



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

OFFICE OF THE CHAIR

April 9, 2024

The Honorable Patrick McHenry
Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Glenn Thompson
Chairman
Committee on Agriculture
U.S. House of Representatives
1301 Longworth House Office Building
Washington, DC 20515

Dear Chairman McHenry and Chairman Thompson:

Thank you for your letter dated March 26, 2024, concerning Prometheus, Inc.'s (Prometheum) recent announcement that its subsidiary, Prometheum Ember Capital LLC (Prometheum Capital), a Financial Industry Regulatory Authority (FINRA) approved Special Purpose Broker-Dealer (SPBD), will provide custody services for Ethereum's token, Ether (ETH), to institutional clients.

In December 2020, the Commission issued the statement and request for comment entitled Custody of Digital Asset Securities by Special Purpose Broker-Dealers (Crypto Asset Securities Custody Release).¹ In the Crypto Asset Securities Custody Release, the Commission expressed certain concerns regarding the custody of crypto asset securities and the potential ramifications that would result from the loss or theft of crypto asset securities. The period in which the statement and request for comment is in effect will provide the Commission and its staff an opportunity to gain additional insight into the evolving standards and best practices with respect to custody of crypto asset securities. During this five-year period, the Commission will continue to evaluate its position on an ongoing basis and will consider comments to inform any future rulemaking or other Commission action in this area.

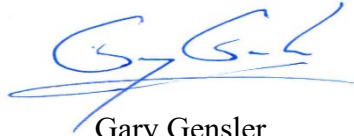
Prometheum Capital has announced that FINRA granted it approval to operate as a special purpose broker-dealer. Before doing business with the public, a broker-dealer generally must become a FINRA member by submitting a new member application to FINRA's Membership Application Program (MAP). FINRA's review of a broker-dealer's new member application is an extensive process. It serves as the gatekeeper to the broker-dealer industry and works to protect investors by ensuring that new firms meet FINRA's standards of admission. The MAP process's ultimate goal is to ensure that each applicant is capable of conducting its business in compliance with applicable rules and regulations, and that its business practices are consistent with just and equitable principles of trade, as required by FINRA rules.

¹ See Custody of Digital Asset Securities by Special Purpose Broker-Dealers, Securities Exchange Act Release No. 90788 (Dec. 23, 2020), 86 FR 11627 (Feb. 26, 2021).

We are aware that Prometheus recently announced plans for Prometheus Capital to provide custodial services for Ethereum's ETH token sometime in the future. I am not privy to any details of Prometheus's future business plans, including whether and under which conditions Prometheus Capital might take actual steps to custody ETH. Accordingly, I cannot respond specifically to certain matters raised in your letter.

Please contact me at (202) 551-2100, or have your staff contact Kevin Burriss, Director of the Office of Legislative and Intergovernmental Affairs, at (202) 551-2010 if you have any questions or comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "G. Gensler", with a horizontal line underneath.

Gary Gensler
Chair

Enclosure: Carbon Copy List

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The Honorable Mark Alford
U.S. House of Representatives

The Honorable Don Bacon
U.S. House of Representatives

The Honorable Andy Barr
U.S. House of Representatives

The Honorable Mike Bost
U.S. House of Representatives

The Honorable Kat Cammack
U.S. House of Representatives

The Honorable Lori Chavez-DeRemer
U.S. House of Representatives

The Honorable Warren Davidson
U.S. House of Representatives

The Honorable Monica De La Cruz
U.S. House of Representatives

The Honorable Byron Donalds
U.S. House of Representatives

The Honorable Tom Emmer
U.S. House of Representatives

The Honorable Randy Feenstra
U.S. House of Representatives

The Honorable Brad Finstad
U.S. House of Representatives

The Honorable Scott Fitzgerald
U.S. House of Representatives

The Honorable Mike Flood
U.S. House of Representatives

The Honorable Andrew Garbarino
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The Honorable J. Hill
U.S. House of Representatives

The Honorable Erin Houchin
U.S. House of Representatives

The Honorable Bill Huizenga
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The Honorable Ronny Jackson
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The Honorable Dusty Johnson
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The Honorable Young Kim
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The Honorable Bryan Steil
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The Honorable William Timmons
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The Honorable Derrick Van Orden
U.S. House of Representatives

The Honorable Ann Wagner
U.S. House of Representatives