



May 12, 2025

The Honorable French Hill  
Chair, Committee on Financial Services  
US House of Representatives  
Washington, DC 20515

The Honorable G.T. Thompson  
Chair, Committee on Agriculture  
US House of Representatives  
Washington, DC 20515

The Honorable Bryan Steil  
Chair, Financial Services Subcommittee on Digital  
Assets, Financial Technology, and AI  
US House of Representatives  
Washington, DC 20515

The Honorable Dusty Johnson  
Chair, Agriculture Subcommittee on Commodity  
Markets, Digital Assets, and Rural Development  
US House of Representatives  
Washington, DC 20515

**Comment Letter: 2025 Digital Assets Market Structure Discussion Draft**

Dear Chairman Hill, Chairman Thompson, Chairman Steil, and Chairman Johnson:

The Milken Institute ("Institute") appreciates the opportunity to comment on the Digital Asset Market Structure Discussion Draft ("Discussion Draft") released by the US House Committee on Financial Services and the US House Committee on Agriculture. We commend your continued bipartisan efforts to develop a clear, functional regulatory framework for digital assets in the United States.

We are at a crucial moment where innovation in finance and financial markets catalyzes our need to focus on the responsible development of the digital asset economy, with trust, security, and market integrity at the center. It is imperative that financial markets and institutions are safe, sound, and fair, providing buyers and sellers with an efficient, innovative, and competitive financial system. We acknowledge that the responsible financial innovation of digital assets creates an opportunity to analyze, clarify, and modernize current frameworks, laws, and regulations. The smooth and efficient operation of the financial markets ensures a reliable and fair experience for all market participants.

As a nonprofit, nonpartisan think tank, the Institute believes in the power of capital markets to solve urgent social and economic challenges to improve lives. At the heart of the Institute's work is the idea that economic mobility is possible with an educated, healthy workforce; open and efficient capital markets; and effective social institutions. The work of our FinTech Program prioritizes how government and industry should work together to address responsible financial innovation. Our efforts to engage with and educate policymakers and stakeholders on FinTech's impact on public policy emphasize the value of access to capital, financial inclusion, and regulatory transparency and accountability. When we ensure that FinTech innovations are accessible to individuals and businesses while also increasing the efficiency of the US financial system, we create a formula for a market opportunity that can be realized by us all.

We are encouraged by the efforts of the US House Committee on Financial Services and the US House Committee on Agriculture to provide much-needed legal certainty and regulatory clarity to the digital asset ecosystem. The Discussion Draft is a positive step to address the urgent need for a framework the market can adhere to and rely upon. We appreciate the committees' engagement with stakeholders and consideration of the comments and recommendations made herein.

Our comments and recommendations are built upon principles and values important in modernizing market structure to account for responsible digital asset innovation. The 2025 draft builds on important work begun in earlier legislative proposals, including the 2023 discussion draft and the Financial

Innovation and Technology for the 21st Century Act (“FIT21”). We appreciate the thoughtful updates that address market structure gaps, jurisdictional boundaries, and pathways for responsible development.

In the spirit of constructive engagement, we offer the following recommendations to further strengthen the framework’s innovation orientation and implementation feasibility:

1. Clarify the Criteria and Process for Blockchain Maturity Certification
2. Enhance Domestic and Global Regulatory Harmonization
3. Clarify Scope and Expectations for Decentralized Finance Activities
4. Facilitate Innovation Office Coordination
5. Prioritize Financial Literacy and Economic Mobility in Market Development

## **1. Clarify the Criteria and Process for Blockchain Maturity Certification**

We recommend the inclusion of a clear transitional compliance framework for blockchain developers seeking to meet the “mature blockchain system” designation outlined in Title II. While the draft recognizes the value of decentralized governance, it introduces procedural uncertainty for projects operating without centralized intermediaries. To foster responsible innovation, we urge Congress to consider codifying a version of SEC Commissioner Peirce’s “Safe Harbor 2.0”<sup>1</sup> proposal—offering early-stage developers a time-bound grace period to build out functionality and decentralization without triggering premature enforcement. Such a framework would align with congressional intent to support US leadership in emerging technologies, while providing the SEC with appropriate oversight tools. The absence of transitional clarity may otherwise create regulatory risk and discourage open-source contributions to digital public infrastructure.

We also encourage the committees to revisit the draft’s definition of “Affiliated Person,” which currently assigns affiliate status to any holder of 1% or more of a token’s supply. While this approach seeks to ensure transparency and mitigate insider conflicts, it risks imposing unnecessary restrictions on passive investment vehicles—such as index funds or crypto trusts—that may exceed this threshold without exerting control or engaging in governance. In contrast to Rule 405 of the Securities Act, which applies a 10% threshold with a rebuttable presumption and a facts-and-circumstances control test, the bill’s definition may inadvertently hinder the integration of digital assets into regulated investment products. We recommend aligning the affiliate designation with securities law precedent, either by raising the threshold or by adopting a rebuttable presumption framework—especially in cases where tokens lack governance rights or where the investor abstains from protocol-level engagement.

## **2. Enhance Domestic and Global Regulatory Harmonization**

The draft appropriately emphasizes joint rulemaking and coordination between the SEC and CFTC, but we encourage stronger mechanisms to ensure timely execution and accountability. Specifically, we recommend incorporating enforceable rulemaking deadlines and regular reporting to Congress or the GAO. Additionally, we recommend that key definitional terms under Section 105(a)—including “blockchain,” “blockchain protocol,” and “decentralized governance system”—be designated for joint rulemaking by the SEC and CFTC. Fragmented or unilateral definitional authority could undermine regulatory clarity and create interpretive inconsistencies, particularly in areas like DeFi and token taxonomy.

The US regulatory framework must reflect the global nature of blockchain networks. We support the draft’s reference to international engagement (Sections 109 and 313) and propose that it go further by

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<sup>1</sup><https://www.sec.gov/news/public-statement/peirce-statement-token-safe-harbor-proposal-2.0>  
<https://github.com/CommissionerPeirce/SafeHarbor2.0>

directing agencies to explore mutual recognition agreements with peer jurisdictions—such as the EU’s MiCA or Singapore’s Payment Services Act—to reduce duplicative compliance burdens and facilitate cross-border innovation. These steps would enhance the predictability, consistency, and competitiveness of US-based digital asset firms in the global market.

### **3. Clarify Scope and Expectations for Decentralized Finance Activities**

We support the draft’s recognition of decentralized finance (DeFi) as a distinct category of blockchain-based financial activity, as reflected in the carve-out provisions in Title III and IV. However, we note that terms such as “decentralized finance messaging systems” and the delineation between exempted protocol activity and regulated intermediaries remain under-defined. We recommend that the definition of “decentralized finance trading protocol” be revised to better reflect the technical and operational realities of blockchain-based financial systems. Current language may unintentionally exclude essential actors such as validators, sequencers, or liquidity providers. A definition focused on the non-custodial, permissionless, and non-controllable nature of DeFi systems—rather than absolute independence—would better align with Congressional intent and technical feasibility.

We further recommend the establishment of a formal consultation process to clarify regulatory boundaries and propose tiered or sandbox-style pathways for emerging DeFi models. Doing so will ensure that innovation in protocol design is not inadvertently stifled and that compliance expectations for ecosystem participants are transparent, feasible, and appropriately risk-based.

### **4. Facilitate Innovation Office Coordination**

We commend the inclusion of Office of Financial Innovation within the SEC and the codification of LabCFTC (Title V) but urge additional coordination across agencies. Specifically, we recommend the creation of a Joint Digital Asset Innovation Desk or interagency task force, modeled on best practices in multilateral FinTech coordination. This desk would serve as a resource for emerging market participants navigating dual registration or overlapping oversight by the SEC, CFTC, FinCEN, and prudential regulators. As firms increasingly operate across payment, investment, and commodity frameworks, such a unified resource would support compliance, reduce regulatory friction, and ensure that novel products are reviewed holistically rather than in fragmented silos.

### **5. Prioritize Financial Literacy and Economic Mobility in Market Development**

We applaud the inclusion of a study on digital asset financial literacy (Section 506) and recommend expanding this provision to explicitly examine how retail users across income, age, and industry profiles are engaging with crypto markets. According to a recent Harris poll, US crypto ownership is highly diverse: over half of holders maintain balances under \$10,000, 26% come from households earning less than \$75,000, and more than 15% are over the age of 55. These demographics highlight both opportunity and vulnerability. We recommend integrating requirements for plain-language disclosures and assessing risks of predatory inclusion. Doing so will enhance market transparency, build trust, and ensure the benefits of digital asset innovation reach all communities.

Sincerely,

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