

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

**From: Bruce Patterson**

As an individual who is deeply involved in the cryptocurrency and digital assets space, I am deeply concerned about the proposed legislation by the SEC regarding the safeguarding of advisory client assets. While I understand the need for regulations to protect investors and ensure the integrity of the market, I believe that the SEC is overreaching in this particular proposal. First and foremost, it is important to recognize that cryptocurrencies and digital assets are a relatively new and rapidly evolving technology. The SEC's attempt to apply traditional securities regulations to this innovative space may stifle innovation and hinder the growth of this industry. It is crucial for regulators to adopt a nuanced approach that takes into account the unique characteristics of cryptocurrencies and digital assets. Furthermore, it is worth noting that existing laws already provide a framework for the regulation of cryptocurrencies and digital assets. For example, the Securities Act of 1933 and the Securities Exchange Act of 1934 already provide the SEC with the necessary authority to regulate securities offerings and exchanges. These laws have been effective in protecting investors and maintaining market integrity in the traditional securities space. Therefore, it is unnecessary for the SEC to extend its reach beyond these existing laws and impose additional burdensome regulations on the cryptocurrency industry. Additionally, the proposed legislation may have unintended consequences that could negatively impact the industry. One such consequence is the potential for stifling innovation and driving businesses away from the United States. Cryptocurrency and digital asset companies thrive in an environment that fosters innovation and allows for experimentation. By imposing overly burdensome regulations, the SEC risks pushing these companies to seek more favorable regulatory environments in other countries. This would not only result in a loss of economic opportunities for the United States but also hinder its ability to compete in the global digital economy. Moreover, the proposed legislation fails to consider the unique nature of cryptocurrencies and digital assets. Unlike traditional securities, cryptocurrencies operate on decentralized networks and are not tied to any central authority. This decentralized nature presents challenges in applying traditional regulatory frameworks. Imposing stringent regulations without fully understanding the technology and its implications could lead to unintended consequences and hinder the growth of this nascent industry. Furthermore, the SEC's proposal may create unnecessary compliance burdens for small businesses and startups in the cryptocurrency space. These companies often operate on limited resources and imposing complex regulatory requirements could place an undue burden on them. This could result in a chilling effect on innovation, as smaller players may be unable to navigate the regulatory landscape or afford the costs associated with compliance. It is important for regulators to strike a balance between investor protection and fostering innovation, and the proposed legislation by the SEC seems to lean heavily towards the former without adequately considering the latter. In conclusion, while I acknowledge the importance of protecting investors and maintaining market integrity, I believe that the proposed legislation by the SEC regarding the safeguarding of advisory client assets in the cryptocurrency and digital assets space is an overreach. Existing laws already provide a framework for regulation, and it is crucial for regulators to adopt a nuanced approach that considers the unique characteristics of this rapidly evolving industry. Imposing overly burdensome regulations could stifle innovation, drive businesses away from the United States, and create compliance burdens for small businesses and startups. It is essential for the SEC to strike a balance between investor protection and fostering innovation to ensure the long-term success and growth of the cryptocurrency and digital assets industry.