



United States House of Representatives
One Hundred Nineteenth Congress
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

March 7, 2025

The Honorable Mark Uyeda
Acting Chair
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

Dear Acting Chair Uyeda:

Over the previous four years, the U.S. Securities and Exchange Commission (SEC) has established itself as one of the primary impediments to the development of digital assets. With your leadership and President Trump's nomination of Paul Atkins to be the next Chair of the Commission, there is renewed hope that the SEC will turn a corner on its outwardly hostile stance toward the digital asset ecosystem. We are pleased that both you and Commissioner Peirce have led the SEC to take important steps toward turning this hope into a reality. We write today to encourage the Commission to take additional steps to remove the inappropriate hurdles put in place by the Biden Administration.

Over the course of just a few weeks, the SEC rescinded SAB 121,¹ formed the SEC's Crypto Task Force,² and withdrew its appeal of a federal judge's decision to vacate the Commission's final rule expanding which entities it considers "a dealer."³ Although the SEC has sent a clear message that it is adopting a different posture towards digital assets, there is more work to be done. As a first step, the SEC should abandon several proposed rules issued by the Biden Administration.

On February 15, 2023, the SEC proposed "Safeguarding Advisory Client Assets," which required that investment advisers with custody of digital assets maintain those assets with a "qualified custodian" while simultaneously casting doubt on the investment adviser's ability to meet this requirement.⁴ In light of your characterization of this proposal as a "no-win" scenario for crypto assets⁵ and Commissioner Peirce's assertion that the proposal "could leave investors

¹ U.S. Securities and Exchange Comm'n, *Staff Accounting Bulletin No. 122* (Jan. 23, 2025)

<https://www.sec.gov/rules-regulations/staff-guidance/staff-accounting-bulletins/staff-accounting-bulletin-122>.

² Press Release, *U.S. Securities and Exchange Comm'n, SEC Crypto 2.0: Acting Chairman Uyeda Announces Formation of New Crypto Task Force*, (Jan. 21, 2025), <https://www.sec.gov/newsroom/press-releases/2025-30>.

³ Carolina Mandl, *US Regulator Withdraws Appeal of Rule on Treasury Markets*, REUTERS, (Feb. 20, 2025) <https://www.reuters.com/markets/us/us-regulator-withdraws-appeal-rule-treasury-markets-2025-02-20/>.

⁴ U.S. Securities and Exchange Comm'n, *Release No. IA-6240, Safeguarding Advisory Client Assets* (Feb. 15, 2023) <https://www.sec.gov/rules/proposed/2023/ia-6240.pdf>.

⁵ SEC Acting Chair Mark T. Uyeda, *Statement on Proposed Rule Regarding the Safeguarding of Advisory Client Assets*, (Feb. 15, 2023) <https://www.sec.gov/newsroom/speeches-statements/uyeda-statement-custody-021523>.

in crypto assets more vulnerable to theft or fraud, not less,”⁶ we urge the SEC to cast this proposal aside and start fresh with any efforts to provide clarity regarding custody requirements for digital assets. In contrast to the Commission’s approach on SAB 121, we request the SEC coordinate your new approach with the prudential regulators.

Additionally, on January 26, 2022, the SEC proposed “Amendments Regarding the Definition of ‘Exchange’ and Alternative Trading Systems (ATSs) That Trade U.S. Treasury and Agency Securities, National Market System (NMS) Stocks, and Other Securities.”⁷ Over a year later, the SEC reopened the proposal’s comment period and included supplemental information around its applicability to the digital asset ecosystem.⁸ Committee Republicans have consistently opposed this proposal, rejecting its attempt to shoehorn the digital asset ecosystem into rules for securities exchanges.⁹ This proposal threatens to subject decentralized finance protocols, and potentially even software developers, to the onerous regulations applicable to securities exchanges, without a legitimate pathway to compliance. As the title of Commissioner Peirce’s dissent to this rulemaking suggests, this proposal would have disastrous implications for the digital asset ecosystem and ultimately render “innovation kaput.”¹⁰ Moreover, as Commissioner Peirce explained, under this rulemaking, the SEC “stretch[es] the statutory definition of ‘exchange’ beyond a reasonable reading to reach a poorly defined set of activities with no evidence that investors will benefit.”¹¹ No longer must the SEC adhere to former Chair Gensler’s personal biases against the digital asset ecosystem. This proposal must also be withdrawn.

Finally, the SEC, as it works to answer many of the questions the Commission’s Crypto Task Force is grappling with, should update the 2019 “Framework for Investment Contract Analysis of Digital Assets.”¹² While the framework identifies several distinct factors and additional sub-factors that should be considered under the *Howey* test as it applies to digital assets, it fails to outline how the factors should be weighed, or the combination of factors that result in a digital asset being subject to securities laws. In a statement, Commissioner Peirce posed several questions that the Task Force is examining related to the security status of digital assets.¹³ As Commissioner Peirce and the Task Force work to find answers to these questions, we are

⁶ SEC Commissioner Hester Peirce, Statement on Safeguarding Client Assets Proposal, (Feb. 15, 2023) <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-custody-021523>.

⁷ Press Release, *SEC Proposes Amendments to Include Significant Treasury Markets Platforms Within Regulation ATS*, (Jan. 26, 2022) <https://www.sec.gov/newsroom/press-releases/2022-10>.

⁸ Press Release, *U.S. Securities and Exchange Comm’n, SEC Reopens Comment Period for Proposed Amendments to Exchange Act Rule 3b-16 and Provides Supplemental Information*, (Apr. 14, 2023) <https://www.sec.gov/news/press-release/2023-77>.

⁹ Letter from the House Committee on Financial Services *Re: File No. S7-02-22, Reopening of Comment Period for Amendments to Exchange Act Rule 3b-16 Regarding the Definition of “Exchange”*

¹⁰ SEC Commissioner Hester Peirce, *Rendering Innovation Kaput: Statement on Amending the Definition of Exchange*, (Apr. 14, 2023) <https://www.sec.gov/newsroom/speeches-statements/peirce-rendering-innovation-2023-04-12>.

¹¹ *Id.*

¹² *U.S. Securities and Exchange Comm’n Framework for “Investment Contract” Analysis of Digital Assets*, https://www.sec.gov/corpfin/framework-investment-contract-analysis-digital-assets#_edn1.

¹³ SEC Commissioner Hester Peirce, *There Must Be Some Way Out of Here*, (Feb 21, 2025) <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-rfi-022125>.

confident the SEC will have the necessary clarity to update this guidance and account for any ambiguity or uncertainty when determining whether a digital asset qualifies as a security.

Thank you for the work that you have already done to right the wrongs of former Chair Gensler's SEC. We feel strongly that the SEC—by abandoning the aforementioned proposals and modifying the 2019 guidance—can continue this upward trajectory. The House Committee on Financial Services Republicans stand ready to support the SEC by advancing legislation that establishes a clear legal framework for digital asset classification. Together, we can cement the United States as the global leader in blockchain technology.

Sincerely,



French Hill
Chairman, Committee on Financial Services



Bryan Steil
Chairman, Subcommittee on Digital Assets,
Financial Technology and Artificial Intelligence



Ann Wagner
Chairman, Subcommittee on Capital Markets

cc: The Honorable Hester Peirce, Commissioner, U.S. Securities and Exchange Commission
The Honorable Maxine Waters, Ranking Member