove that the reporting entity is the sole beneficial owner, that the assets are unpledged, or that the assets were not temporarily borrowed for the snapshot. Independent confirmation, control testing, and encumbrance disclosure are therefore necessary complements to the cryptographic evidence.

VI. Investor-Protection Benefits

- Reduces information asymmetry between issuers/custodians and public investors regarding a core balance-sheet asset.
- Creates a standardized verification baseline across spot digital-asset ETPs and digital-asset treasury companies.

- Uses the transparency properties of public blockchains rather than asking investors to rely exclusively on managerial representations.
- Improves comparability of reserve quality, custody arrangements, and encumbrances across products.
- Reduces the risk that unaudited interim reserve announcements are interpreted as equivalent to independently verified balances.
- Could strengthen confidence in U.S.-listed digital-asset products without requiring disclosure of private keys or forced movement of reserve assets.

VII. Cost, Security, and Implementation Considerations

The Commission should use a technology-neutral standard. It should specify the required assertions - existence, control, quantity, snapshot integrity, and encumbrances - while permitting approved technical methods to evolve.

The Commission should not require disclosure of private keys, seed phrases, signing-device architecture, geographic key locations, quorum policies, or other sensitive operational details. Nor should it require the transfer of all reserve assets solely for verification.

Because major auditors and custodians already perform blockchain reconciliation and key-control procedures for large products, the incremental compliance burden should be evaluated against the scale and materiality of the reserves involved. Smaller issuers could receive scaled compliance or delayed implementation where appropriate.

The Commission could phase the rule in first for spot digital-asset ETPs and reporting companies above a high materiality threshold, then evaluate broader application after observing implementation costs and cybersecurity effects.

VIII. Suggested Regulatory Text - Conceptual Form

> *A registrant or issuer of an exchange-traded security that reports material direct holdings of digital assets controlled through cryptographic keys shall, at intervals prescribed by the Commission, furnish a Digital Asset Reserve Verification Report. The report shall provide independent evidence of the existence and quantity of the reported digital assets, reconcile such holdings to the applicable public blockchain where practicable, provide evidence of control by the registrant or its authorized custodian, and disclose material liens, pledges, lending, borrowing, rehypothecation, collateral arrangements, and other third-party rights. The Commission shall permit secure and technology-neutral methods of public verification and shall require a prominent statement that such verification supplements and does not replace the registrant's financial statement audit and other disclosure obligations.*

IX. Petitioner's Interest

The Petitioner is an individual investor interested in the integrity, transparency, and verifiability of U.S.-listed securities whose value is materially dependent on directly held digital assets. The Petitioner requests this rulemaking because public-blockchain assets permit stronger, more reproducible reserve evidence than is ordinarily available for many traditional assets, and investors should benefit from that capability when reserve quantity is central to the security's investment case.

X. Conclusion

The requested rule would not replace traditional securities-law disclosure, independent audits, or internal-control requirements. It would add a narrow, technically appropriate layer of verification where the underlying asset itself is recorded on a public ledger and controlled by cryptographic keys.

For these reasons, the Petitioner respectfully requests that the Commission commence rulemaking to establish a standardized Digital Asset Reserve Verification framework for spot digital-asset ETPs and Exchange Act reporting companies with material digital-asset reserves.

Respectfully submitted,

Han Wooram
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Authorities and Supporting Public Sources

1. SEC Rule of Practice 192 / Petitions for Rulemaking

SEC states that any person may request issuance, amendment, or repeal of a rule of general application; petitions may be emailed to Secretarys-Office@SEC.GOV and must state the proposed rule substance and the petitioner's interest/reasons.
https://www.sec.gov/rules-regulations/petitions-rulemaking-submitted-to-sec

2. SEC Office of the Chief Accountant - The Potential Pitfalls of Purported Crypto "Assurance" Work (July 27, 2023)

Explains that non-audit crypto assurance or proof-of-reserves work is not equivalent to a financial statement audit and may not provide reasonable assurance.
https://www.sec.gov/newsroom/speeches-statements/munter-statement-crypto-072723

3. iShares Bitcoin Trust ETF - 2025 Form 10-K

Describes PwC procedures including direct custodian confirmation, comparison to Trust records, comparison to the public blockchain, and tracing certain withdrawal transactions to the blockchain to evaluate access to private cryptographic keys.
https://www.sec.gov/Archives/edgar/data/1980994/000143774926006058/bit20251231_10k.htm

4. Strategy Inc. - 2025 Form 10-K

Describes KPMG procedures including custodian confirmations, comparison of holdings and transactions to public blockchain records, and specialist evaluation of key-generation, key-storage, and reconciliation controls.
https://www.sec.gov/Archives/edgar/data/1050446/000105044626000020/mstr-20251231.htm

5. Strategy Inc. - 2026 Proxy Statement

States that proposals intended for inclusion in the 2027 proxy materials must be received at Strategy Inc., 1850 Towers Crescent Plaza, Tysons Corner, VA 22182, Attention: General Counsel, by

December 29, 2026.
https://www.sec.gov/Archives/edgar/data/1050446/000119312526186895/d944734ddef14a.htm

6. SEC Rule 14a-8 Compliance Guide
Current ownership thresholds for shareholder proposals: at least $2,000 for 3 years, $15,000 for 2 years, or $25,000 for 1 year, subject to the rule's additional requirements.
https://www.sec.gov/resources-small-businesses/small-business-compliance-guides/procedural-requirements-resubmission-thresholds-under-exchange-act-rule-14a-8-small-entity

Submission Checklist

- Replace all bracketed placeholders on the first page and signature block.
- Export or use the attached PDF version.
- Email only once to: Secretarys-Office@SEC.GOV (SEC states email is the preferred method).
- Suggested email subject: Petition for Rulemaking - Verifiable Digital Asset Reserve Disclosure.
- Attach this petition as a PDF and keep the email body brief.
- Do not send the same petition by both email and paper mail; the SEC requests one method only.
- After the SEC assigns/posts the petition, circulate the public petition page to other investors and invite independent support comments.