MEMORANDUM

To: Crypto Task Force Meeting Log
From: Crypto Task Force Staff
Re: Meeting with Representatives of the Securities Industry and Financial Markets Association and Cahill Gordon & Reindel LLP

On July 3, 2025, Crypto Task Force Staff met with representatives from the Securities Industry and Financial Markets Association and Cahill Gordon & Reindel LLP.

The topic discussed was approaches to addressing issues related to regulation of crypto assets. Securities Industry and Financial Markets Association and Cahill Gordon & Reindel LLP representatives provided the attached documents, which were discussed during the meeting.

SIFMA would like to request a meeting to follow up on our second response to the Crypto Task Force's Request for Information, which was submitted on June 11, 2025. We propose that the meeting cover our principles-based recommendations on trading and issuance topics, as well as any other issues that the Task Force would like to raise with us.

A summary of our recommendations can be found below and are indicative of the specific issues we would like to cover during the meeting.

Attendees would include:

- Ken Bentsen, SIFMA CEO and President
- Joe Seidel, COO
- Peter Ryan, Managing Director and Head of International Capital Markets and Strategic Initiatives
- Charles DeSimone, Managing Director and Deputy Head of Operations and Technology;
- Kevin Ehrlich, Managing Director, SIFMA Asset Management Group. Steve Byron, Head of Technology and Operations
- Kyle Brandon, Managing Director, Derivatives Policy
- Kevin Ehrlich, Managing Director, SIFMA Asset Management Group
- Ray Mosca, Senior Associate, SIFMA Asset Management Group
- Lewis Cohen, Partner at CahillNXT

We would be happy to conduct the meeting in hybrid format or fully virtual, depending on the Task Force's availability and holiday schedules. Most of the above attendees would be joining virtually.

Digital Asset Issuance

- Broadly, issuer disclosures under the 1933 and 1934 Acts should be extended to new categories of securities transactions.
- Exemptions from '33 Act requirements should be based on established pathways for the issuance of registration-exempt securities and supplemented with guidance to account for the unique features of digital assets and additional disclosures that may be needed.
- Similar disclosures should apply to similar types of digital securities, investment contract assets, and commodities.
- Digital commodities sold in investment contract transactions should be narrowly and clearly defined.
- Direct to retail issuance of SEC regulated products should not be permitted.
- The tailoring of existing disclosure requirements may be appropriate for digital assets.

Trading of Digital Commodities and Tokenized Securities

- The separation of functions and limits on vertical integration must be maintained.
- Competition between, and interoperability of, services providers must be preserved.
- Securities trading regulatory frameworks should be retained wherever securities are traded.
- Recognize the need for securities broker-dealers to participate in non-security digital asset markets to support technical and infrastructure operations.
- Direct retail participation in trading digital securities and commodities should be limited.

Developing a New Legal and Regulatory Frameworks for the Issuance and Trading of Digital Commodities and Tokenized Securities

- The development of new models for the issuance and trading of securities should occur through an open and transparent process.
- Definitions for, and related to, “security” and “digital commodity” are foundational and should be carefully and consistently defined..
- Clear policy rationales must exist for excluding a category from the regulation of trading activity or the provision of trading structure.
- Digital assets legislation and regulatory modernization initiatives should consider technological upgrades to statutory texts holistically.
- Digital assets legislation and associated rulemaking should include provisions governing their cross-border application.
- There should be close coordination in the development of rules for technologically similar digital commodity and digital asset securities.
- Requirements for brokers and dealers should be appropriately tailored.
- Rulemaking should account for transitional and hybrid arrangements.

sifma
Invested in America

June 30, 2025

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Requests for Exemptive Relief from the Federal Securities Laws for Tokenized Equities and Other Digital Assets

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association ("SIFMA")[1] members welcome and appreciate the work the Securities and Exchange Commission ("SEC") is conducting through its Crypto Task Force, led by Commissioner Peirce, to "provide clarity on the application of the federal securities laws to the crypto asset market and to recommend practical policy measures that aim to foster innovation and protect investors."[2] As we have noted, we share the goal of providing greater clarity to market participants engaged in digital assets activities through frameworks that balance responsible innovation and investor protection. It is critical that the SEC continue to pursue its threefold mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation when making policy decisions related to the treatment of digital assets that are securities.

SIFMA members have been reading with significant concern recent reports indicating that certain digital asset firms have submitted requests for immediate no-action or exemptive relief from requirements under the federal securities laws to allow such firms to offer investors the ability to purchase and trade tokenized equities or other digital forms of traditional securities

[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] See (https://www.sec.gov/about/crypto-task-force).

through the firms' platforms.[3] Some of these articles have even suggested that the requested relief would effectively allow such firms to offer customer trading in these products outside of the regulatory structure established by the federal securities laws and from which many critical investor protections flow. For the reasons discussed below, the SEC should reject such requests to make significant changes to the regulatory structure for the securities markets under the federal securities laws through immediate no-action or exemptive relief in lieu of a more substantive notice and comment process.

Executive Summary

As SIFMA noted in its most recent submission to the SEC's Crypto Task Force, structural changes discussed in response to the Crypto Task Force's request for information ("RFI"),[4] such as the listing and trading of new instruments that are considered to be securities, are too important to be addressed via requests for immediate no-action or exemptive relief.[5] The SEC should therefore reject such requests. These types of significant structural changes should be considered and made through an open and transparent process which allows for public notice and comment, oversight, and broad industry engagement to help the Commission and the public to fully understand the policy implications of such changes.[6]

Discussion

In response to the RFI, SIFMA and others have highlighted many important investor protections that are provided under the federal securities laws and the need for these protections to be retained when considering new forms of technology.[7] These include the protections that flow from trading through registered broker-dealers on registered platforms such as national securities exchanges or alternative trading systems ("ATSs"), such as the statutory requirement for broker-dealers to become members of the Financial Industry Regulatory Authority

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[3] See, e.g., (https://www.reuters.com/business/coinbase-seeking-us-sec-approval-offer-blockchain-based-stocks-2025-06-17/).

[4] As outlined in the statement by Commissioner Hester Peirce "There Must be Some Way Out of Here" (February 21, 2025) (https://www.sec.gov/newsroom/speeches-statements/peirce-statement-rfi-022125).

[5] SIFMA and SIFMA AMG response to SEC Crypto Task Force (June 11, 2025) at pp. 9-11 (https://www.sec.gov/files/ctf-written-input-sifma-061125.pdf) (noting that "[c]hanges to market structure through new models for the issuance and trading of securities and other SEC regulated products are too important to be addressed purely through no action processes or exemptive orders").

[6] SIFMA recognizes the value of the no-action process but notes that the SEC has not historically used the process to effect significant policy changes. SIFMA notes, for example, that there is precedent for the SEC to solicit comment on proposed exemptive relief orders. See, e.g., Notice of Proposed Conditional Exemptive Order Granting a Conditional Exemption from the Information Review Requirement of Amended Rule 15c2-11(a)(1)(i) and the Recordkeeping Requirement of Amended Rule 15c2-11(d)(1)(i)(A) under the Securities Exchange Act of 1934 for Certain Publications or Submissions of Broker-Dealer Quotations on an Expert Market, Release No. 34-90769 (Dec. 22, 2020), 86 FR 2311 (Jan. 12, 2021).

[7] SIFMA and SIFMA AMG Comment Letter, supra n. 3.

("FINRA") and be subject to its rules,[8] and SEC rules requiring broker-dealers to protect customer assets.[9] Self-regulatory organizations ("SROs") (i.e., the national securities exchanges and FINRA) under the federal securities laws are charged with serving as the front-line regulators for broker-dealers and they establish many important rules of fair conduct for broker-dealer interactions with investors. These rules, such as FINRA's requirement that broker-dealers provide best execution for customer orders and its prohibition on trading ahead of customer orders, are designed to protect and ensure fair treatment of investors in the securities marketplace. Moreover, because of this regulatory structure, exchanges with a very limited exception are not allowed to own and operate broker-dealers.[10]

Facilitating transactions in equity securities outside of this construct raises fundamental questions as to how investors would be protected and more generally whether the SEC would have the authority to oversee unregistered entities offering tokenized equity trading to investors. Even if the entity were required to register as a broker-dealer, there is the question of whether it would also be required to be a member of FINRA; the lack of such a requirement would mean that investor protections under FINRA rules would not automatically extend to such entities. These are critical policy questions that should be publicly debated through an open and transparent process.

Additional policy questions raised by SIFMA and others in response to the RFI include the application of Regulation National Market System ("Regulation NMS") to the trading of tokenized NMS securities. In our response, we urged the SEC to apply the same requirements that exist today for traditional NMS securities to the trading of tokenized NMS securities. These include the consolidated data dissemination requirements in Regulation NMS, which provide significant public benefits to investors and the market by requiring national best bid and offer and last sale information regarding all NMS securities to be publicly available in real time. Because of this transparency, the U.S. equity markets are the envy of the world and a primary reason why so many companies seek to raise capital in the U.S. Allowing certain entities to operate platforms outside of this framework raises significant policy questions and regulatory arbitrage concerns that should be debated publicly, including whether non-consolidated trading activity could harm investors trading on such platforms by allowing them to execute at worse prices than they otherwise would and whether such trading activity could lead to fragmented and inaccessible pools of liquidity, harming issuers and overall capital formation.[11]

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[8] See Securities Exchange Act of 1934 ("Exchange Act") Section 15(b)(8).

[9] See, e.g., Exchange Act Rule 15c3-3.

[10] Exchanges may own routing brokers to comply with Rule 611 (the Order Protection Rule) under Regulation NMS.

[11] Rather than increasing overall investor choice, these significant changes could lead to decreased liquidity in the traditional stock market by fracturing liquidity into distinct pools not readily accessible by all parties. The SEC could evaluate the desirability and likelihood of these or other outcomes via its typical notice and comment process.

Similarly, the SEC should consider the other policy implications of allowing trading of NMS securities outside of this Regulation NMS framework. These include the possibility that material pricing changes could occur in an NMS stock outside of the consolidated tape, the potential inability of institutional investors (e.g., retirement plans) to access liquidity in certain tokenized equity pools, and the impact of tokenized equity trading on the industry-wide efforts and coordination to provide for 23x5 trading. Policy issues such as these should be publicly evaluated through a notice and comment process.

Another policy question raised by responders to the Crypto Task Force's RFI is how the current Know Your Customer ("KYC") and Anti-Money Laundering ("AML") requirements might apply outside of the traditional regulatory framework, including whether firms would be able to operate without being subject to the same strict KYC/AML requirements to which broker-dealers are subject. As the SEC is aware, many of these requirements were adopted after the September 11, 2001, terror attacks and are designed to prevent financial crimes like money laundering and terrorist financing. Allowing firms to operate without being subject to the same strict KYC/AML requirements could undermine the policy purposes of these requirements and create new opportunities for regulatory arbitrage.

SIFMA therefore urges the SEC to reject the firms' requests for no action or exemptive relief and instead provide for robust public process that allows for meaningful public feedback before it makes any decisions regarding the introduction of new trading and issuance models, as well as other issues that might arise in connection with the SEC's consideration of policy actions in response to the RFI. These policy questions are simply too important to be addressed purely through immediate no-action or exemptive requests, and such requests should be rejected.

Sincerely,

Kenneth E. Bentsen Jr.
President & CEO

Cc:
Hon. Paul S. Atkins, Chairman
Hon. Caroline A. Crenshaw, Commissioner
Hon. Hester M. Peirce, Commissioner
Hon. Mark T. Uyeda, Commissioner

SEC Crypto Task Force: Feedback on the Issuance and Trading of Digital Assets

PRESENTED BY

SIFMA

July 2025

NEW YORK 120 Broadway, 35th Floor | New York N.Y. 10271 | WASHINGTON 1099 New York Avenue, NW, 6th Floor | Washington, D.C. 20001

Agenda

1. Discussion Overview
2. Core Principles for Regulating Digital Assets
3. Digital Assets Issuance
4. Trading of Tokenized Securities and Other Digital Assets
5. Developing a New Legal Framework for Issuance and Trading

1 Discussion Overview

During today's meeting, we would like to focus on the following topics:

- A reiteration of our core principles and a discussion of SIFMA's principles-based recommendations related to the issuance and trading of tokenized securities and other digital assets, as outlined in our June 11th submission to the Task Force.
- SIFMA's input on the possible provision of immediate no action or exemptive relief that could have the effect of reducing or eliminating existing protections for investors under the federal securities laws.
- A brief oral update on SIFMA's ongoing work to develop recommendations related to the capital treatment of non-security digital assets held within a broker-dealer.

2 Core Principles for Regulating Digital Assets

SIFMA is supportive of all efforts to foster responsible innovation in the digital assets sector and realize the many potential benefits of blockchain technology. At the same time, we believe that any new law, regulation or guidance impacting digital asset activity in the securities sector should be designed with the following core principles in mind:

- ***Importance of Robust Investor Protections:*** The same robust investor protections that have long underpinned the strength of the U.S. securities markets must be extended to digital assets market participants.
- ***Build on Existing Regulatory Principles:*** To the extent possible, the SEC should apply existing and well-understood securities regulatory principles to digital asset activity in the securities sector, rather than creating a distinct architecture for this class of assets and transactions. Much of this can be accomplished through the issuance of flexible, principles-based guidance following engagement with market participants, though major structural changes to the securities markets or existing investor protections should occur through a substantive notice-and-comment process.
- ***Apply a Technology-Neutral Approach:*** Innovation and flexible risk-mitigation will be hindered if the SEC mandates specific technologies or architectures. Instead, rules, guidance and other policies should broadly be "technology neutral," meaning that the regulatory treatment should be determined by the underlying risks of a given asset or transaction rather than the underlying technology that is used.
- ***Avoid Regulatory Arbitrage:*** Policies should follow the "same risk, same activity, same regulatory outcome" principle, ensuring that digital asset activity and market participants in the securities sector are subject to regulatory outcomes that are risk appropriate and broadly equivalent to those that apply to traditional assets and market participants.

3 Digital Assets Issuance

Apply Issuer Disclosures Under the '33 and '34 Acts to New Categories of Securities Transactions, but also Tailor Where Appropriate

- Broadly, issuer disclosures under the 1933 and 1934 Acts should be applied to tokenized securities and to "investment contract" transactions involving the sale of any newly created digital asset, as well as to any new categories of securities transactions.

- Offerings with novel technological or operational features may, however, require the disclosure of new types of information. Below is an illustrative list of the types of disclosures that should be provided on both an ongoing basis and at issuance.

Ongoing (should be provided at issuance too)	At issuance
Custody information	Form, nature, chain
Valuation, frequency	Valuation assumptions
Operational, Market, Regulatory, Technological & Counterparty risks	Investment contract status
Ongoing legal proceedings	Regulatory classification
Conflicts of interest	Preferential terms
Compensation agreements	Lock-up periods
Market Access/listings	Token allocations
Liquidity and treasury management	
Exposure levels	
Stress scenarios	
Redemption risks	
Security and financial audits	

- Conversely, SIFMA recognizes that there may be a need to tailor disclosures that apply to traditional assets but may not be relevant to digital assets.

3 Digital Assets Issuance

Exemptions from '33 Act Requirements Should be Based on Existing Pathways and Supplemented with Guidance

- SIFMA recognizes that some fundraising transactions involving the sale of new digital assets may in the future be permitted under frameworks which provide exemptions from '33 Act registration requirements. Should this occur:
  - The SEC should apply established pathways based on existing case law, regulation, and oversight frameworks developed for the issuance of registration-exempt securities to the issuance of digital assets, supplemented with guidance where appropriate. This would be more effective than development of an entirely new framework.
  - SEC Regulations A and D would need to be supplemented through the issuance of guidance which addresses investor protection, suitability, and disclosures specific to fundraising sales of digital assets. More specifically, updated guidance should address the following issues:

Regulation A	Regulation D	Regulations A and D
Digital asset treatment	Form D and on-chain assets	Standardized disclosures
Transfer and custody	General Solicitation	Custody
Ongoing reporting	Resale Restrictions and Rule 144	Tech-neutral compliance
Secondary market compliance	Accredited Investor Verification	
Smart contract integration	Token Distribution Mechanics	

3 Digital Assets Issuance

Digital Commodities Sold under Investment Contract Transactions Should be Narrowly and Clearly Defined

- SIFMA recognizes that there will likely be frameworks for the deployment and distribution of digital assets that have elements of securities transactions, while retaining features (such as in the way the non-security digital assets are traded) that are distinct from the frameworks applicable to both traditional securities as well as tokenized securities.
- Any category of assets in this area must be narrow in scope, drawing on existing tests, new legislation (if passed), and aligned with existing industry taxonomies. It should be supplemented where needed through carefully tailored guidance for any edge case products.
    - The differential between any new issuance framework and existing registration exemption frameworks also must be narrowly drawn. In particular, the amount that can be raised from these offerings should be capped at similar levels to those that apply to traditional exempt offerings. There should also be equivalent/analogous requirements in areas such as audited financials and disclosures.

Direct to Retail Issuance of SEC Regulated Products Should Not be Permitted

- SIFMA does not support direct distribution of SEC-regulated digitally native or tokenized assets to retail investors, preserving the protections offered by a broker as an intermediary.
- While today there are a limited number of cases in which securities can be distributed directly to investors (*e.g.,* crowdfunding models, broker-lite models, direct public offerings, retail bond programs, and distribution via issuer platforms), there are substantial constraints on each which mitigate the risks associated with direct issuance.
    - While there may be opportunities to expand and modernize these programs using blockchain technology, any direct issuance channels for digital assets should replicate the controls these programs have in place, and direct issuance should not be a model that is applied broadly in the securities markets.

4 Trading of Tokenized Securities and Other Digital Assets

Separation of Functions and Limits on Vertical Integration Must be Maintained

- The separation of functions and limits on vertical integration are critical in securities markets (whether traditional or digital) as well as in markets in digital commodities to ensure investor protection and fair and orderly markets. The following are core principles that should apply across-the-board to policymaking in this area:
  - There should be a separation of exchange and broker-dealer functions.
  - Similarly, there should be a separation of trading venue (whether an exchange or ATS) and custodial functions.
  - There should be an extension of existing conflicts of interest principles to any ATS working with digital assets in connection with their affiliated brokers, or when they are affiliated with an issuer.

Competition Between, and Interoperability of, Service Providers Must be Preserved

- Securities markets are characterized today by the competition between, and interoperability of, service providers for securities transactions (*e.g.*, each exchange is interchangeable with another exchange).
  - SIFMA believes that the same competition and interoperability between service providers should also apply to markets in digital commodities that are not securities.
  - Interoperability across different providers needs to be preserved, and platforms should not be able to force clients to exclusively transact with a provider across services.
  - Fungibility of the same class of assets must be preserved. Digital assets should not be chained to a specific service provider or have limitations on their transferability.
  - Competition should be based on a choice of service providers; market participants should not be locked into a single provider of siloed services.

4 Trading of Tokenized Securities and Other Digital Assets

Retain Securities Trading Regulatory Frameworks Wherever Securities are Traded

- SIFMA recognizes that there may in the future be market structure venues (*e.g.,* a "digital ATS") that would be able to offer trading in a range of digital assets.
  - However, the representation of a security on blockchain should not affect existing obligations *e.g.,* tokenized versions of NMS securities should be traded on venues that comply with existing NMS requirements, and blockchain-based trading of non-Regulation NMS securities (such as fixed income or OTC securities) should also be compliant with the relevant trading regulations for those products.
  - If a venue offers trading in both SEC registered securities and non-SEC regulated digital products, existing trading requirements applicable to registered securities should apply to the trading of those securities.

Apply Existing Trading Requirements to Emerging Platforms for Digital Assets

- Key protections that currently apply to SROs should also apply to trading venues for digital securities, including venues that also permit trading in non-security digital commodities and payment stablecoins.
  - These include fair access requirements; requiring rule changes for changes to fees and other key policies; maintaining robust rulebooks; transparency in fees; order book transparency; consolidated best bid/offer and last sale transparency for equities and listed options.
- While not all SRO requirements apply to ATSs at present, any "digital ATS" should be subject to a higher standard given its role in aggregating trading in different types of digital assets / achieving meaningful volume in them, the likelihood of retail participation, and the key role it would play in the market structure for these products.
  - This likely would include new rules providing for clarity on exchange registration and compliance; hybrid custody infrastructure; market surveillance; investor protection; hybrid exchange models; smart contract compliance layers; cross-asset custody; and clearing standards.
- A full list of trading protections that should be preserved for venues that allow trading of digital securities as well as digital commodities is included in SIFMA's June 11th submission (pages 7-8).

4 Trading of Tokenized Securities and Digital Assets

Apply Consistent Oversight Standards for Market Infrastructure SROs

- Any new model for digital asset SROs that provide market infrastructure (trading or clearance services) should meet common minimum standards for governance / transparency and have similar levels of oversight and protection to those required today for SROs.
    - For example, key market functions should not be entrusted to SROs that can make rules through self-certification. Instead, there should be a structured notice-and-comment process for market participants to provide input on rule and process changes.

Recognize the Need for Securities Broker-Dealers to Participate in Non-Security Digital Asset Markets to Support Technical and Infrastructure Operations

- Generally, to participate in trading in tokenized securities, transaction fees to be paid to blockchain validators (*e.g.,* "gas fees" to be paid on the Ethereum network) need to be paid in the blockchain's crypto asset (*e.g.,* ETH for Ethereum). Brokers' ability to participate in this market will hinge on their ability to own and deploy these crypto assets. This type of activity should be exempt from registration requirements through a *de minimis* exemption or other type of safe harbor.

Direct Retail Participation in Trading Digital Securities and Commodities Should be Limited

- Established frameworks for SEC-registered securities largely prevent direct retail participation in securities trading. These restrictions on direct participation in trading also exist with respect to CFTC-regulated commodity futures. SIFMA recommends that routing retail trading of both digital securities and, in most cases, non-security digital assets through intermediaries be maintained.

5 Developing a New Legal Framework for Issuance and Trading

Significant, Structural Changes to the Regulation of the Securities Market Must Occur Through an Open and Transparent Process, Not Through No Action or Exemptive Relief

- SIFMA has generally supported the use of flexible, principles-based guidance and FAQs to provide timely clarity to market participants on specific topics. However, significant, structural changes to the regulation of the securities market must be subject to a substantive notice and comment process.
- In particular, the SEC should reject any request for immediate no-action or exemptive relief that would enable unregistered entities to offer investors the ability to purchase and trade tokenized equities or other forms of traditional securities outside of the regulatory structure established under the federal securities laws.
- As noted, many critical investor protections flow from the existing regulatory structure, including via:
  - Requirements that trading occur through registered broker-dealers on registered platforms such as national securities exchanges or ATSs;
  - The application of FINRA rules governing the fair conduct of broker-dealer interactions with investors;
  - The general prohibition on the ability of exchanges to own and operate broker-dealers;
  - The application of Regulation NMS requirements to the trading of securities, including consolidated data dissemination requirements; and
  - Strict KYC and AML requirements applicable to registered broker-dealers.
- Any consideration of new trading and issuance models that exempts firms from these requirements should only occur through an open and transparent process that allows for meaningful public input and broader industry engagement. Such changes are too important to be addressed purely through the granting of immediate no-action or exemptive requests.