

MEMORANDUM

To: Crypto Task Force Meeting Log
From: Crypto Task Force Staff
Re: Meeting with Representatives of Perkin Law Firm, LLC and the El Salvador National Commission on Digital Assets, as well as Heather Shemilt, Retired Goldman Sachs Partner

On April 22, 2025, Crypto Task Force Staff met with representatives from Perkin Law Firm, LLC and the El Salvador National Commission on Digital Assets, as well as Heather Shemilt, Retired Goldman Sachs Partner. The topic discussed was approaches to addressing issues related to regulation of crypto assets. Perkin Law Firm, LLC and El Salvador National Commission on Digital Assets representatives, as well as Heather Shemilt, Retired Goldman Sachs Partner, provided the attached document, which was discussed during the meeting.

U.S.A. & EL SALVADOR CROSS-BORDER SANDBOX PROPOSAL

Proposed Meeting Agenda:

1. Introductions to meeting attendees:
 - a. Erica Perkin, Team Leader
 - b. Juan Carlos Reyes, President El Salvador National Commission on Digital Assets
 - c. Carmen Elena Ochoa de Medina, former regulator and tokenization executive
2. Meeting Objectives
 - a. Brief overview of cross-border sandbox
 - b. Outline 2 sandbox pilot programs
3. Discussion

DETAILED SUMMARY

Project Overview:

This initiative offers the SEC Crypto Task Force a live, real-world case study to evaluate streamlined regulatory approaches for digital assets—an opportunity to observe and refine frameworks that could enhance U.S. market innovation. The National Commission on Digital Assets (CNAD) has cultivated a robust ecosystem that balances consumer protection with technological advancement—a model that has attracted top-tier players in the digital asset space, including major exchanges and Tether (USDT). CNAD has agreed to collaborate with the SEC to establish a controlled sandbox pilot program.

Why El Salvador?

El Salvador built its digital asset regulation from scratch over the past five years. Through iterative trial and error, CNAD developed a sophisticated risk matrix that safeguards consumers while promoting progress. A key lesson from El Salvador's experience is the transformative potential of tokenization, particularly in real estate—the world's largest asset class. CNAD has successfully navigated diverse tokenization scenarios, from debt tokens to fractional ownership and leasing contracts, identifying risks and refining safeguards. Analyzing real estate tokenization within this sandbox will provide the SEC with invaluable data on scaling this market responsibly.

The Team:

- **Erica Perkin:** Team lead and point of contact. Ms. Perkin is a U.S. citizen and licensed attorney with specialized training in Blockchain Technology from MIT Sloan School of Management and serves on the advisory group to the president of CNAD.
- **Juan Carlos Reyes:** President of CNAD and a globally recognized leader in digital asset regulation, driving innovation across Central and South America.
- **Carmen Elena Ochoa de Medina:** Former financial regulator, now a key executive at a leading tokenization company, offering deep industry insight.
- **U.S. Licensed Broker:** A seasoned professional with extensive experience in traditional finance, to be selected based on SEC input to ensure alignment with project goals.

The Pilot Program:

The pilot program will involve a select group of sophisticated participants deploying limited capital—capped at \$10,000 per scenario—to minimize risk while maximizing regulatory insights. Specifically, the sandbox will feature: 1) a U.S.-licensed traditional finance broker obtaining a digital asset license under CNAD regulations, and 2) the development of two small-scale tokenization offerings facilitated by a CNAD-licensed tokenization company. The scope and number of tokens issued will be tailored in collaboration with the SEC to align with its data-gathering objectives, ensuring actionable outcomes for U.S. regulatory development.

Application to SEC Task Force Objectives:

This initiative directly supports five of the ten objectives outlined in Commissioner Hester Peirce’s statement, *The Journey Begins*:

- 1) Cross-border Sandbox – Statement Heading #10
- 2) Coin and Token Offerings – Statement Heading #3
- 3) Registered Offerings-Statement Heading #4
- 4) Special Purpose Broker Dealer – Statement Heading #5
- 5) Custody Solutions for Investment Advisors – Statement Heading #6

Leveraging Commissioner Peirce’s roadmap, our expert team will deliver real-time, practical insights into regulatory frameworks that foster innovation while ensuring investor safety.

Scenario 1 - Real Estate Tokenization

In this scenario, a U.S.-licensed broker collaborates with a CNAD-licensed tokenization company to create a digital platform enabling investors to purchase tokenized shares in a small-scale real estate project in El Salvador, with less than \$10,000 at risk.

Implementation Steps:

1. **Property Identification:** Select a modest real estate asset in El Salvador suitable for tokenization, ensuring minimal financial exposure (under \$10,000).
2. **Tokenization Process:** The tokenization company will issue secure digital tokens representing fractional ownership, each tied to a defined property share, lowering the entry barrier for investors.
3. **Regulatory Compliance:** The U.S. broker will secure a limited-scope digital asset license from CNAD, valid for the pilot’s duration. Working with CNAD, the team will ensure tokens are classified as “non-securities” under U.S. law, enabling free trading on secondary markets without SEC registration ambiguity. This approach mirrors offering gold or other capital assets, emphasizing investor education over traditional securities oversight.
4. **Investor Education:** The broker will spearhead seminars and webinars to highlight tokenization benefits—accessibility, liquidity, and diversification—building investor confidence.
5. **Market Launch:** Following regulatory approval, the platform will launch, allowing seamless token purchases with ongoing support for transactions, custody, and investor relations.

Application to SEC Task Force Objectives:

- **Coin and Token Offerings:** Provides data on whether to deem some tokens “non securities” followed by whether or not to issue retroactive or prospective relief to issuers who are willing to (a) take responsibility for the issuance (b) provide certain information and (c) agree not to contest SEC jurisdiction in a case where fraud is alleged in the purchase or sale of the asset. As a result, there would be no uncertainty as to whether they would be able to trade freely on secondary markets
- **Special Purpose Broker Dealer:** Enables observation of a traditional broker’s licensing process for digital assets under CNAD’s regime.
- **Custody Solutions:** Offers insights into secure, compliant custody options for advisors, either self-managed or via third parties.

Scenario 2 - Capital Raising through Tokenization

This scenario involves a small company raising up to \$10,000 through tokenized shares, akin to SEC-permitted crowdfunding, in collaboration with a U.S. licensed broker and CNAD.

Implementation Steps:

1. **Project Identification:** Identify a project suited for token-based crowdfunding, aligning with SEC investor limits and capital thresholds (max \$10,000).
2. **Tokenization Process:** Create secure tokens representing fractional ownership, designed with SEC input to ensure market compatibility.
3. **Regulatory Compliance:** Ensure adherence to CNAD regulations while producing a report for the SEC comparing tokenization to existing crowdfunding rules, aiming for a No-Action Letter.
4. **Investor Education:** Conduct outreach to demystify tokenized investments, emphasizing accessibility, liquidity, and diversification potential.
5. **Market Launch:** Launch the platform post-approval, facilitating token purchases with broker-led support.

Application to SEC Objectives:

- **Registered Offerings:** Tests whether crowdfunding frameworks can adapt to tokenization, offering a scalable registration path.
- **Special Purpose Broker Dealer:** Monitors a broker’s role in tokenized issuance under CNAD oversight.
- **Custody Solutions:** Explores practical custody frameworks for advisors.

Expanded Benefits for the SEC

This sandbox delivers a multifaceted value proposition:

1. **Regulatory Benchmarking:** Direct comparison of CNAD’s streamlined approach with U.S. frameworks, identifying efficiencies and gaps.
2. **Risk Mitigation Insights:** CNAD’s risk matrix offers a proven tool to adapt for U.S. consumer protection.

3. **Market Growth Potential:** Real estate tokenization data could unlock a trillion-dollar asset class, enhancing U.S. competitiveness.
4. **Cross-Border Collaboration:** Strengthens U.S.-El Salvador ties, fostering global regulatory harmonization.
5. **Investor Confidence:** Demonstrates a safe, transparent model to encourage mainstream adoption of digital assets.