

Subject: File No. S7-04-23

From: Juan Gonzalez

Dear SEC, I am writing to express my concerns regarding the proposed rule "Safeguarding Advisory Client Assets" and its potential impact on the cryptocurrency and digital asset industry. While I understand the importance of protecting investors and ensuring the integrity of financial markets, I believe that the proposed legislation exhibits overreach by the SEC. In this comment, I will outline several key points highlighting the potential negative consequences of this rule.

Point 1: Regulatory Overreach and Innovation Stifling The proposed rule appears to extend the SEC's regulatory authority beyond its intended scope, potentially stifling innovation within the cryptocurrency and digital asset space. It is crucial to recognize that these emerging technologies operate on decentralized networks, often governed by consensus mechanisms rather than traditional intermediaries. By subjecting these assets to the same regulatory framework as traditional securities, the SEC risks impeding technological progress and hindering the growth of a promising industry.

Point 2: Existing Regulatory Frameworks It is important to note that existing regulatory frameworks already provide adequate safeguards for investors in the cryptocurrency and digital asset space. The SEC's mission is to protect investors, maintain fair and efficient markets, and facilitate capital formation. However, it is essential to consider that cryptocurrencies and digital assets are fundamentally different from traditional securities. They operate on blockchain technology, which inherently provides transparency, immutability, and security. Additionally, various existing laws, such as the Securities Act of 1933 and the Securities Exchange Act of 1934, already apply to certain aspects of the cryptocurrency market, ensuring investor protection without the need for additional regulations.

Point 3: Burden on Market Participants The proposed rule places an undue burden on market participants, particularly smaller businesses and startups operating in the cryptocurrency and digital asset industry. Compliance with the extensive regulatory requirements outlined in the rule would require significant resources, both in terms of time and money. This could create a barrier to entry for innovative companies and limit competition within the market. Instead of fostering a conducive environment for growth and innovation, the proposed rule may inadvertently stifle entrepreneurship and hinder the development of new technologies.

Point 4: International Competitiveness The SEC's proposed rule could potentially harm the international competitiveness of the United States in the cryptocurrency and digital asset space. As other countries around the world embrace and regulate these emerging technologies, the United States risks falling behind in the global race for innovation and investment. By imposing stringent regulations that go beyond what is necessary to protect investors, the SEC may drive businesses and investors to seek more favorable jurisdictions with less burdensome regulatory frameworks. This could result in a loss of economic opportunities and hinder the United States' ability to remain at the forefront of technological advancements.

Point 5: Need for Proportional Regulation While investor protection is of utmost importance, it is crucial to ensure that regulations are proportional to the risks involved. The cryptocurrency and digital asset industry is still in its nascent stages, and overly burdensome regulations could stifle its growth and potential. Instead of imposing a one-size-fits-all approach, the SEC should consider adopting a more flexible regulatory framework that takes into account the unique characteristics of these assets. This approach would allow for innovation while still providing adequate safeguards for investors.

Conclusion: In conclusion, I urge the SEC to reconsider the proposed rule "Safeguarding Advisory Client Assets" and its potential impact on the cryptocurrency and digital asset industry. While investor protection is important, it is crucial to strike a balance between regulation and innovation. The proposed rule exhibits regulatory overreach, stifles innovation, and places an undue burden on market participants. Existing regulatory frameworks already provide adequate safeguards for investors in the cryptocurrency and digital asset space, and imposing additional regulations may hinder the growth of this promising industry.

Furthermore, the proposed rule could harm the international competitiveness of the United States and drive businesses and investors to seek more favorable jurisdictions. Instead of a one-size-fits-all approach, the SEC should consider adopting a more proportional regulatory framework that allows for innovation while still protecting investors. Thank you for considering my comments