



EMAIL SUBMISSION TO: MarketStructure_RFI@banking.senate.gov

To whom it may concern,

**Re: Senate Banking, Housing & Urban Affairs Committee Market Structure Discussion Draft,
Issue Request for Information (RFI)**

About Global Digital Finance (GDF)

GDF is the leading global members association advocating and accelerating the adoption of best practices for crypto and digital assets. GDF's mission is to promote and facilitate greater adoption of market standards for digital assets through the development of best practices and governance standards by convening industry, policymakers, and regulators.

The input to this response has been curated through a series of member discussions, industry engagement, and previous engagement with global regulators over the years and GDF is grateful to its members who have taken part.

As always, GDF remains at your disposal for any further questions or clarifications you may have, and we would welcome a meeting with you to further discuss these matters in more detail with our members.

Yours faithfully,
Elise Soucie Watts – Executive Director – GDF

Response to RFI: Introductory Remarks

GDF welcomes the opportunity to respond to the Senate Banking Committee’s Request for Information on digital asset market structure. We are strongly supportive of efforts by Congress to establish a clear, proportionate, and globally interoperable regulatory framework for digital assets. We believe that the proposals as set out work to promote technology-neutral global standards that respect the right to use public blockchain networks and self-custody wallets.

Ensuring a robust foundation for digital asset markets in the United States is not only critical to maintaining financial stability and market integrity, but also essential to unlocking innovation and ensuring the United States remains competitive in shaping the future of financial services. The digital asset sector is now a central pillar of the next-generation financial system and, with the right guardrails, has the potential to enhance efficiency, resilience, and inclusion across global markets.

To date, the absence of a coherent digital asset market structure has resulted in regulatory fragmentation, legal uncertainty, and inconsistent enforcement, which have collectively hindered responsible innovation and limited U.S. competitiveness. A clear, proportionate, and forward-looking framework is therefore essential, not only to protect investors and maintain market integrity, but also to provide the legal certainty that entrepreneurs, institutions, and developers need to innovate and build within the United States rather than offshore.

We are particularly encouraged by the inclusion of Sections 401 and 404 in the Committee’s discussion draft, which appropriately recognize the importance of international regulatory alignment, mutual recognition pathways, and cross-border experimentation through regulatory sandboxes. We believe that the provisions in 404 on International Cooperation align with the policy direction of the January 2025 Executive Order and subsequent White House statements on preserving U.S. digital asset leadership, protecting economic liberty, and rejecting central bank digital currency (CBDC)-based models as incompatible with U.S. values. The provisions in 404 also echo key GENIUS Act provisions, particularly Section 3(b)(2), which requires reciprocal arrangements with foreign jurisdictions for foreign stablecoin market access in the United States.

We would also note that in addition to aligning with the specific provisions in GENIUS act, many foreign jurisdictions impose registration, licensing, or disclosure barriers that de facto restrict access to U.S. based firms. Requiring reciprocity creates leverage to reduce those barriers, enabling the industry to scale globally. Interoperability and global regulatory alignment should not be seen as a constraint on U.S. sovereignty. To the contrary, it is a means of reinforcing it, ensuring that U.S. standards, values, and institutions shape the international rulebook for digital assets. In this context, U.S. leadership is not optional; it is a strategic imperative.

These mechanisms are essential for reducing fragmentation, promoting innovation, and ensuring consistent oversight across jurisdictions. The crypto and digital asset industry cannot scale without global coordination and the United States has a vital leadership role to play in forging reciprocal frameworks with like-minded regulators. In this submission, we have drawn on insights from our global membership and our ongoing regulatory engagement to outline our strong support for a framework that is principle-based, internationally aligned, and fit for the future.

Targeted Responses to RFI Questions

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?

Overall, GDF is supportive of the proposed balance struck between CFTC and SEC regulatory frameworks. However, we would propose additional clarification with regards to the below issues:

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? Does it exclude the right categories of assets?

Overall, we believe that the proposed legislation takes a meaningful step toward resolving longstanding ambiguity over how digital assets are treated under federal securities and commodities laws. By introducing the concept of ancillary assets, directing the SEC to clarify the scope of the “investment contract” definition under Howey and preserving agency collaboration, the draft strikes a workable and commercially viable balance, provided that key definitions and rulemaking processes are tightly scoped and clearly implemented. We believe further clarification would be beneficial on the below point:

Clarifying Obligations for Existing Companies and Past Exempt Offerings

GDF encourages further refinement of the proposed legislation to provide clarity regarding the ongoing obligations of existing companies that are no longer engaged in the sale of “ancillary assets” that is, assets previously sold solely in connection with investment contracts. In particular, the legislation should address the status of issuers who conducted token sales or fundraising activities under exemptions not explicitly contemplated by the Discussion Draft, including but not limited to Regulation D, Regulation S, or pre-framework interpretations of securities law.

This is especially important for firms that are now focused on operating or maintaining functional networks but remain exposed to legal uncertainty stemming from historic fundraising activity. Without

clear transitional provisions or defined compliance pathways, such projects may face retrospective liability or barriers to continued operations, even where they have acted in good faith and sought to comply with the law as it was understood at the time.

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.

GDF believes that legislation should explicitly clarify that technological functions inherent to the operation of a distributed ledger network, such as mining, staking, running nodes or deploying smart contracts, are not in themselves regulated financial activities. We firmly believe that market structure legislation is meant to address financial activity, not technological functions. Without this clarity, there is a material risk that developers, validators, or infrastructure providers could face liability as unregistered broker-dealers, money transmitters or issuers based on non-financial conduct.

Drawing from international policy discussions, which emphasize the need to distinguish between protocol-level actors and service providers with discretionary control, we recommend statutory carve-outs for:

- Passive protocol validators (e.g., stakers or miners not involved in offering or selling tokens);
- Smart contract authors lacking ongoing control;
- Open-source developers not exercising economic agency.

Such safe harbors would align with the principle of “same activity, same risk, same regulation” championed by IOSCO and prevent chilling effects on open-source innovation. Subsequent rulemaking should include a proportionate risk-based approach to operational resilience that builds on existing legislation.

For example, GDF developed a report¹ with GFMA in 2024 on smart contract certification. The report encourages industry participants and policymakers to leverage existing technology and operational risk frameworks to mitigate risks associated with smart contracts. It proposes applying these established frameworks to six core principles designed to guide best practices in smart contract implementation:

1. Develop and grow internal risk and control and compliance function with appropriate resources
2. Establish a clear and proportionate response mechanism/policy

¹ <https://www.gdf.io/wp-content/uploads/2020/12/gfma-gdf-smart-contract-primer-report-2024.pdf>

3. Standardize requirements for smart contract audits, focusing on completeness and robustness while working towards a template-based approach for broader smart contract standardization
4. Ensure smart contracts are written in clear, well-documented code that is easy to understand and audit
5. Extensively test smart contracts before deployment using various scenarios and stress tests
6. Implement strong access controls to restrict who can modify or interact with the smart contract

While the report focused specifically on smart contracts, these principles, as well as existing regulatory requirements for mitigating operational risks, can be applied to technology functions more broadly. Addressing these risks through existing frameworks, rather than introducing new bespoke legislation, may be more effective and future-proof given the rapid evolution of the industry.

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 conditional safe harbor or retroactive exemption, and if so, what compliance or disqualification criteria, if any, should apply?

GDF believes that the legislation should include a clearly defined safe harbor or conditional retroactive exemption for issuers who previously conducted offers or sales of digital assets prior to the enactment of the new regime. Such a provision would bring much-needed certainty to the market, reduce legal ambiguity, and allow regulatory resources to be focused on future compliance rather than retrospective enforcement.

Any such safe harbor should include clear eligibility criteria and reasonable disqualification thresholds (e.g., fraud, ongoing non-compliance, or investor harm). Where applicable, issuers could be required to meet defined post-offering disclosure obligations or engage with the SEC to regularize their status. This would help balance accountability with fairness and provide a pragmatic path forward for legacy projects transitioning into the new framework.

A forward-looking, conditional safe harbor would not only reduce litigation risk but also support innovation, investor protection, and the sustainable growth of the U.S. digital asset ecosystem. It would also align with broader regulatory principles around good-faith compliance and proportionality in enforcement.

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?

Yes, GDF believes it would be beneficial for legislation to establish a clear mechanism through which market participants can seek a determination from the SEC regarding the security status of a digital asset.

Furthermore, GDF believes that legislative certainty would be significantly enhanced by creating a formal process for digital asset issuers or intermediaries to seek a binding classification ruling from the SEC on whether an asset is a security. We propose a Digital Asset No-Action Determination Procedure, with the following characteristics:

- **Petition Process:** A party may submit a petition with supporting materials (e.g., tokenomics, governance, utility, decentralization metrics).
- **Time-Bound Review:** The SEC must respond within 90 days. Failure to respond within that timeframe would result in a presumption of non-security status, rebuttable only with cause.
- **Binding Effect:** An affirmative determination would bind the SEC unless future material changes occur.
- **Appeals Mechanism:** Parties may appeal negative determinations to an administrative panel or federal court.

U.S. law would benefit from a transparent, timely and accountable classification mechanism to reduce reliance on costly enforcement precedent and post-hoc litigation.

4. Should legislation allow market participants the freedom to choose between being subject to SEC jurisdiction or CFTC jurisdiction? If so, how?

While GDF supports the balance struck in the draft legislation between the CFTC and SEC, we note the absence of clarity regarding the potential obligations of digital asset issuers or other market participants to the CFTC outside of the proposed ancillary asset framework. We understand that further detail may be introduced in subsequent drafts and would welcome the opportunity to provide specific feedback once such provisions are available.

At a high level, we would encourage Congress to consider establishing a parallel mechanism under CFTC jurisdiction that would allow digital asset issuers to self-certify that an asset is a commodity. If such a certification is not challenged by the CFTC within a defined period, it should carry a rebuttable presumption that the asset is not a security for the purposes of SEC oversight. This would provide market participants with much-needed certainty and allow projects that are selling usable digital products on functional, decentralized networks to access the market without triggering unintended securities law implications. Such a pathway would be consistent with the principles of regulatory clarity, proportionality, and functional alignment that underpin the proposed framework. Overall, we believe it is critical for the

final legislation to set out clear boundaries between SEC and CFTC jurisdiction and that jurisdiction should be determined by clear, objective characteristics of the digital asset or activity, not subjective or politicized agency discretion.

Congress could empower a Digital Asset Coordination Council, including both SEC and CFTC, to manage edge cases and dispute resolution. This preserves the integrity of each agency’s mandate while ensuring the regulatory perimeter evolves in a consistent and technology-neutral fashion.

Importance of Section 402: Blockchain Regulatory Certainty

GDF is also strongly supportive of the inclusion of Section 402 (the “Blockchain Regulatory Certainty Act”) in the discussion draft. Codifying that individuals who develop software, operate network nodes, or provide protocol-level infrastructure are not deemed money transmitters is a critical step toward ensuring that innovation at the protocol layer is not inadvertently subject to financial services regulation.

Drawing a clear distinction between custodial financial services and non-custodial infrastructure provision is essential for protecting open-source developers, node operators, and infrastructure providers from inappropriate regulatory burden. Such clarity preserves the foundational principles of public blockchain networks, supports innovation, and aligns with international best practice. It also enhances legal certainty in areas where current federal and state interpretations remain inconsistent.

Investor Protection

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

Overall, our key views on disclosures are reflected in the following principles. These principles are consistent with global best practices and the positions GDF has advocated for in other major markets, including the UK and EU. The core principles for disclosures include the following:

- (a) Disclosure requirements for issuers should be proportionate and flexible enough to account for the differing risk profiles of various cryptoasset typologies;
- (b) Disclosure documents should focus on information which is most relevant to consumers purchasing each relevant typology of cryptoassets. They should not be required to include the same level of detail or lengthy typically required in a prospectus for transferable securities;
- (c) Disclosure requirements should be subject to appropriate exemptions and not more narrow than the exemptions which apply to transferable securities and the existing regime;

(d) Disclosure requirements should be less stringent where firms admit only accredited investors/qualified purchasers and/or eligible counterparties as members (market segmentation);

(e) Public offer definitions should ensure that over the counter (OTC) trades and secondary market trades are not included in the definition; and

(f) Appropriate transitional provisions and disclosure requirements should apply to cryptoassets already admitted to trading by US firms at the time that the new regime takes effect.

These principles are continued under the section relating to ‘Trading Venues & Intermediaries’.

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?

GDF is generally supportive of the information currently specified. We believe that it is important for firms to maintain appropriate systems and controls to meet these requirements, including the ability to monitor orders, transactions, and other activities, which is tailored to the nature and scale of the business. However, it is also important to recognize that in crypto markets, much of the critical information is often already publicly available so it will be important for requirements to not create information asymmetry for investors.

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

GDF would agree that ongoing disclosures can provide valuable complementary insights into a crypto asset's progress, health, and trajectory. This could include:

1. Regular Development Updates and Roadmap Progress;
2. Community and Ecosystem Growth Metrics;
3. Network Activity and Usage Data;
4. Regular Governance and Treasury Updates for Decentralised Projects; and
5. Disclosure of Security Audits and Bug Bounty Program Status.

However, we also believe that there may be a balance to be struck between having specific information publicly available on website instead of having overly expansive requirements ongoing disclosures, which can add a significant compliance burden.

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

We believe that semi-annual disclosures are a reasonable requirement.

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

While not necessarily specific to the size and type of issuer, GDF notes that it is important to recognize the different needs of various types of customers and where adjustments may be needed for each type of customer profile (e.g., professional, retail).

7.

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

Yes, GDF strongly supports payment stablecoins being treated as cash equivalents for SIPC purposes. In general, it is critical that payment stablecoins are treated as cash equivalents in regulatory, accounting, and settlement frameworks to reflect their core economic function. Unlike cryptoassets, these instruments are expressly designed to replicate the key features of fiat money, acting as a medium of exchange, unit of account, and store of value. Across use cases such as on-chain settlement, tokenised asset markets, and cross-border payments, stablecoins increasingly operate as the cash leg of digital transactions. Recognizing them as cash equivalents is therefore essential to avoid artificial distortions in financial reporting, reduce operational inefficiencies, and enable their use within automated and programmable financial infrastructure. GDF has consistently highlighted that the classification of stablecoins should be grounded in their use and risk profile, not the technology or form of issuance.

Failure to treat stablecoins as cash equivalents risks creating disproportionate regulatory burdens and legal uncertainty. Misclassification, such as treating them as securities or investment instruments, can result in duplicative capital requirements, unnecessary intermediation, and fragmented liquidity, undermining the US's goal of becoming a global hub for crypto and digital assets. It may also hinder adoption by financial institutions and restrict the development of smart contract-based markets where settlement finality, interoperability, and liquidity are critical. To support innovation, maintain global consistency, and align with the principles set out in the recently passed GENUS Act, stablecoins that meet robust standards for redemption, reserve backing, and operational resilience should be treated equivalently to cash or e-money under U.S. and international frameworks.

Clarifying Liability Boundaries for Payment Stablecoin Issuers and Intermediaries

GDF welcomes the inclusion of tailored provisions for payment stablecoins under the draft legislation. However, we note that the current language in Section 204(b) may inadvertently create legal uncertainty by implying that issuers or intermediaries could bear liability for downstream activity occurring after a stablecoin has left their platform. This would represent a significant departure from established legal norms governing financial intermediaries and may have a chilling effect on participation in stablecoin issuance and distribution.

The legislation should clearly state that payment stablecoin issuers and intermediaries are not liable for transactions that occur once the asset has left their control. Under existing practice, intermediaries routinely use blockchain analytics to monitor broader activity on public ledgers, including for off-platform behavior, and they cooperate with law enforcement through the filing of Suspicious Activity Reports (SARs) or other lawful mechanisms. Additionally, GENIUS already provides an appropriate legal framework for compliance with law enforcement directives.

Maintaining a clear boundary of liability is critical to ensure that stablecoin issuers can operate within a defined risk perimeter, without assuming responsibility for all subsequent network activity that is beyond their control.

Trading Venues and Market Infrastructure

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

Broader Principles with Regards to Intermediaries

Below are some key principles continued below which can apply regardless of entity type:

- (a) With the exception of circumstances where firms are responsible for preparing and issuing the disclosure document, entities shouldn't be liable for misrepresentations in disclosure documents;
- (b) The systems, controls, and surveillance requirements applicable to trading venues should be risk- and outcomes-based but be flexible enough to allow trading venues to determine the appropriate measures based on their specific market segment and the risk profile of the assets they admitted to trading. Given the increased responsibilities placed on trading venues to monitor and prevent market abuse, safeguards are needed to protect trading firms from unfair or inappropriate treatment by trading venues;
- (c) The systems, controls, and surveillance requirements applicable to non-trading venue intermediaries should be confined to proprietary trading activities. Given the vital role that market makers and liquidity

providers play in facilitating price discovery, market liquidity, and orderly markets more broadly, the regulatory regime should avoid creating disincentives for these participants; and

(d) Trading venues should be responsible for monitoring trading in their venues to detect and address market abuse risks. However, they should not be liable for specific instances of market abuse or suspected market abuse unless there are material failings in their systems and controls.

Treatment of Stablecoins in Trading Environments

GDF supports the inclusion of payment stablecoins within the scope of assets that may be traded alongside traditional securities, ancillary assets, and digital commodities. However, stablecoins should not be subject to regulation by the SEC or CFTC unless the specific transaction at issue gives rise to a security or commodity interest. Regulatory clarity on this point is essential to avoid inappropriate classification and ensure that stablecoins can serve their intended function as a digital cash equivalent across market environments.

Consistent with the approach taken in the GENIUS Act, legislation should reaffirm that payment stablecoins are not securities. As such, they should be treated analogously to cash for the purposes of existing regulatory frameworks applicable to securities intermediaries, including net capital requirements, SIPC coverage, and customer asset segregation rules. Preserving this treatment will help avoid duplicative oversight, promote consistency across financial instruments, and support the integration of stablecoins into broader market infrastructure.

Custody

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

GDF would like to share, as background, two of our reports which focus specifically on digital asset custody. The reports provide a comprehensive analysis of the specific considerations associated with digital custody as well as insights into how the market is evolving:

- [Building the Foundations of Trust: Evolving the Role of Custody in the Tokenization of Real-World Assets](#)
- [Digital Asset Custody Deciphered: A Primer to Navigating the Challenges of Safeguarding Digital Assets](#)

Additionally, as an overarching point we would also note that GDF encourages Congress to address the fragmented patchwork of state-level regulation that currently applies to digital asset custody by

establishing clear federal preemption of conflicting or duplicative host state laws. The lack of harmonisation across jurisdictions has led to operational inefficiencies, inconsistent supervisory expectations, and legal uncertainty for custodians seeking to serve clients across multiple states. A uniform federal baseline would provide greater clarity, reduce compliance burdens, and enhance investor protections through consistent oversight.

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

GDF believes that securities custody should remain subject to existing SEC safeguards under Rule 15c3-3, while allowing flexibility for new risk-mitigation proportionate to the fundamentally different security objective of safekeeping private key materials. This is particularly true in terms of operational resiliency and cybersecurity requirements. Congress could also consider:

- Amending the Securities Exchange Act or introducing a custody-specific subchapter to clearly delineate roles, responsibilities, and custody standards for both categories.
- Leveraging the UCC Article 12 framework, which already provides a dual pathway for treating assets as financial assets or controllable electronic records, depending on the asset type.

GDF supports differential treatment for the custody of digital assets that do not constitute securities. In particular, custodians of such assets should not be subject to restrictions similar to those found in Regulation R, which limits the ability of banks to engage in certain securities-related activities. Applying such limitations to non-security digital assets would be inappropriate and would constrain the development of innovative custody models that reflect the unique technological characteristics of these instruments. A tailored, technology-neutral framework that focuses on operational integrity, segregation, and risk management is more appropriate than repurposing securities-based constraints. While the custody of digital assets that are not securities could be subject to the same cybersecurity risks, and subsequent risk-mitigations, we recommend that the prudential and consumer protection regulatory treatment of digital assets align with the treatment of securities and commodities, respectively, depending on the digital assets' classification as either, or differing if neither is applicable.

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?

In some aspects, custody of digital assets introduces new risks, calling for new rules. Custody of digital assets introduces fundamentally different operational and technological risks - notably the reliance on private key infrastructure, smart contracts, and real-time settlement mechanisms.

In other aspects, namely investor protection, risks and outcomes should be equivalent, and considerations

around bankruptcy remoteness and certainty in property rights remain paramount regardless of technology stack. Congress should focus on functional equivalence rather than structural similarity.

Legislation could:

- Recognize that custody of digital assets essentially constitutes control and safekeeping of key materials, and codify safe practices accordingly (e.g., key sharding, MPC, account abstraction).

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?

GDF would propose for Congress to issue clear, risk-calibrated minimum requirements for hot, warm, and cold storage configurations, including:

- Minimum cybersecurity standards,
- Insurance coverage expectations, and
- Conditions for partial capital relief where risk is mitigated by use of cold or MPC-based storage.

As the legislation moves to rulemaking GDF would propose to codify best practices for key generation, storage, and recovery, building on industry-accepted frameworks.

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

GDF believes that any entity that can demonstrate compliance with high standards of risk management, segregation, auditability, and investor protection should be eligible to serve as a digital asset custodian.

This should explicitly include state-licensed money transmitters and state-chartered trusts, many of which already safeguard billions of dollars in client funds. Excluding such entities would undermine the regulatory progress made at the state level, reduce market competition, and restrict consumer access to trusted custody solutions.

Congress should not mandate a banking charter as a prerequisite, but instead legislate a technology-neutral, risk-based framework that aligns with functional responsibilities and systemic relevance.

Importantly, legislation should support competition and innovation by allowing digital-native custodians to participate alongside traditional financial institutions, provided they meet the same regulatory standards. A risk-based, functionally aligned eligibility framework would allow traditional and digital-native custodians to coexist under consistent regulatory expectations.

Banking

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?

GDF believes that to promote consistency and competitive neutrality, we recommend that legislation adopt the GENIUS Act’s concept of “Home State” authorization. This framework would allow entities, whether state-chartered or federally chartered—to operate on a level playing field across jurisdictions, subject to oversight by their primary regulator.

Establishing a Home State model for digital asset activity would foster regulatory certainty, reduce duplicative licensing burdens, and support a more unified national market for crypto-related financial services. It would also reinforce the principle of functional parity between state and federal charters, helping to avoid fragmentation and regulatory arbitrage while preserving robust standards for consumer protection and prudential supervision.

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?

GDF recommends that any legislative requirements relating to payment stablecoins be applied consistently across both bank and non-bank issuers. As reflected in the GENIUS Act, a harmonized approach, where banks and non-banks are subject to the same core obligations regarding redemption rights, reserve backing, and operational resilience, helps promote clarity, reduce regulatory arbitrage, and reinforce market confidence.

Divergent requirements risk creating confusion among users and counterparties as to the stability, safety, and legal treatment of a given stablecoin. Without consistent standards, token holders may be uncertain about the redemption rights attached to different instruments, undermining trust, and impairing adoption. A level playing field ensures that similar risks are regulated similarly, regardless of charter type, and supports a more coherent and competitive stablecoin ecosystem within the United States.

Innovation

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

GDF is strongly supportive of Section 404 as drafted and believes that pursuing structured international cooperation is the most effective and proportionate approach to addressing the treatment of digital assets issued outside the United States but made available to U.S. consumers. Digital asset markets are inherently global in nature, with cross-border issuance, decentralised protocols, and international user bases forming the foundation of the ecosystem. As such, any effort to regulate offshore tokens through unilateral measures would risk fragmentation, legal uncertainty, and inconsistent outcomes that ultimately undermine both investor protection and market integrity. GDF has long advocated for interoperable regulatory frameworks that are technology-neutral, function-based, and grounded in cross-border mutual recognition.

Section 404 rightly acknowledges that domestic enforcement alone cannot fully mitigate risks posed by foreign-issued tokens and instead offers a path toward deeper bilateral and multilateral engagement. This is aligned with broader global efforts under the FSB, IOSCO, and BIS to ensure that emerging digital asset regulations support financial stability, transparency, and responsible innovation. GDF believes that the United States should prioritize regulatory dialogue and alignment with jurisdictions such as the UK, EU, Singapore, and the UAE, many of which are implementing bespoke digital asset regimes with clear perimeter definitions, tiered risk approaches, and stablecoin frameworks that could serve as a basis for mutual understanding. Such cooperation would enable U.S. regulators to access supervisory information, establish enforcement channels, and assess systemic risk without resorting to extraterritorial overreach.

Importantly, international cooperation is also the most viable way to enable the safe scaling of digital finance. If the United States imposes duplicative requirements on tokens already issued under credible overseas frameworks, it could disincentivize responsible issuers from engaging with the U.S. market altogether. This would reduce market access for U.S. consumers, drive activity offshore, and hinder the broader policy objective of bringing digital assets within a regulated perimeter. Conversely, through memoranda of understanding, regulatory equivalence assessments, and cooperative supervision, the United States can support the development of trusted cross-border digital assets that enhance competition, efficiency, and innovation while maintaining high standards for disclosure, governance, and risk management.

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?

GDF welcomes the growing momentum behind tokenisation initiatives but notes that several material barriers continue to constrain scalable adoption. These challenges span legal, operational, and market structure considerations and require a coordinated regulatory response to unlock broader deployment.

(1) Market Liquidity and Participation

Secondary market liquidity for tokenised securities remains limited. Issuers cite distribution and onboarding friction, while investors face unclear exit pathways. Regulatory support for the development of broker-dealer networks, compliant market-making protocols, and post-trade settlement solutions is needed to enable meaningful price discovery and wider adoption. Without this, tokenised instruments risk remaining confined to private or pilot networks with limited commercial utility.

(2) Interoperability and Infrastructure Fragmentation

Most tokenisation platforms remain siloed, with private-permissioned ledgers dominating early use cases. Cross-platform delivery-versus-payment (DvP), asset composability, and smart contract standardization remain underdeveloped. Initiatives such as the Common Domain Model, SWIFT's cross-chain messaging, and Layer 2 solutions are promising, but require further regulatory endorsement and industry-wide adoption to support scalable deployment.

(3) Custody and Operational Readiness

Custody infrastructure for tokenised assets remains fragmented across jurisdictions. While some global custodians have developed digital servicing capabilities, these are uneven and often asset specific. Additional clarity is needed around smart contract governance, wallet permissions, and regulatory reporting standards to ensure firms can integrate tokenised workflows into legacy systems securely and compliantly.

(4) Legal Certainty and Cross-Border Compatibility

Legal recognition of digital-native asset ownership and the enforceability of smart contracts remains inconsistent across jurisdictions. While sandbox regimes and digital asset statutes in markets like the UK, EU, Switzerland, and Singapore are encouraging, global legal fragmentation continues to slow institutional confidence and cross-border deployment. A key priority should be the development of consistent legal frameworks for digital securities and fund units across aligned jurisdictions.

(5) Cost-to-Operate and Strategic Misalignment

The up-front cost of transitioning to tokenised infrastructure remains significant. In many cases, firms face parallel system maintenance, unclear return-on-investment benchmarks, and internal hesitation, particularly where business models may be impacted by disintermediation. Congressional support for clear regulatory frameworks, safe harbor pilots, and interoperable technical standards would reduce uncertainty and accelerate institutional readiness.

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

To facilitate greater retail access to tokenized money market funds (MMFs), Congress should consider targeted amendments that preserve investor protection while enabling the benefits of digitally native fund structures. These could include proportionate disclosure and redemption requirements tailored to the digital format, clear regulatory classification of tokenized fund shares, and guidance on the use of wallet-based infrastructure for direct-to-retail distribution. Such measures would align with broader policy objectives to modernize financial market infrastructure and improve retail investor access to high-quality, low-risk products.

Retail investors already have access to tokenized government MMFs issued by firms such as WisdomTree and Franklin Templeton, demonstrating that current frameworks can accommodate innovation without the need for wholesale regulatory overhaul. For example, Franklin Templeton’s fund integrates blockchain technology into its recordkeeping processes, with the transfer agent maintaining the official shareholder registry through a system combining traditional book-entry methods and a public blockchain ledger. This has been implemented under existing rules. An SEC supported ‘super app’ that consolidates MMF distribution and reduces the need for parallel on-chain and off-chain fund versions would support further adoption. In addition, regulatory clarity on the permissibility of using blockchain-based systems for transfer agency and recordkeeping functions would promote operational efficiency and reduce duplicative infrastructure requirements for fund sponsors.

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

GDF supports a regulatory framework that permits the issuance of interest- or yield-bearing stablecoins, as well as rewards programs associated with digital assets. These features are valuable for market development, user adoption, and product differentiation. However, the mere offering of yield or incentives should not automatically trigger classification as a security, nor should such instruments be regulated under frameworks designed for money market funds, unless they meet clearly defined thresholds of investor risk.

To avoid inappropriate regulatory capture, legislation should make clear that interest-bearing stablecoins and rewards on digital commodities are not securities under federal law, including under the Reves test for determining whether a note constitutes a security. Applying a flexible, risk-based disclosure regime, rather than full securities registration, may be a more proportionate and effective tool to ensure transparency without undermining innovation.

This clarity would help distinguish between payment stablecoins offering limited yield features and investment products marketed as securities, preserving consumer protections while supporting product innovation within well-understood guardrails.

26. What action should market structure legislation take with respect to decentralized finance? Legal Entity Use for Decentralized Governance

GDF encourages Congress to include express recognition of decentralized governance systems and the role that legal entities can play in facilitating such systems without compromising their decentralized nature. In particular, GDF believes that legislation should include clear protections for decentralized governance systems that operate through a single legal entity for administrative or liability purposes, where participants remain functionally independent and are not under common control.

The CLARITY Act provides a helpful model through its definition of a “decentralized governance system,” which distinguishes protocol-level coordination from centralized managerial control. Incorporating this or similar language into the Senate draft, potentially within Section 103, which addresses “related persons” and “common control”, would provide regulatory certainty, and avoid the unintended consequence of treating legally structured governance systems as general partnerships or centralized entities.

Absent such provisions, participants in good-faith governance systems could be exposed to personal liability or legal ambiguity, discouraging innovation and practical engagement. Moreover, many decentralized networks must interface with traditional economic infrastructure, such as banking services, legal representation, and professional service providers, which often necessitates the formation of a legal entity. Legislation should enable this structure while ensuring that such entities cannot unilaterally alter the underlying protocol without decentralized consensus.

To that end, GDF recommends guardrails ensuring:

- The entity exists solely to facilitate decentralized governance;
- Participation through the entity does not confer control over the protocol or its tokens; and
- The entity is prohibited from unilaterally amending the network, with any changes governed transparently via open-source consensus mechanisms.

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

Participation in decentralized physical infrastructure, such as operating nodes, validators, or oracles, forms a critical layer of blockchain functionality. These systems introduce new forms of operational and governance risk but should not be automatically subsumed into existing regulatory categories designed for centralized intermediaries.

GDF believes market structure legislation should avoid prescriptive regulation of decentralized physical infrastructure networks. Instead, it should direct regulators to assess these systems under established operational resilience and integrity frameworks, adapting them to reflect the novel dynamics of decentralized systems. These risks, such as validator collusion, oracle manipulation, or opaque governance, mirror those seen in traditional infrastructure contexts like cloud computing or outsourced technology services.

To promote clarity, GDF also supports the inclusion of language, similar to that in the CLARITY Act which inserts a new section into Section 15H into the Securities Exchange Act of 1934, that confirms participation in infrastructure activities such as running nodes or validators does not in itself trigger application of the securities laws. The absence of such protection has created material uncertainty for infrastructure participants and is currently chilling legitimate innovation. Codifying a safe harbor for non-custodial infrastructure engagement would remove legal ambiguity, support participation, and bolster the resilience of U.S.-based blockchain networks.

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?

Yes, GDF is supportive of this proposal.

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

Yes, GDF is supportive of this proposal.

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?

Yes, GDF is supportive of this proposal.

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

GDF supports the principle of encouraging interoperability but cautions against premature mandates or prescriptive standard-setting at this stage of technological evolution. The history of internet development offers an instructive analogy: foundational protocols such as TCP/IP and HTTP emerged through open, market-driven processes, not government fiat. These open standards catalyzed innovation without constraining future development.

Similarly, blockchain interoperability standards such as token formats, cross-chain messaging, and shared identity protocols are still in flux and being refined through industry collaboration and open-source experimentation. Mandating specific interoperability frameworks risks entrenching immature technologies, distorting market incentives, and potentially inhibiting the emergence of more effective solutions.

Instead, Congress should express support for the development of open, composable, and voluntary interoperability standards, possibly encouraging federal agencies to participate in relevant international standard-setting bodies (e.g., ISO, IEEE, W3C). A principles-based approach which is focused on transparency, composability, and permissionless innovation will be more adaptable and supportive of the long-term growth of decentralized networks.

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

GDF strongly supports the creation of a DLT or digital asset sandbox framework under Section 401 and 404. A well-designed sandbox can be a powerful tool to bridge the gap between innovation and regulation, supporting safe experimentation, promoting market integrity, and accelerating the adoption of transformative financial technologies. In particular, a U.S. sandbox that allows for time-bound, risk-adjusted regulatory relief and cross-agency coordination would send a clear signal that the United States is committed to fostering responsible innovation while preserving regulatory oversight.

Sandboxes are most effective when designed to support real-world activity, not as isolated pilots, but as transitional pathways into full compliance. GDF has observed from its engagement with the UK Digital Securities Sandbox and the EU DLT Pilot Regime that the most impactful sandboxes are those with clearly defined eligibility criteria, transparent supervisory expectations, and proportionate exemptions from legacy infrastructure mandates that may be incompatible with DLT-based systems. These projects have been the most impactful when firms are enabled to conduct live issuances and offer products directly to the market within sandboxes. Rather than testing the technology, the sandbox can be a place to test the

amending or waiving of legal or regulatory barriers which may otherwise prevent operation. In parallel, they also give firms a chance to demonstrate to regulators that risks can be mitigated appropriately if specific regulatory requirements are removed or altered. A U.S. DLT sandbox should prioritize high-potential use cases such as tokenised securities settlement, programmable stablecoin payments, and on-chain fund issuance, while maintaining guardrails to mitigate systemic and consumer risks. We believe there is a key opportunity here to build on the lessons learned from other global sandboxes to develop a uniquely American sandbox approach, structured specifically for U.S. international coordination.

a. If so, how should such a sandbox(s) be structured?

GDF believes that the sandbox should operate as a multi-agency framework, jointly administered by the SEC, CFTC, with input as appropriate from other relevant regulatory bodies (e.g., FinCEN, Fed, OCC). It should allow firms to apply for temporary relief or modified compliance/regulatory expectations in clearly scoped areas such as market structure, custody, or disclosure. Key design features should include:

- Defined duration with extension pathways for successful participants;
- Tiered thresholds based on systemic risk and market exposure;
- Transparent criteria for exit, graduation, or full authorization; and
- Regular reporting requirements and supervisory dialogue.

b. Should Congress structure a sandbox to address challenges firms face when engaging in activities in multiple countries or jurisdictions?

Congress should structure the sandbox to explicitly address challenges faced by firms operating in multiple jurisdictions. This could include mechanisms for mutual recognition or regulatory coordination with trusted international partners (e.g., UK, EU, Singapore). GDF has consistently advocated for interoperable frameworks that reduce the risk of regulatory arbitrage while promoting global scale for compliant firms.

Furthermore, we would also note that the SEC, CFTC, and FinCEN already participate in joint enforcement and information-sharing frameworks like IOSCO's MMoU, FATF peer reviews, and Basel Committee supervisory colleges. Creating a structure for cross border work, parallels U.S. leadership in internet governance, AI safety, and cybersecurity. Cross-border enforcement and supervision are especially important for exchanges, stablecoins, and DeFi protocols that operate transnationally but may pose local risks. These types of supervisory engagements can be trialed in a sandbox environment.

c. Should Congress structure a sandbox to address issues relating to tokenizing securities?

Yes, tokenised securities should be a core focus of the sandbox. Legacy rules around central securities depositories (CSDs), intermediated settlement, and paper-based recordkeeping present material barriers

to innovation. A sandbox that permits alternative models such as direct ledger-based issuance, smart contract-enabled registries, or atomic delivery-versus-payment, would allow U.S. firms to test modern market infrastructure in a safe, supervised environment.

d. Should Congress create an interstate innovation sandbox that would enable innovative firms to engage in interstate activities without additional licensing or registration?

GDF supports the idea of an interstate innovation sandbox that enables firms to engage in compliant activity across state lines without duplicative licensing burdens. Such a framework would be especially valuable in areas like payments, lending, and digital asset custody, where overlapping state and federal requirements could risk creating significant friction. Coordination with state regulators, such as through an opt-in passporting regime or cooperative licensing platform, could accelerate responsible innovation while preserving consumer protection.

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

To ensure comprehensive oversight and reduce regulatory fragmentation, any sandbox should be co-administered by the SEC and CFTC, with optional participation from other agencies based on the activity in scope. GDF has long advocated for multi-agency alignment to avoid inconsistent treatment of digital assets across functional lines (e.g., securities vs commodities vs payments), and the sandbox presents an opportunity to formalize that coordination in practice.

Preemption

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

GDF supports federal legislation that preempts state laws where it can reduce regulatory duplication and prevent a fragmented approach to crypto asset oversight. A consistent federal framework would promote clarity, efficiency, and innovation by minimizing the compliance burden on market participants operating across multiple jurisdictions.