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August 18, 2025

via Electronic Mail (secretary@cftc.gov)

Mr. Christopher Kirkpatrick, Secretary
Commodity Futures Trading Commission (CFTC)
Three Lafayette Centre, 1155 21st Street NW, Washington, DC 20581.

Re: Spot Crypto Asset Contracts (Release 9105-25) +
Core Principles & Other Requirements for DCMs - Extend Collection 3038-0052 (90 FR 33928)[1]

Dear Mr. Kirkpatrick,

On behalf of Data Boiler Technologies, I am pleased to provide the CFTC with our comments on the captioned release about "Spot Crypto Asset Contracts, Core Principles and Other Requirements for Designated Contract Markets (DCM)", in attempt to *"kick off a crypto sprint"* to start implementation of the recommendations in the President's Working Group on Digital Asset Markets Report (PWG-DAMR).[2] Data Boiler is a Pioneer in FinTech with patented inventions in signal processing, trade analytics, machine learning, time-lock cryptography, etc. We frequently comment on regulatory policy both domestically and abroad with over 12 years in business.

First and foremost, we applaud the GENIUS Act[3] that ties stablecoin reserves to the US Treasuries. Given a vast percentage of Americans already have vested interest in crypto, the Act brilliantly breaks free from a previous dilemma, where burning, selling, or using any of the confiscated crypto assets could result in adverse outcomes to the US (see the flow diagram on page 12 of our 2022 comment letter to the US Treasury)[4]. It strengthens demand of US Treasuries, reduces dependence on foreign countries in buying the US national debts, and deters possible de-dollarization movement.

The comprehensiveness of PWG-DAMR also deserves a round of applause. It recognizes the pragmatic realities where TradFi and DeFi would have to co-exist (rather than mutually exclusive) to preserve American leadership position. Especially, when BRICS and other countries are building alternative payment platforms through DeFi and other channels to by-pass the US strongly influenced SWIFT system and related economic sanctions against terrorists and money launderers. The world is at a juncture. Despite any domestic differences, America's foreign policies have to exert significant influence, or else it will be a slippery slope as foreign adversaries will have more influence.

Unconventional, or to some extent counter-intuitive, is our initial impression of allowing certain trading activities of spot crypto asset contracts on DCMs. Then, we discover there is ***good merit*** in it when putting other puzzle pieces with it for a ***pragmatic approach*** that Americans should embrace. Our rationale is as follows:

[1] https://www.cftc.gov/PressRoom/PressReleases/9105-25; https://www.cftc.gov/sites/default/files/2025/07/2025-13539a.pdf
[2] https://www.whitehouse.gov/wp-content/uploads/2025/07/Digital-Assets-Report-EO14178.pdf
[3] https://www.congress.gov/119/bills/s394/BILLS-119s394is.pdf
[4] https://www.databoiler.com/index_htm_files/DataBoiler%20Treasury%20Digital%20Assets%20202208.pdf

1. Regulatory Focus on Venues, Not Overburdening Participants

We are glad that the US is NOT following the EU's Markets in Crypto-Assets Regulation (MiCA). No doubt that 30% liquidity reserve for issuers of electric money tokens (ERTs) and 60% for Crypto Asset Service Providers (CASP) deter some bad apples from entrance into the markets. However, MiCA does NOT help identify bad actors, it tames and limits innovation for smaller players and crypto growth opportunities.[5] The better place to regulate crypto trading is indeed the venues, or at least some of the regulated markets are better equipped with surveillance capabilities.

We are aware that §2(c)(2)(D) of the Commodity Exchange Act (CEA) gives the CFTC authority over retail commodity transactions, including those involving spot crypto assets – but with important limitations and conditions. According to CFTC's Interpretive Guidance on Actual Delivery,[6] the section applies to any agreement, contract, or transaction in any commodity that is:

- Entered with, or offered to, a non-eligible contract participant (non-ECP) or non-eligible commercial entity,
- Conducted on a leveraged, margined, or financed basis,
- And it does not result in actual delivery of the commodity within 28 days.

If these conditions are met, the transaction is treated "AS IF" it was a futures contract. That is it becomes subject to the CEA's core provisions, including: Trading on a regulated exchange (i.e., a DCM), Registration and conduct standards for intermediaries, and Anti-fraud and anti-manipulation rules. In other words, CFTC's authority here applies ONLY when:

- The transaction is offered to retail participants,
- It involves leverage, margin, or financing,
- And actual delivery does not occur within 28 days.

The Public and Policy makers should note that most DCMs today – like CME, ICE, and CBOE Futures Exchange – are geared toward institutional investors, such as hedge funds, asset managers, and proprietary trading firms with access to clearing, margining, and risk management infrastructure. Retail participants would technically be allowed under crypto sprint, yet in practice, retail access is limited by high capital requirements, complex onboarding, and lack of user-friendly interfaces. Retail customers often access futures markets indirectly through brokers or intermediaries, not directly on DCMs. The infrastructure and compliance burdens of DCMs are not optimized for retail onboarding or protection.

How retail may fit to trade with the more sophisticated institutional participants, or they will be susceptible to exploitations – this prompts us to consider whether digital asset portals akin to Stock Exchanges or Casino?[7] Stay tuned.

[5] https://www.spglobal.com/_division_assets/images/articles/regulating-crypto/regulating-crypto-final.pdf
[6] https://www.cftc.gov/sites/default/files/2020/06/2020-11827a.pdf
[7] https://www.linkedin.com/pulse/digital-asset-portals-akin-stock-exchanges-casinos-kelvin-to/

2. Clarity and Coordinated Oversight

DeFi attempt to simplify the complexity of this world is not wrong. We believe in *"simplifying by recognizing that everything in the end comes to people."* However, simplified by turning everything, including people into a commodity, is deceitful. Tokenizing everything into a commodity and giving preferential treatment to those regulated by a friendly regulator is wrong.

The persistent ambiguity between the CFTC's and SEC's jurisdiction over digital assets stems from the absence of shared definitions for key concepts such as "*commodity*," "*security*," "*investment contract*," and "*spot market*." This ambiguity has led to inconsistent enforcement, regulatory arbitrage, and confusion among exchanges, issuers, and investors.

We applaud the legislative branch in collaboration with the agencies and in consultation with the public to define and hopefully agree upon the boundaries of several categories. These include the clarification and the distinction between digital commodities and investment contracts. The SEC applies the Howey test[8] to classify fundraising-based digital assets as *securities*, while the CFTC oversees spot and derivative trading of *digital commodities*.

Who has the ultimate oversight authority of crypto assets in capital markets? To enable the distinction that a transaction confers the status of a security on the asset, rather than the asset itself being inherently a security, the House of Representatives passed the CHARITY Act[9] on July 17, 2025. The Act clarified the distinction between digital commodities and *investment contract*, by stating that "*investment contract assets can be can be exclusively possessed and transferred peer-to-peer, without relying on an intermediary, and is recorded on a blockchain; Is sold or transferred (or intended to be sold or transferred) pursuant to an investment contract."*

Then in July 2025, the US Senate Banking Committee's newly introduced category called "*ancillary assets*", according to the released DRAFT of the latest "Responsible Financial Innovation Act proposal" (RFIA).[10] If adopted, ancillary asset would mean *"a commercially fungible intangible asset, including a digital commodity, that is offered or distributed in connection with a security—specifically through an arrangement that constitutes an investment contract."*

Once the Congress agrees on the definition of ancillary assets that they *"do NOT represent debt, equity, liquidation rights, or dividend entitlements in the originator, i.e. NOT securities, but can be linked to securities transactions."* In turn, the SEC would retain authority over disclosure and exemption requirements for ancillary assets. At the same time, the CFTC would regulate these ancillary assets as commodities for trading purposes. This **hybrid model** builds on the precedent of securities futures products and mixed swaps under the Commodity Futures Modernization Act of 2000 and Dodd-Frank.[11]

[8] https://www.law.cornell.edu/wex/howey_test
[9] https://www.congress.gov/119/bills/hr3633/BILLS-119hr3633eh.pdf
[10] https://www.banking.senate.gov/imo/media/doc/senate_banking_committee_digital_asset_market_structure_legislation_discussion_draft.pdf
[11] https://www.congress.gov/bill/106th-congress/house-bill/4541 ; https://www.congress.gov/bill/111th-congress/house-bill/4173/text

3. Defies conventional wisdom, it is actually practical

We understand the good intentions of prior regulatory attempts to better oversee the DeFi and crypto space since the digital asset crash in 2022, the FTX downfall. The SEC's last administration had several high-profile enforcement actions against crypto trading platforms (Beaxy,[12] Bittrex,[13] Binance,[14] and Coinbase[15]) for allegedly operating Unregistered Exchanges. Yet, all prior attempts to modify the time-tested Exchange Act to accommodate nuances with digital assets did NOT yield fruitful results.

Per our 2022[16] and 2023[17] comment letters to the SEC, we disagreed with the proposals on Investor Protections in Communication Protocol Systems (CPSs) and Alternative Trading Systems (ATSs) and Amendments to Exchange Act Rule 3b-16 regarding re-definition *"Exchange"* that go along with the proposed BestEx Rule 1100 where the term *"market"* could be expansive. We are glad these proposals are being withdrawn.

A quick recap and reaffirmation of our arguments:

- Sport bets, lottery, and other forms of consumer goods and services that provide "entertainment" or "use value" (tangible features of a "commodity") other than having resale or for commercial purposes, or motives or the pursuit of capital accumulation, then such buy, sell, or borrow activities over digital assets should be guarded under Casino and consumer rights laws rather than subjected to investor protection rules.
- For consumption of digital assets that warrant the government protection of consumer rights, the digital assets must be a commodity worthy of its use-value or worth in comparison to other commodities that can satisfy some human requirement, want or need. Consumer Financial Protection Bureau (CFPB) and CFTC may be in a better position than the SEC to supervise these consumption activities.
- Businesses, including not-for-profit entities (NPE), holding or engaging in digital assets transactions for resale or for commercial purposes should not be protected by consumer rights laws. Whether digital assets transactions for businesses should be classified as investing, financing, or operating activities, we think the logic in IAS7[18] should apply:
  a) The acquisition and disposal of long-term assets and other investments not included in cash equivalents are considered ***"investing activities"***.
  b) Activities that result in changes in the size and composition of the contributed equity and borrowings of the entity are considered ***"financing activities"***.
  c) Principal revenue-producing activities of the entity and other activities that are not investing or financing activities are considered ***"operating activities"***.

Securities Laws should focus on regulating investing activities, not financing nor operating activities. Financial instruments priced in Fiat currency would NOT and should NOT be compatible with non-security crypto assets. *"Funny money"* is more akin to *"non-cashable gambling chips"*.

[12] https://www.sec.gov/news/press-release/2023-64
[13] https://www.sec.gov/news/press-release/2023-78
[14] https://www.sec.gov/news/press-release/2023-101
[15] https://www.sec.gov/news/press-release/2023-102
[16] https://www.databoiler.com/index_htm_files/DataBoiler%20SEC%20ATS%2020220418.pdf
[17] https://www.databoiler.com/index_htm_files/DataBoiler%20SEC%20Exchange%20Definition%2020230613.pdf
[18] https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2021/issued/part-a/ias-7-statement-of-cash-flows.pdf

With the above contexts in mind, our recommendation is a **stackable approach to create a 2-tier hierarchy**. Digital Asset Platforms would be given the option to apply for licenses under Casino rules, and then wait for these platforms to demonstrate that the "winning odds" are in favor of investors in the long-term before permitting them to apply and register as a National Securities Exchange or complying with the conditions of Regulation ATS. At the same time, the SEC can assess whether the existing Exchanges and ATSs have long-term 'winning odds' in whose' favor. We believe a 2-tier or a **dual-track regulatory regime** help keep both the DeFi and TradFi intact, where healthy competition will be promoted, bureaucracy and barriers would be minimized and removed.

Although the policy development direction does not consider the usage of Casino rules to govern various Digital Asset Platforms, if the senate released RFIA draft is adopted, it would contrive a bifurcation architecture between primary issuance and secondary trading under a dual-track regulatory regime:

Categories	Primary Sale Regulator	Secondary Trading Regulator	Ancillary Asset Status
Digital Collectibles, Non-Fungible Meme Coins for entertainment, social and cultural purposes[19]	NOT the SEC	CFTC (if involve CEA regulated commodity options, futures, or leveraged OTC transactions)	Not applicable
Spot Crypto Asset Contracts, currently limited to Bitcoin (BTC) and Ether (ETH) that are widely treated as commodity	Not applicable[+]	CFTC (DCM Listing)	Not applicable
Fungible Token sold via Simple Agreement for Future Tokens (SAFT) used by crypto developers to raise capital from accredited investors before a token is live or functional	SEC	CFTC (if ancillary asset)	Possible if self-certified[*]
Covered liquidity staking receipt tokens[~], Governance token with rights[^], Spot Crypto ETPs[#]	SEC	SEC	Not eligible

[+] *BTC has no centralized issuer, no initial sale or fund raising; SEC scrutinized ETH's Initial Coin Offering (ICO) in 2014 while CFTC has asserted jurisdiction over its derivatives and spot contracts*

[*] *There is no formal "certification body" for token classification in the US. Instead, issuer makes initial representations in the SAFT to "self-certified" its token as a utility by filing Form D with the SEC. SEC uses Howey test to determine if a token is a security or not. The logic of the US District Court decision on CFTC v. Archegos Capital Management LP case[20] has implications on the need for clear asset classification protocols before listing spot crypto contracts on DCMs; it is UNKNOWN whether the RFIA would grant the SEC authority over the disclosure and exemption requirements for "Spot Crypto Asset Contracts" in addition to the suggested "Ancillary assets".*

[~] *The staking provider exercises managerial discretion over staking strategy or reward allocation; is used in secondary investment schemes; is marketed with profit expectations tied to the provider's efforts; involves bundled services that resemble an investment contract, except Ancillary Assets (where the staking provider performs ministerial functions only; is a passive representation of deposited assets; no expectation of profit from the provider's efforts; rewards are protocol-driven).*[21]

[19] https://www.sec.gov/newsroom/speeches-statements/staff-statement-meme-coins
[20] https://cases.justia.com/federal/district-courts/new-york/nysdce/1:2022cv03401/578896/84/0.pdf?ts=1695224748
[21] https://www.sec.gov/newsroom/speeches-statements/corpfin-certain-liquid-staking-activities-080525

^ *Token tied to centralized discretion or asset in itself possesses the characteristics of a security (like debt, equity, or liquidation rights).*

Spot Crypto ETPs are securities that bundle and hold the underlying crypto asset within a regulated trust or similar structure. Theirs shares represent a claim on the underlying assets, which are managed by the ETP issuer. These ETPs provide expose to crypto prices through brokerage accounts – unlike Spot Crypto Asset Contracts, which are considered commodities by the CFTC when involving direct ownership and are traded on DCMs rather than Securities Exchanges.

Given the SEC has expressed that MEME Coins for entertainment and social cultural purposes are NOT securities, then any *"Digital Collectables"* that do NOT involve CEA regulated commodity options, futures, or leveraged OTC transactions, it would be outside scope of CFTC's oversight. Otherwise, CFTC primarily has the authority to pursue cases of fraud and market manipulation in the spot markets for commodities.[22]

Next, Spot Crypto Asset Contracts may be the least controversial category, or the low hanging fruit for crypto sprint if compared to Ancillary Assets. The doubt we state earlier about *"DCMs not optimized for retail onboarding or protection"*, if BTC, ETH, and Ancillary Assets are NOT to be considered as "securities", then such Spot Crypto Asset Contracts and Tokens sold via SAFT may be viewed as *"non-cashable gambling chips"*. Hence, they are NOT subjected to investor protection over securities trading activities. This is by no means undermining these non-security crypto assets. It is indeed practical. It eliminates the need for the SEC to reconsider its withdrawn Safeguarding rule proposal,[23] which – if revived and modified to accommodate digital asset nuances—could be a detriment to the time-tested Exchange Act framework.

Charity and public education are important. Retail participants engage in permissible spot crypto asset contracts trading on DCMs and should NOT come with the expectation of any SEC 17 CFR §242.611 order protection[24] or other "safeguards" under the SEC oversight. Their trades would be susceptible to a highly volatile DCMs environment. Commodities futures and options tend to be speculative; one should understand the difference between the risk of *"betting"* versus *"hedging"*. Individual's risk appetite may vary, while a comingling of retails with sophisticated institutional players put the long-term *betting odd* at a disadvantage for the retail population. Restricting their access to DCMs is like a total ban of public access to casinos. They should be free to choose if they like to visit a casino or which competing casinos may give them higher betting odds.

[22] https://www.cftc.gov/media/4636/VirtualCurrencyMonitoringReportFY2020/download
[23] https://www.sec.gov/rules-regulations/2025/06/safeguarding-advisory-client-assets#:~:text=Overview,issue%20a%20new%20proposed%20rule.
[24] https://www.sec.gov/files/rules/final/34-51808.pdf ; https://www.sec.gov/newsroom/press-releases/2025-99-sec-announces-roundtable-trade-through-prohibitions

4. Agreeing under Suggested Conditions

We support the CFTC to allow trading of Spot Crypto Asset Contracts on DCMs under the following suggested conditions:

i. update Core Principle 12 outlined in §5(d) of the CEA and Part 38 of the CFTC regulations[25] – "protection of markets and market participants", to require DCMs to set aside at least 1 to 2% of gross revenue allocated to risk education program for existing and prospective retail clients, on top of protection against abusive practices;

ii. Require DCMs to properly disclose their house rules and the ways transactions are executed on their platforms. The goal is to enable all players to have a general understanding of different house rules that they would need to abide and respective betting odds for different games at different DCMs. Participants would make their own educated choice, if there is fair access to different DCMs;

iii. Regular CFTC examination on whether a DCM is practicing what they said, how the DCM is ensuring no cheat, no lie, and no steal at the operated platform(s), as well as the sufficiency of a DCM's public disclosures. The examination results should be provided in an aggregated CFTC report comparing different DCMs performance – betting odds in particular, made it available to the public on an annual basis. DCM's betting odds may be used as a reference if the operator of such platform may also apply for Securities Exchange or ATS license(s) under the SEC oversight.

   In vice versa, the SEC should review the long-term betting odds of Stock Exchanges to consider license renewals or enforcement actions. To foster a healthy ecosystem where DeFi and TradFi can keep each other intact, Trading venues under CFTC supervision should be given a path to also become a securities trading venue. At the same time, the amount of self-regulatory organizations (SROs besides FINRA) for securities trading should be limited to ONLY those stock exchanges that have betting odds that are in the long-term in favor of investors. That is, not unreasonable profit for the SRO themselves, or subsidizing other non-exchange business. Also, unused medallion may be stripped upon expiry.

iv. CFTC should use a sandbox approach to provide a safe environment for different DCMs and FinTech vendors. Thus, allowing them to thoroughly test their products and surveillance mechanisms in detection, prevention, and mitigation of risks about cheating, lying, and/or stealing. The sandbox would provide data of past prosecuted cases to participants at no cost to encourage advancement of controls at DCMs. CFTC's sandbox findings should be shared with the SEC, and vice versa, so that the CFTC and SEC can cross-learn from behaviors of respective markets and effectiveness of different surveillance and control mechanisms applicable to different markets – one size does NOT fit all.

v. The CFTC and SEC should jointly publish an annual report, making it available to the general public, to summarize progress and development of respective oversighted markets with statistics of the different participants' trade activities of different categories of digital assets at different platforms, plus including a section to review the effectiveness of educational programs run by their agencies and markets. The report will be used to identify and close any remaining regulatory gaps to curb abuses or any cross-platforms exploitations.

[25] https://www.ecfr.gov/current/title-17/chapter-I/part-38

5. Other Remarks and Conclusions

A worthy note – the logic of the US District Court decision on the Archegos case[20] has implications on this CFTC's proposal, despite the case dealt with swaps, not spot contracts. The question is whether the spot crypto contracts should be regulated by the CFTC alone when the underlying asset straddles the commodity-security divide? If a spot crypto contract references or is economically linked to a security-like token (e.g., a governance token with voting rights or profit-sharing features), the SEC may assert jurisdiction—even if the contract is structured as a commodity transaction. Regulation Crowdfunding, Regulation A, Regulation D, Rule 144, or frameworks for SAFTs are related to *"ancillary assets"* under RFIA, but RFIA is UNLIKELY to grant the SEC authority over the disclosure and exemption requirements for *"Spot Crypto Asset Contracts"*.

We do NOT desire the SEC to cross subsidize the cost to regulate crypto from equity trading, while it would be smart to leverage the SEC oversight of Public Company Accounting Oversight Board (PCAOB) to let the accounting professionals to determine proper ways in measuring, recording, and disclosing of *"ancillary assets"* under the RFIA. That being said, how *"spot crypto asset contracts"* would meet rigorous standards for custody, margining, settlement, and disclosure?

Custody standards must account for the technological and counterparty risks inherent in digital asset storage. Unlike traditional securities held in omnibus accounts at custodians, crypto assets are often stored in hot or cold wallets, with varying degrees of multi-signature control, smart contract governance, and insurance coverage. DCMs should be encouraged to use *"qualified custodians"*[26] that meet minimum cybersecurity and operational resilience benchmarks, including SOC 2 Type II audits, key sharding protocols, and real-time monitoring of withdrawal activity. Custodial arrangements should also be subject to independent attestation and periodic stress testing to ensure recoverability in the event of compromise or insolvency.

Margining protocols must reflect the volatility and liquidity characteristics of the underlying crypto assets. Traditional margining frameworks—such as CME Clearing's SPAN and SPAN 2 methodologies—use value-at-risk (VaR) models to set performance bond requirements that cover 99% of market moves on an ex-post basis.[27] For spot crypto contracts, we recommend a hybrid approach that combines dynamic VaR with anti-procyclical buffers to prevent margin spirals during periods of stress. Initial margin should be calibrated to asset-specific volatility, with higher thresholds for illiquid or thinly traded tokens. Maintenance margins should be monitored intraday, and margin calls should be subject to automated enforcement to prevent systemic contagion. Margin segregation rules, such as those outlined in Clearstream's triparty collateral framework,[28] should be adopted to ensure that customer assets are held in bankruptcy-remote accounts and not commingled with house funds.

Settlement standards must ensure finality, auditability, and protection against double-spending or reorganization risk. For DCMs that settle in fiat, existing DCO protocols may suffice. However, for crypto-native settlement, we recommend that DCMs implement atomic settlement mechanisms using smart contracts,[29] with on-chain timestamp verification[30] and deterministic finality.[31] Settlement windows should be clearly disclosed, and any reliance on third-party bridges or cross-

[26] https://www.sec.gov/newsroom/speeches-statements/office-hours-gary-gensler-qualified-custodian
[27] https://www.cmegroup.com/clearing/cme-clearing-knowledge-center.html
[28] https://www.clearstream.com/clearstream-en/securities-services/collateral-lending-liquidity/collateral-management/triparty-collateral-services-cmax-/margin-segregation
[29] https://arxiv.org/abs/1811.06099
[30] https://www.boj.or.jp/paym/fintech/data/rel190604a1.pdf
[31] https://cleartoken.io/wp-content/uploads/2025/03/ClearToken-White-Paper-Case-for-a-Digital-CSD-1_The-Settlement-Problem.pdf

chain protocols must be subject to rigorous due diligence and fallback procedures. The Commission should also require DCMs to disclose their settlement failure rates and recovery protocols, enabling investors to assess operational reliability.

Disclosure should be standardized across DCMs to enable comparability, but flexible enough to accommodate venue-specific nuances. We think drawing on investor research from the CFA Institute and IFRS Foundation to recommend a tiered disclosure framework[32] is appropriate. It would help highlight key points, rather than require players to dig through rulebooks or investor portals. The same *"self-certification"* and *"voluntary request for CFTC approval"* of any new product under §5(c) of the CEA and relevant CFTC regulations should continue to apply for existing and new DCMs.

After all, there is no need for regulatory overkill if the players accept the risk of trading Spot Crypto Asset Contracts on DCMs. It is analogous to sport betting or gambling at a casino. People should be free to choose if they like to engage with a DCM or which competing DCMs may give them higher betting odds. We respect the CFTC's authority under §2(c)(2)(D) of the CEA. To treat trading transaction that meets the conditions of: offered to retail participants, involves leverage, margin, or financing, and actual delivery does not occur within 28 days *"AS IF"* it was a futures contract is an **unconventional idea** to permit such trading activities of spot crypto asset contracts on DCMs. We want to be **practical** in supporting the US market leadership position in the Digital Assets space. We **support the CFTC to allow trading of Spot Crypto Asset Contracts on DCMs** under suggested conditions stated in section 4 of this letter.

Technology is only one-third of the race in improving trust.[33] Governance may play a small part in inducing change. The GENIUS Act, the CHARITY Act, and the impending Senate's RFIA proposal have provided great foundations for the CFTC, the SEC and other regulatory agencies to build on additional puzzle pieces to infuse trust and deter bad actors / foreign adversaries that hide under the guise of DeFi / De-dollarization movements.[34] Undoubtedly, no one would ever come up with an exhaustive list to anticipate every nuance or new development of digital assets in perfecting every guardrail to ensure zero loss. Safety measures should also be cost justified (in the case of the Consolidated Audit Trail, it is NOT).[35]

21st century's challenges or "chaos" include content moderation versus censorship,[36] rogues hop around, "Street Kids" uprise with MEME stock phenomenon, digital "Nomads" could care less about ethics, "Corpos" rent seeks in the Cyberpunk era, and/or allegedly cahoots activities. Regardless of the present crypto space or metaverse with quantum hacks, weeding out misbehavior, creating fair, reasonable and non-discriminatory mechanisms to align rights with obligations, and management of private rights with divergence of social costs[37] are top priorities. People want frictionless transitions from the legacy web/ social media platforms to Web3 at presumably "FREE" or justifiable return on investment.[38] It is a tall order. Healthy capital markets development requires both TradFi and DeFi to be united while

[32] https://rpc.cfainstitute.org/sites/default/files/-/media/documents/article/position-paper/financial-reporting-disclosures-investor-perspectives-on-transparency-trust-volume.pdf ; https://www.ifrs.org/content/dam/ifrs/resources-for/investors/investor-perspectives/investor-perspectives-sept-2021.pdf
- *A Product Risk Summary, describing the asset's volatility profile, liquidity depth, custody model, and margining regime.*
- *A Venue Integrity Statement, detailing the surveillance protocols, conflict-of-interest policies, and historical enforcement actions.*
- *A Settlement and Custody Overview, explaining how trades are finalized, where assets are held, and what protections exist in the event of failure.*
- *A Participant Impact Analysis, outlining how fees, slippage, and latency may affect execution quality for different user types.*

[33] https://docs.ie.edu/cgc/research/cryptocurrencies/CGC-Cryptocurrencies-and-the-Future-of-Money-Executive-Report.pdf
[34] https://www.linkedin.com/pulse/have-you-seen-quantum-cat-after-digital-asset-crash-kelvin-to
[35] https://www.databoiler.com/index_htm_files/DataBoiler%20SEC%20CAT%20Funding%20202108.pdf
[36] https://www.brookings.edu/events/online-safety-and-digital-content-oversight/
[37] https://iea.org.uk/wp-content/uploads/2016/07/THE%20MYTH%20OF%20SOCIAL%20COST.pdf
[38] https://en.wikipedia.org/wiki/Web3

maintaining positive tensions in the technology arms race.[39] Trust will be earned over time if we can reduce chaos and shape a safer and fair environment for all!

p.s. please also see Annex 1 for our response to the Request For Information (RFI) of US Senate Banking Committee's Digital Asset Market Structure.[40]

Feel free to contact us with any questions and please keep us posted where our expertise might be helpful.

Sincerely,

Kelvin To

Founder and President

Data Boiler Technologies, LLC

This letter is also available at: https://www.DataBoiler.com/index_htm_files/DataBoiler%20CFTC%2020250818.pdf

CC: The Honorable Caroline D. Pham, Chairman of the CFTC
The Honorable Kristin N. Johnson, Commissioner of the CFTC
Mr. Jorge Herrada, Director of the Office of Technology Innovation, CFTC
The Honorable Paul S. Atkins, Chairman of the SEC
The Honorable Hester M. Peirce, Commissioner of the SEC
The Honorable Caroline A. Crenshaw, Commissioner of the SEC
The Honorable Tim Scott (R-SC), Chairman of the US Senate Banking Committee
The Honorable Cynthia Lummis (R-WY), Senator
The Honorable Bill Hagerty (R-TN), Senator
The Honorable Bernie Moreno (R-OH), Senator

[39] https://www.linkedin.com/pulse/improving-trust-amid-race-technologies-kelvin-to-8vxrc/
[40] https://www.banking.senate.gov/imo/media/doc/market_structure_rfi.pdf

ANNEX 1 – Data Boiler's belated response to the US Senate Banking Committee's Digital Asset Market Structure RFI

Regulatory Clarity and Tailoring

1. The proposed legislation aims to provide clarity on how to allocate jurisdiction over digital assets between the CFTC and the SEC. Does the legislation strike the right balance? YES.

a. Should legislation rely on the concept of ancillary assets? If so, is the definition in proposed Section 4B(a) of the Securities Act appropriate? YES. *Does it exclude the right categories of assets?* Should be appropriate, while no one would ever produce an exhaustive list to anticipate every nuance or new development of digital assets.

b. Should legislation rely on existing concepts, such as from SEC v. W.J. Howey Co. (Howey), when defining which digital assets are securities? YES.

c. Should legislation mandate, as under proposed discussion draft Section 105, that the SEC undertake a rulemaking to clarify the definition of "investment contract" as articulated in Howey? If so, how? Leave that to the SEC.

d. Should Congress revisit other terms within the existing definition of security … to accommodate digital assets and to prevent a later SEC from inappropriately construing these terms? We appreciate the Congress' willingness to provide clarity to the definition of security, while we believe *"the offer and sale of securities, as set forth in the Securities Act of 1933 in determining what falls within the ambit of a securities offer and sale is a facts-and-circumstances analysis, utilizing a principles-based framework that has served American companies and American investors well through periods of innovation and change for over* [90] *years."*[41] Better NOT to mess it up, as that may create new problems.

e. Should legislation provide for a specific token taxonomy based on the underlying characteristics of an asset? If so, what approach? How could such a taxonomy remain merit and technology neutral? Leave that to the SEC, CFTC, and other professionals to delineate what rights, obligations, or the absence of such to produce and continuously fine tune on taxonomy matters pertaining to the underlying characteristics of an asset. The agencies and professionals will seek legislators help over time as appropriate.

f. Should legislation clarify the status of certain technology functions that are inherent to the operation of a distributed ledger network? This could include technology functions such as running consensus algorithms, executing smart contracts, or engaging in activities like staking and mining. NO, legislators are not necessarily technologists in distributed ledger technologies. Let the technical professionals manage the technologists. Technology is neutral; ONLY the activities of using it that may induce harm on others should be regulated. Legislators only need to set boundaries on what harmful activities are prohibited.

g. Should existing tokens be grandfathered into a new token classification framework created by Congress? If so, how? Bitcoin (BTC) and Ether (ETH) are widely treated as commodity currently and they have reached critical mass where a vast percentage of Americans already have vested exposure in them. Grandfathered BTC and ETH in the category of Spot Crypto Asset Contracts seem inevitable or practical that we have no objection.

h. How should Congress address alleged violations of sections 5 or 12 of the Securities Act of 1933 arising from offers or sales of digital assets that occurred before the effective date of this Act? Should relief be provided through a

[41] https://www.sec.gov/newsroom/speeches-statements/testimony-virtual-currencies-oversight-role-us-securities-exchange-commission-us-commodity-futures

conditional safe harbor or retroactive exemption, and if so, what compliance or disqualification criteria, if any, should apply? We prefer NO retroactive exemption.

2. The proposed legislation modernizes securities regulations for digital asset activities (i.e., proposed Section 109 of the discussion draft) while preserving the SEC's exemptive authority (i.e., proposed Section 106 of the discussion draft). Should the legislation provide more specific relief in any particular area, such as Regulation Crowdfunding, Regulation A, Regulation D, Rule 144, or frameworks for simple agreements for future tokens (SAFTs), or any other topic referenced in proposed discussion draft Section 109(a)(1) through (a)(5)? It seems sufficient for now.

3. Should legislation consider a mechanism that allows market participants to seek a final determination from the SEC regarding whether a digital asset is a security? If so, how? Final determination should always be the supreme court, unless otherwise be new legislative rules or exempt under the executive branch authority. The SEC has limited authority to make determination under the congress delegated authorities.

4. Should legislation allow market participants the freedom to choose between being subject to SEC jurisdiction or CFTC jurisdiction? If so, how? NO.

Investor Protection

5. What type of information should issuers be required to disclose in connection with digital asset offerings?

a. To what extent is the information specified in proposed Section 4B of the Securities Act overinclusive or underinclusive of what information should be disclosed?

b. What type of ongoing information, such as that under proposed Section 4B, should legislation mandate?

c. How often should ongoing disclosure be required? For example, proposed Section 4B would require semi-annual disclosures.

d. When should ongoing disclosure obligations discontinue? For example, proposed Section 4B of the Securities Act sets forth a mechanism by which disclosure obligations could cease. Does that subsection set forth the appropriate test, or should another test or mechanism be considered?

e. How should the information required be tailored to the size and type of the issuer or offering?

f. Should legislation require a new form for digital asset offerings? If not, what updates should be made to existing forms that are used in connection with traditional securities offerings?

See section 4 (point ii on page 7 in particular) and section 5 (the beginning of page 9 in particular) of this comment letter for our recommendations about disclosure.

6. Proposed Section 4B(h) of the Securities Act would provide the SEC with authority to establish "limitations on the disposition of certain ancillary assets . . ." What, if any, restrictions on the disposition of ancillary assets by related persons or in affiliate transactions should Congress consider? To what extent are conflicts disclosures sufficient?

a. Are the factors in proposed Section 103 for determining whether an ancillary asset "is not under common control by related persons" appropriate? If not, how should they be modified?

The Honorable SEC Commissioner Hester Peirce once said, *"…How difficult it is to distinguish those services in an arms-length relationship with the exchange from similar services provided by unaffiliated providers? There could be ambiguity*

affords the Commission a great deal of power to draw the boundaries as it pleases."[42] We urge policy makers to review the divergence between private rights and social costs,[37] and set appropriate balance/ Pareto condition.

7. How should legislation clarify the role of the Securities Investor Protection Corporation (SIPC) in insolvency proceedings involving broker-dealers that custody both traditional securities and digital assets on behalf of customers?

a. Should SIPC protection apply to digital assets held by broker-dealers? If so, how should it distinguish between digital asset securities and digital asset commodities?

b. Should payment stablecoins receive treatment as a cash equivalent for SIPC purposes?

The current definition in the Securities Investor Protection Act (SIPA) excludes unregistered investment contracts, potentially leaving digital assets not registered with the SEC unprotected, even if considered securities under other laws or held by a SIPC member firm. SIPC protection does not extend to digital assets held by broker-dealers, especially for those classified as commodities or unregistered securities.

Spot Crypto Asset Contracts and Tokens sold via SAFT may be viewed as "non-cashable gambling chips", hence NOT subjected to investor protection over securities trading activities. Legislators may consider setting the future implementation date, effective from 90 days after approval of new legislation that will authorize SIPC to treat covered "Governance token with rights" that function like securities but are yet to be registered to fall within scope of SIPA investor protection before they are properly registered within 180 days of new rule enactment. Anything before the passage of related new law would NOT be protected.

Given the GENIUS Act ties stablecoin reserves to the US Treasuries, and the SEC approved orders[43] to permit in-kind creations and redemptions by authorized participants for crypto asset exchange-traded product (ETP) shares, following the same logic, we think it is okay for payment stablecoins to receive treatment as a cash equivalent for SIPC purposes.

8. How should Congress amend the Bankruptcy Code to address the failure of digital asset intermediaries, and how should such amendments differ based on entity type?

a. Should legislation add a new "digital asset broker" subchapter (similar to the Code's subchapter on commodity brokers)?

b. For broker-dealers, should the Code harmonize with the Securities Investor Protection Act to ensure digital asset commodities held in custody are excluded from the bankruptcy estate?

Instead of focusing on having a robust bankruptcy framework to protect investors and ensure market stability in case of failures of digital asset intermediaries, the emphasis should be on public education. Retail participants engage in permissible spot crypto asset contracts trading on DCMs should NOT come with the expectation of any SEC 17 CFR §242.611 order protection or other "safeguards" under the SEC oversight. Their trades would be susceptible to a highly volatile DCMs environment than the equity markets, where commodities futures and options tend to be speculative that one should understand the difference between the risk of "betting" versus "hedging".

Instead of creating a new "digital asset broker" subchapter with new legislation, CFTC should use existing rules to hold DCMs accountable for overseeing "commodity brokers" whose business practices involve "Spot crypto contracts" and "Ancillary Assets". If a DCM identifies a commodity broker abusively use Bankruptcy protection in manner to close and

[42] https://www.sec.gov/news/public-statement/peirce-statement-wireless-fee-schedule
[43] https://www.sec.gov/newsroom/press-releases/2025-101-sec-permits-kind-creations-redemptions-crypto-etps

resurrect their business in exploiting or causing harms to others, such broker should be banned from the DCM, and they should also be subjected to CFTC's review for license suspension or revocation.

Differing treatment of digital assets across various legal frameworks (securities, commodities, bankruptcy) could create opportunities for regulatory arbitrage, potentially undermining the effectiveness of the proposed harmonization. We oppose the idea of harmonizing the Bankruptcy Code with the Securities Investor Protection Act to ensure digital asset commodities held in custody are excluded from the bankruptcy estate. Spot Crypto Asset Contracts and Tokens sold via SAFT may be viewed as "non-cashable gambling chips", hence NOT subjected to investor protection over securities trading activities. People should be free to choose if they like to visit a casino or which competing casinos may give them a higher betting odd.

9. How else should legislation address investor protection in insolvency proceedings?

Educational programs – bet at your own risks and do NOT expect any government bailing in case of insolvency.

10. Should legislation require digital asset custodians to publish monthly proof of reserves?

Technically, digital asset custodians can provide real-time proof of reserves, while we think a transparency regime of a T+1 tolerance is appropriate and will not be an overburden to the custodian.

Trading Venues and Market Infrastructure

11. How should legislation address centralized intermediaries involved in the trading of digital assets?

a. Should intermediaries be permitted to facilitate the trading of digital asset securities alongside digital asset commodities? YES. *If so, what changes, if any, should Congress consider to accomplish that goal?* In short, we recommend a stackable approach to create a 2-tier hierarchy that is based on long-term betting odds, see section 4 and section 5 of this letter.

b. Should intermediaries be permitted to facilitate the trading of digital assets alongside traditional securities or commodities? YES. *If so, what changes, if any, should Congress consider to accomplish that goal?* Again, we recommend a stackable approach to create a 2-tier hierarchy that is based on long-term betting odds.

c. Should legislation create a new pathway to register intermediaries involved in the trading of digital assets? If so, how? NO

d. What other activities involving digital assets, including digital asset securities and commodities, should intermediaries like broker-dealers, exchanges and alternative trading systems be permitted to engage in? What changes, if any, are required to accommodate those activities? Conflict of interest, cross-subsidization, bundling as way to price discrimination are the typical concerns. For example, the amount of self-regulatory organizations (SROs besides FINRA) should be limited to ONLY those stock exchanges that its betting odds are in the long-term favor of investors (i.e. not unreasonable profit for themselves or subsidizing other non-exchange business, and unused medallion may be stripped upon expiry). The Honorable SEC Commissioner Hester Peirce once said, *"… How difficult it is to distinguish those services in an arms-length relationship with the exchange from similar services provided by unaffiliated providers? There could be ambiguity affords the Commission a great deal of power to draw the boundaries as it pleases."*[42] We urge policy makers to review the divergence between private rights and social costs,[37] and set appropriate balance/ Pareto condition.

12. How should legislation address the role of broker-dealers in the context of digital assets and distributed ledger technology, including any complexities these innovations may pose?

Regardless of the present crypto space or metaverse with quantum hacks, weeding out misbehavior, creating fair, reasonable and non-discriminatory mechanisms to align rights with obligations, and management of private rights with divergence of social costs[37] are top priorities. People want frictionless transitions from the legacy web/ social media platforms to Web3 at presumably "FREE" or justifiable return on investment.[38] It is a tall order. Healthy capital markets development requires both TradFi and DeFi to be united while maintaining positive tensions in the technology arms race.[39] Focus on long-term betting odds. Trust will be earned over time if we can reduce chaos and shape a safer and fair environment for all!

13. How should legislation address the benefits and risks of vertical integration in digital asset markets?

See our response to Q11d and Q12.

14. How should legislation address market structure issues, including whether safeguards such as Regulation NMS, Regulation SCI, the Market Access Rule, or Rule 15c2-11 should apply to centralized digital asset intermediaries to enhance investor protection and market integrity?

In short, we recommend a stackable approach to create a 2-tier hierarchy that is based on long-term betting odds, see section 4 and section 5 of this letter.

Custody

15. What challenges do market participants face relating to the custody of digital assets, and how could legislation address those challenges?

a. Should Congress treat the custody of digital assets that are securities differently than digital assets that are not securities? If so, how?

b. Should Congress treat the custody of digital assets differently than the custody of traditional assets like stocks, bonds, mutual funds, currencies, commodities, and cash? If so, how?

c. What legislative changes, if any, are necessary to address the cold or hot storage of digital assets held in custody on behalf of a client?

d. What types of entities should be permitted to custody digital assets on behalf of clients?

e. What qualifications, regulatory standards, or oversight of custody should be required?

f. What reasonable exceptions to prohibitions on commingling are appropriate?

g. What, if any, changes should Congress consider to preserve the right to self-custody digital assets?

We were previously concerned with stablecoins being unstable because of maturity and liquidity mismatches underpin its structure that similar to money market funds. Also, risk of redemption runs and vulnerabilities of digital assets holding up their value were high. Thankfully, the GENIUS Act ties stablecoin reserves to the US Treasuries. The Act brilliantly breaks free from a previous dilemma, where burning, selling, or using any of the confiscated crypto assets could result in adverse outcomes to the US. Our remaining concern is that some custody platforms operate outside of the US jurisdiction's regulatory perimeter or are not in compliance with applicable laws and regulations is a problem. As cited by the FSB assessment,[44] this presents the potential for concentration of risks, as well as underscoring the lack of transparency on their activities. To assert the US influence over those custody platforms who operate outside of the US jurisdiction, per the

[44] https://www.fsb.org/wp-content/uploads/P160222.pdf

PWG-DAMR, we praise the Congress in *"given FinCEN newer authorities, similar to Section 311, in Section 2313a of the Fentanyl Sanctions Act and Section 9714 of the Combating Russian Money Laundering Act to address primary money laundering concerns in connection to illicit opioid trafficking and Russian illicit finance, respectively. The new authorities are limited to specific areas of money laundering concern but allow FinCEN to prohibit, or impose conditions upon, certain transmittals of funds, as defined by the Secretary of the Treasury, by any domestic financial institution or domestic financial agency. By using 'certain transmittals of funds' instead of 'correspondent or payable-through accounts,' the new authorities can be applied to both traditional finance and digital assets."* When part of the world may not be abiding to the Bretton Woods - US lead formal orders, an effective way for the US to deter de-dollarization movements or other illicit finance activities, is the emergence of informal sub-orders, inclusive of the use of unconventional pressurization and other diplomatic approaches by the US to push foreign nations to go back to the negotiation table. Being pragmatic has long been the US long standing heritage. Please also see recommended custody best practices in section 5 of this letter.

Illicit Finance

16. What laws, requirements, and practices relating to illicit finance and anti-money laundering do digital asset market participants already follow?

a. To what extent are distributed ledger technology and digital assets useful in promoting compliance with anti-money laundering and sanctions laws?

b. What existing supervisory frameworks at the international, federal or state levels address the potential illicit finance risks of digital assets?

Bank Secrecy Act (BSA) & Money Services Business (MSB) designation, Know Your Customer (KYC), Anti-Money Laundering (AML) Compliance Programs, Sanctions Compliance, Collaboration and Information Sharing on Illicit Virtual Asset Notification (IVAN) platform, etc. Technology is only one-third of the race in improving trust. Governance may play a small part in inducing change. To some extent, it may be more effective for the US to use unconventional pressurization and other diplomatic approaches to push foreign nations to abide by the US strongly influenced world orders.

17. How should legislation address illicit finance and anti-money laundering issues as they relate to digital assets?

a. What additional authorities, if any, should Congress provide the Financial Crimes Enforcement Network (FinCEN) and Office of Foreign Assets Control (OFAC) to effectively prevent illicit activities relating to digital assets without restricting responsible innovation?

b. Do digital asset mixers and tumblers warrant special legislative, regulatory or supervisory attention? What are potential ways to combat illicit activities using these technologies while safeguarding privacy rights and free speech?

c. Which digital asset market participants should be considered financial institutions pursuant to the Bank Secrecy Act?

d. To what extent should the President's authority under International Emergency Economic Powers Act apply to digital assets?

e. How could legislation promote the use of digital assets and distributed ledger technology to improve regulatory compliance, either within the digital asset ecosystem or more broadly, including by facilitating compliance with the Bank Secrecy Act and Know Your Customer requirements?

f. What challenges currently exist in identifying, tracking, and addressing instances of pig butchering?

g. What can the U.S. government do with its existing tools and authorities to more aggressively combat pig butchering?

h. What new tools and authorities would help the U.S. government combat pig butchering?

Legislators may consider allocating fundings to support sandbox testing of Digital Assets Platforms, and FinTech vendors in developing new capabilities and advancing surveillance mechanisms in detection, prevention, and mitigation of risks about cheating, lying, and/or stealing. That being said, please do NOT create another Consolidated Audit Trail (CAT), it is a disaster – the outdated design of CAT as a gigantic vault raises Civic concerns about Massive Government Surveillance,[45] post security and privacy threats, and will sink money to a bottomless hole.[46]

Banking

18. Title III of the discussion draft currently contemplates amending the federal banking statutes to explicitly authorize banks to engage in digital asset-related activities such as custody, payments, and lending. Is this clarity necessary and, if so, should any additional activities be included in the definition of permissible banking activities? Is any additional clarity needed that is not in Title III?

To level the playing field between DeFi and TradFi is not wrong. Typical concerns are Conflict of interest, cross-subsidization, bundling as way to price discrimination, etc. TradFi establishments infuse trust into crypto ecosystem while a toll gate to profit or rent seek from flows passing through their infrastructure. That risk of banks' crypto infrastructure business is low and unlikely to affect the overall safety and soundness of financial markets. However, the Dodd-Frank Volcker rule prohibits the largest banks from engaging in proprietary trading, but allows permissible market making, risk hedging, and liquidity management activities. We believe similar logic should apply to permit banks' proprietary trading of digital assets that are deemed "securities". Given Spot Crypto Asset Contracts and Tokens sold via SAFT may be viewed as "non-cashable gambling chips", banks should be refrained from proprietary trading of these kinds of digital assets regardless of their bank size.

19. Must state-chartered depository institutions, which are regulated in a substantially similar manner to insured depository institutions, obtain state-by-state licenses if their activities are limited to payments and custody, and they are prohibited from lending or other credit intermediary activities?

The US has a dual banking system, where States maintain authority to regulate State-chartered institutions. State-chartered depository institutions, even if regulated similarly to insured institutions and restricted to payments and custody activities (prohibited from lending), would still likely be required to obtain state-by-state licenses if operating in multiple states. Should all State laws prohibit non-Federally insured depository institutions from operating within their borders? We defer to the legislators to figure out, but market forces would drive business away from non-Federally insured depository institutions, hence their total number would be reduced. As indicated by the Conference of State Bank Supervisors, state-by-state licensing is still necessary for state-chartered institutions involved in payments and custody, particularly if they lack federal deposit insurance.[47] The Money Transmission Modernization Act requires businesses to be licensed in each state they operate in.[48] State-by-state licensing seems inevitable for money transmission for depository institutions with restricted activities.

20. What, if any, legislative action should be taken to enable traditional financial institutions, such as community banks, to compete in an era of financial technology without harming the safety and soundness of such institutions? Are there certain

[45] https://www.linkedin.com/pulse/cat-outdated-design-since-2012-kelvin-to/
[46] https://www.linkedin.com/pulse/cat-red-tape-burden-everyone-kelvin-to/
[47] https://www.csbs.org/node/542141
[48] https://www.csbs.org/state-financial-regulation-101

supervision reforms that need to be made by the federal financial regulators to encourage innovation at traditional financial institutions?

Encourage traditional community banks to transform and become modernized FinTech is an innovative idea, but the lack of FinTech talents is the problem. What synergy would there be for FinTech to acquire a traditional community bank, or vice versa? Some community banks are cash rich, but FinTech have many financing options and/or access to private credits. So, it is more for revitalizing traditional community banks. Ditching their bank license reduces their compliance burden to be nimble to run a FinTech business if they so choose. Unless legislators and regulators feel comfortable letting community banks transform into investment banks and engage in token issuance and other modern businesses that are outside of their current scope, they lack the scale to compete with their larger counterparts.

A stablecoin boom could affect their traditional business model.[49] The point about having community banks is their ability to mass customize their services and reach to local communities that national banks often hesitate to go local. We envisage that if community banks can facilitate their respective local communities to become regional manufacturing or tech hubs and be the run-point, like hedge funds spined out of G-SIBs during the implementation of Volcker to do what G-SIBs cannot do in an arm-length, then they will be serving their role and earning a living for themselves.

21. Should financial institutions be permitted to rehypothecate digital assets? If so, what changes should be made and what restrictions should be put in place?

Rehypothecation of digital assets is the practice of using assets deposited as collateral for one transaction as collateral for another. This practice increases leveraging the same asset multiple times, potentially increasing liquidity and generating more revenue for the lenders, but it also increases risk. Not all financial institutions have the capacity and expertise to engage in such business and mitigate its risks. We have reservations in letting financial institutions with a general bank or broker license to get into rehypothecate business, unless they are sizable corporate and investment banks – passed CCAR with sufficient adequacy of capital to withstand the risks.

Innovation

22. How should legislation address digital assets that are issued outside of the United States but traded and purchased by United States consumers?

See our response to Q15.

23. In a speech on May 12, 2025,[50] SEC Chairman Paul Atkins mentioned the concept of a "super app" that "offers trading in securities and non-securities and other financial services all under a single roof." Is this a sound public policy concept? If so, what, if any, changes should Congress consider to encourage such interoperability amongst different financial services?

We want to be practical as well as open-minded to consider possibilities of the unconventional. We believe a 2-tier or a dual-track regulatory regime help keep both the DeFi and TradFi intact, where healthy competition will be promoted, bureaucracy and barriers would be minimized and removed. Whether it is a "super app" or not, public policy boils to delineating rights and obligations and whether long-term betting odds are in whose favor without inducing harms to the public.

[49] https://www.americanbanker.com/payments/news/how-a-stablecoin-boom-could-pressure-bank-loans
[50] https://www.sec.gov/newsroom/speeches-statements/atkins-remarks-crypto-roundtable-tokenization-051225-keynote-address-crypto-task-force-roundtable-tokenization

24. What, if any, legal or regulatory barriers to the tokenization of securities or investment funds, including money market funds, exist today?

a. If barriers exist, what changes or clarifications should Congress consider to reduce such barriers?

b. What, if any, changes should Congress consider to facilitate retail access to tokenized money market funds?

Tokenized money market funds offer potential benefits like increased access, liquidity, and efficiency. These must be weighed against significant risks like regulatory uncertainty, volatility, and technological vulnerabilities. As the market matures and regulatory frameworks become clearer, the case for wider retail access will strengthen, but investor education and risk mitigation measures are crucial.

25. How should legislation address interest or yield-bearing digital assets, including stablecoins?

a. Should interest or yield-bearing stablecoins be regulated like money market funds? If so, what, if any, changes should Congress consider to facilitate adoption of such products?

b. Should legislation limit or prohibit the ability of digital asset intermediaries to offer rewards on digital assets, including stablecoins? If so, how?

We support leveraging the existing SEC money market funds rules to regulate such stablecoins activities. The world of business in capitalistic economy runs on incentives that it should NOT be totally ban, but curb conflict of interest and exploitations.

26. What action should market structure legislation take with respect to decentralized finance?

a. How should an exemption for decentralized finance be structured?

b. What changes, if any, should Congress make to prior legislative attempts to structure an exemption for decentralized finance?

We believe a 2-tier or a dual-track regulatory regime help keep both the DeFi and TradFi intact, where healthy competition will be promoted, bureaucracy and barriers would be minimized and removed. See section 3 of this letter for a further discussion.

27. What, if any, action should market structure legislation take with respect to non-fungible tokens?

Given the SEC has expressed that MEME Coins for entertainment and social cultural purposes are NOT securities, then if these "Digital Collectables" do NOT involve CEA regulated commodity options, futures, or leveraged OTC transactions, it would be outside scope of CFTC's oversight. Art is an act of creation. One of the least interesting things about any piece of art is who technically owns it using non-fungible tokens. Congress should remain neutral while supporting the US copyright office to better delineate rights in accordance with this commendable US copyright and AI report.[51]

28. What, if any, action should market structure legislation take with respect to the tokenization of real-world assets?

This world is too complex for us to see the full truth of everything we look at. Simplification is necessary for us to function. The great deceit is – instead of simplifying by recognizing that everything in the end comes down to people, we have simplified by turning everything (e.g., TradFi into DeFi), including people into a commodity or "token".

[51] https://www.copyright.gov/ai/Copyright-and-Artificial-Intelligence-Part-2-Copyrightability-Report.pdf

29. What, if any, action should market structure legislation take with respect to decentralized physical infrastructure networks?

See this regarding the divergence between private rights and social costs[37] due to rent seeking behaviors of infrastructure providers when considering market structure legislation on decentralized physical infrastructure networks (DePIN).

30. Should Congress mandate that the SEC consider whether an action would promote "innovation" when conducting rulemakings, as under Section 107 of the discussion draft?

Financial stability does not necessarily contradict innovation. Often, establishments preserving their own turfs wanted to use financial stability as an excuse to lobby and hold off changes. We are not sure if Section 107 of the discussion draft or introduction of additional requirements to mandate the SEC would help promote innovation. Cutting red tapes would be most helpful in removing barriers.

31. Should Congress create an office at the SEC to be responsible for promoting innovation or designate an existing office as encompassing such duties?

a. Should Congress direct the SEC to dedicate staff or designate an office specifically tasked with guiding innovators across the agency, including by providing timely regulatory answers and assisting with exemptive or no-action relief requests?

There is enough work at the SEC requiring dedicated attention to focus on the innovation matters mentioned. We have no objection to a designated office, as long as the overall SEC budget is not increased.

32. Should legislation encourage interoperability or the development of interoperability across different layer-1 blockchain networks? If so, how?

YES. Promote standards, support research and development by providing fundings, incentivize adoption, as well as provide regulatory clarity with consistency for cross-chain transactions and asset transfers. TECH advancements and increased interconnectedness offer many benefits to society. Whilst it poses new Cybersecurity risks and privacy threats. The world becomes chaotic when authentication techniques cannot discern what to trust or not trust. The internet highway is a "Public" space. It is dominated by Google and other Big TECHs, as well as many Hackers and Foreign Adversaries. Security controls should be embedded in the design of any systems.[52] Minimize data-in-motion.[53] 'Data-in-use' is more vulnerable than 'at-rest.' The more users/ devices access data, the greater the risk hackers may alter/ add/ insert/ use (or reuse) the data abusively. If putting these principles in a broader context of architectural design of the Internet, the concept of having Metaverse[54] makes sense. Crafting out private Quiet Enjoyment[55] spaces from the public internet highway would better delineate: (1) the Authenticity of the People, (2) In-Door Places, and the (3) Ontology of Things.

33. Would a sandbox for distributed ledger technology or other digital assets, including as under proposed Section 401 and Section 404, be useful? YES

a. If so, how should such a sandbox(s) be structured? See point iv of section 4 in page 7 of this letter.

b. Should Congress structure a sandbox to address challenges firms face when engaging in activities in multiple countries or jurisdictions? We welcome the Congress, Department of State, Department of Commerce to assist

[52] https://www.linkedin.com/pulse/cat-through-z-security-privacy-requirements-kelvin-to/
[53] https://www.databoiler.com/index_htm_files/DataBoilerInMotion.pdf
[54] https://en.wikipedia.org/wiki/Metaverse
[55] https://www.amazon.com/Quiet-Enjoyment-Security-Privacy-Networks/dp/1931248125

coordination with foreign counterparts to consider ways to regulate activities in multiple countries or jurisdictions, be it sandbox or other forums. Engaging with public helps.

c. Should Congress structure a sandbox to address issues relating to tokenizing securities? The Honorable SEC Commissioner Hester Peirce have made it clear on her statement about Tokenization of Securities.[56] Congress should entrust her to do the job and hear her recommendations, while I am sure she will listen to all constructive inputs from the Congress, the industry, and the general public.

d. Should Congress create an interstate innovation sandbox that would enable innovative firms to engage in interstate activities without additional licensing or registration? No objection.

e. Should such sandboxes be run jointly with the CFTC or other financial regulatory agencies?

Having the CFTC and the SEC involvement should always be welcome to facilitate proper collaborations between the industry and regulators.

34. What, if anything, should Congress consider to encourage better cooperation between the SEC and CFTC regarding digital asset regulation? Should Congress consider a self-regulatory organization, or something similar, with participation by the SEC and CFTC?

The President Working Group is good. No need to create an SRO, or something similar, with participation by the SEC and CFTC. We despise unnecessary bureaucracies.

Preemption

35. Should federal legislation preempt certain state laws, and if so, how?

Preemption requires universal definitions, while different States may produce different taxonomies. If Congress chooses to preempt State laws, it would be a more difficult task to achieve consensus than revising 15 U.S.C. § 9401(3) for a universal definition of Artificial Intelligence, which we do recommend.[57] For digital assets, we would need to think deeper to contrive that common taxonomy where different States would comfortably agree.

[56] https://www.sec.gov/newsroom/speeches-statements/peirce-statement-tokenized-securities-070925
[57] https://www.databoiler.com/index_htm_files/DataBoiler%20NSFOSTPNITRDNCO%2020250315.pdf