

**Subject: File No. S7-04-23**

**From: Alexander**

As an individual deeply involved in the cryptocurrency and digital assets industry, I am deeply concerned about the proposed legislation "Safeguarding Advisory Client Assets" and the potential overreach by the SEC. While I understand the need for investor protection and safeguarding client assets, it is crucial to consider the unique nature of cryptocurrencies and digital assets before imposing stringent regulations. Firstly, it is important to recognize that cryptocurrencies operate on decentralized networks, which inherently differ from traditional financial systems. The SEC's attempt to apply the same regulatory framework designed for traditional assets to cryptocurrencies may not be appropriate. Cryptocurrencies are built on blockchain technology, which provides transparency, immutability, and security. These inherent features reduce the need for extensive regulatory oversight as transactions can be traced and verified on the blockchain itself. Furthermore, existing laws such as the Securities Act of 1933 and the Securities Exchange Act of 1934 already provide a regulatory framework for securities offerings and exchanges. These laws were enacted long before the emergence of cryptocurrencies and digital assets, and it is crucial to interpret them in a manner that acknowledges the unique characteristics of these new technologies. Imposing additional regulations specifically targeting cryptocurrencies may stifle innovation and hinder the growth of this nascent industry. Additionally, the proposed legislation fails to consider the potential negative impact on small businesses and startups in the cryptocurrency space. Many innovative projects and companies rely on initial coin offerings (ICOs) as a means of raising funds for development and expansion. By subjecting ICOs to the same regulatory requirements as traditional securities offerings, the SEC may inadvertently discourage investment in these projects and hinder their ability to compete in the global market. Moreover, the SEC's proposed legislation could create a chilling effect on the development of decentralized finance (DeFi) platforms. DeFi has emerged as a groundbreaking concept that aims to provide financial services without intermediaries, offering greater accessibility and inclusivity. However, the proposed regulations may impose burdensome compliance requirements on DeFi platforms, stifling their growth and limiting the benefits they can provide to individuals who are underserved by traditional financial institutions. It is also important to note that the cryptocurrency industry is already subject to various self-regulatory initiatives and best practices. Organizations such as the Blockchain Association and the Crypto Rating Council have been working diligently to establish industry standards and promote responsible practices. These efforts demonstrate that the industry is proactive in addressing potential risks and protecting investors without the need for excessive government intervention. In conclusion, while investor protection is of utmost importance, it is crucial to approach the regulation of cryptocurrencies and digital assets with nuance and a deep understanding of their unique characteristics. The SEC's proposed legislation "Safeguarding Advisory Client Assets" may be an overreach that fails to consider the decentralized nature of cryptocurrencies, the existing regulatory framework, and the potential negative impact on small businesses and decentralized finance platforms. Instead of imposing stringent regulations, it would be more prudent for the SEC to work collaboratively with industry stakeholders to develop guidelines and best practices that promote investor protection while fostering innovation. This approach would allow for flexibility and adaptability as the cryptocurrency industry continues to evolve. Furthermore, it is important to recognize that the global nature of cryptocurrencies requires a coordinated international regulatory approach. Unilateral regulations imposed by a single jurisdiction may lead to regulatory arbitrage and hinder the growth of the industry. The SEC should actively engage with international counterparts to establish consistent regulatory standards that address the unique challenges posed by cryptocurrencies and digital assets. In conclusion, while it is essential to protect investors and safeguard client assets, the SEC's proposed legislation "Safeguarding Advisory Client Assets" may not be the most effective approach. Instead, a collaborative and nuanced regulatory framework that considers the unique characteristics of cryptocurrencies and digital assets, existing laws, and international coordination would be more conducive to fostering innovation, protecting investors, and ensuring the long-term growth and stability of the cryptocurrency industry. It is my hope that the SEC takes these considerations into account and engages in a constructive dialogue with industry stakeholders to develop regulations that strike the right balance between investor protection and fostering innovation in the rapidly evolving world of cryptocurrencies and digital assets. Thank you for considering Best regards Alexander