

Dear Securities and Exchange Commission,

I am writing in response to the proposed amendments to the custody rule under the Investment Advisers Act of 1940 regarding safeguarding advisory client assets. File Number S7-04-23.

I understand your goal is to enhance investor protections, which I believe is noble. However, I am concerned that the proposed expansions and requirements around the "custody" of digital assets and cryptocurrencies could negatively impact innovation and growth within the cryptocurrency industry.

As an investor in digital assets, I've learned that cryptocurrencies have unique characteristics that distinguish them from traditional securities. Unlike stocks or bonds, digital assets such as crypto rely on decentralized networks (DeFi), cryptographic keys, and public ledgers like blockchains to control possession and transfer value. Attempting to apply existing custody rules around possession and control may translate poorly to the world of crypto assets. New tailored regulations must address crypto asset segregation, private key security, multisig wallets, smart contracts, and decentralized finance platforms.

The proposed amendments could impose excessive regulatory burdens and liability risks on cryptocurrency advisors and service providers. Complying with enhanced reporting requirements and demonstrating possession and control according to traditional standards may not be feasible with current crypto asset infrastructure. This could discourage participation and innovation in the space at a crucial time in the market's evolution.

Rather than a one-size-fits-all approach, I urge the SEC to collaborate with cryptocurrency experts to develop workable solutions that balance investor protections with continued growth.

The unique risks and opportunities posed by crypto assets demand more nuanced regulatory solutions. With education and cooperation, we can empower investors while fostering responsible innovation that benefits society.

Forcing cryptocurrencies into rules meant for traditional securities may undermine the SEC's investor protection goals. Please consider these nuances and collaborate with the industry to update custody requirements to address the realities of crypto assets.

Sincerely,  
Thomas