

United States House of Representatives Committee on Agriculture

Hearing on:

***American Innovation and the Future of Digital Assets:
From Blueprint to a Functional Framework***

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Chairman Thompson, Ranking Member Craig, and Members of the Committee:

Thank you for the opportunity to testify today. It is a privilege to appear before you to discuss the future of digital assets in the United States. Adopting federal market structure legislation for digital assets is critical to enabling responsible innovation and economic growth in the United States, and I commend this Committee for its leadership and continued diligence in addressing one of the most consequential markets policy questions of our time - how to regulate a newly emerged asset class that is poised to revolutionize the operations and functions of financial markets, globally. I look forward to using my voice, developed over a career as a financial markets and exchange professional, to support the swift adoption of federal market structure legislation for digital asset markets.

I have seen the damage and fallout that can occur when market structure regulation is non-existent or incomplete, and in contrast, I have also seen how innovation and markets can flourish when regulators have a clear legislative mandate to implement a properly calibrated and principles-based markets regulatory program.

The perspective I seek to offer the Committee is shaped by a career of direct experience at the intersection of technology, regulation, and market infrastructure. Many on the Committee know that I previously served as General Counsel of FTX US, the U.S. based digital asset and derivatives exchange that was an affiliated entity of the global FTX group. I was in this role for the U.S. business for just over a year, an intense time period that included a hyper growth phase, a shocking discovery of fraud perpetrated by the FTX international founders, and the much discussed fallout and subsequent insolvency filing of the global FTX group. Both before and after that experience, I have been a long-time commodities and derivatives partner at leading law firms advising clients on financial markets regulation. Early in my career, I had the privilege of serving at the U.S. Commodity Futures Trading Commission in Washington D.C. throughout the

pivotal Dodd-Frank rule writing years, first as a staff attorney in the CFTC's Division of Market Oversight and then as counsel to the then CFTC Chairman.¹ My testimony today draws on all of these experiences, and the views I express are my own.

The FTX Story - What Happened

Let me first share my perspective on the FTX story. I will be brief, clear, and direct, but I do believe it is important for me to address this topic, for this Committee, in the context of this hearing.

Due to a series of fraudulent schemes and actions undertaken by the FTX international founding team, through which they improperly accessed and used customer assets (a series of misconduct which was concealed from and first learned about by myself and other key employees during the week starting November 7, 2022), the global FTX group filed for bankruptcy on Friday, November 11, 2022. Assets then on hand were insufficient, by an amount of approximately \$8 billion, to meet the withdrawal requests of customers who wanted their assets back. The shortfall, and the fraud behind it, was a shocking revelation to me, to customers and investors, to employees, and to regulators.

To add some color from my lived experience – on Monday evening November 7, 2022, I received a phone call from Sam Bankman-Fried's father, Professor Joseph Bankman (a close and frequent advisor of the company), and I also received a series of subsequent messages over the course of that evening from Sam himself. Through those communications, I was informed that the FTX international business was meaningfully short of customer assets. Professor Bankman and Sam were reaching out to me given my U.S. market presence and background. I was ostensibly being invited into an emergency fundraising effort to identify backers to “fill the hole”—a fundraising effort that ultimately became hopeless given that the underlying shortfall was affiliated with the clear wrongdoing of the founding team, as I would soon learn.

By the next morning, after a never-ending night during which more detailed information became available and I was briefed further into the situation by other members of the global FTX business, the facts surrounding the wrongdoing behind the shortfall and its approximately \$8 billion size started becoming clearer. And so, for the four sleepless days and nights that followed, I, along with several other devoted and talented remaining FTX employees, did exactly what you would expect trained professionals to do in the face of discovering an unravelling and quickly worsening crisis. The remaining engaged core worked to implement a “crisis

¹ I want to take this moment to also specifically thank a few of my CFTC mentors, each of whom expended material effort to introduce me to and educate me early in my career under the U.S. commodities and derivatives laws. To name a few CFTC alumni, each dedicated public servants: David Van Wagner, Don Heitman, Susan Nathan, and Ken Raisler.

management 101” playbook, working to swiftly prepare for entering into insolvency proceedings and to prompt a series of actions to end the active fraud and pave the way for the preservation of critical records and the eventual recovery of the billions of dollars in value now being returned to customers.

What I have said is what happened, and I am deeply proud of the rapid thinking work done by a dedicated group of then-remaining employees to institute basic risk management practices, in the face of a crisis, that stopped the bleeding and paved the way for a path to what now appears to be a meaningful recovery (“meaningful” particularly when compared to the perceived possibility of a \$0 recovery outcome that presented itself during that week in November 2022).

In some commentary that followed the insolvency filings, there was a tendency to describe the FTX international fallout as a “run on the bank” or a “temporal liquidity crisis.” Unfortunately, and this cannot be overstated, FTX was NOT a bank, and FTX had no legal or operational basis that justified the occurrence of a customer asset driven liquidity crisis. The crisis occurred because customer assets were stolen by the founding team and used for personal trading, expenditures, and investments. As a consequence, customer assets were unavailable to satisfy customer withdrawal requests. It was not a run on the bank, and it was not a liquidity crisis. The assets were gone, and it was insolvency due to clear and deceptive wrongdoing perpetrated by a small group of actors.

The courts have now done their job to consider and determine the consequences of the illegal conduct that led to this outcome, and the bankruptcy process has done its job to pick up the pieces and bring back for the benefit of customers the value that could be identified, preserved, and reclaimed. Regardless of the final economic outcome, this fraud was an egregious breach of trust, a significant moral lapse, and it came at the expense of massive amounts of pain and stress for the customers of FTX, amongst many others.

And so now we come back to the role of this Committee, “what could have been done”, and “what can be done to avoid a next time.” And I look very much forward to having that discussion today.

Moving Forward; Time to Act

Had the regulatory structure provided for in the bill currently being considered by this Committee and ultimately Congress applied to FTX, the story I just told would almost certainly have a much different ending. Examinations, governance requirements, audits, reporting, recordkeeping, and customer asset segregation requirements directly address the shortfalls that have allowed various digital asset industry failures and thefts to occur. And yet we are now at least a decade into the meaningful emergence of trading activity around the new global asset

class of digital assets, and still the U.S. has made essentially no ***black-ink*** progress in bringing real protections to digital asset markets under an appropriately calibrated federal market structure regime. To be clear, regulators have not been idle. There is an abundance of thoughtful and diligent writings from regulators that evaluate these markets, and Congress has now considered a multitude of draft texts for new laws to apply to these markets. Now we have reached the time to act, and I again commend this Committee in its efforts to see the swift adoption of this legislation.

The remainder of this written statement further underscores the important value that legislation and regulation brings to digital asset markets, and it continues to encourage the adoption of digital asset market structure legislation as soon as is practicable.²

Market Regulation as the Foundation of Trust

When market structure regulation works, investors transact confidently with the knowledge that pricing is fair and transparent and that trading venues and intermediaries are subject to compliance obligations, examinations, and clear standards to ensure asset security and market integrity. But when market structure regulation fails (or worse, never arrives), markets lose confidence and customers, investors, and other constituents lose much more.

In crypto, we have now lived through at least a few cycles of the emergence and hope of real technological innovation followed by the intense collapse of several poorly governed entities. I believe it is essential for lawmakers and regulators to end the unsustainable silence of the legislative pen on these matters and to act quickly to pass market structure legislation. If my testimony holds value today, it will be because it is heard as a forceful call for prompt action. As a reminder, market structure legislation is the requisite first step, before the accompanying regulations and agency guidance that follows can begin as its own body of important and critical work. On the legislative side, I am confident in suggesting to this Committee that the Digital Asset Market Clarity (CLARITY) Act is good to go; it is ready. A decade of legislative inaction in pursuit of perfection has already wrought its damage. We have the present opportunity to take the bold step of adopting legislative text, starting the timeline for the next phase of work for our regulatory agencies to interpret and apply these new laws, learning from markets and market participants as they go. The alternative, which is to continue watching and waiting and engaging in unending and valueless re-writing exercises, will only further embolden the riskiest and least

² There are of course important existing tools that both the CFTC and SEC can and perhaps should begin to use to address market structure regulation for digital asset markets. The tools that could be wielded by an innovative and focused regulator include exemptive authorities, guidance, and inter-agency cooperation, amongst others. In fact, in the absence of legislation these tools will become increasingly important and necessary to use. However, only legislation can bring about the clear and unambiguous mandate of authority that is needed to achieve consistent and durable progress.

honest acting founders to continue targeting and attracting U.S. users looking to access these globally emergent financial markets.

In my experience, the CFTC's principles-based approach to market oversight, which is designed for derivatives markets but readily transferable to spot markets, has proven resilient in enabling innovation while protecting market integrity, and I again commend this Committee for seeking to allocate to the CFTC a primary and principal role in digital asset regulation. In parallel, the SEC is deeply experienced in customer protection, capital formation, and disclosure based regulatory programs, and in cooperation with the CFTC, I believe they offer an equally important body of experience and judgement to bring to bear in regulating these markets. Where digital asset exchanges and intermediaries operate under U.S. regulatory regimes, their conduct and risk management efforts are shaped by an interlocking framework: customer asset segregation, audits and examinations, conflicts governance, capital and liquidity requirements, disclosure, and surveillance of market abuse.

These obligations are not academic. They are operational, continual, and essential. Customer protection begins with fund segregation and extends to ongoing solvency, liquidity monitoring, and governance of risk exposures. A platform cannot credibly hold customer assets or facilitate orderly trading without building around these foundations.

Moreover, these frameworks are not standalone checklists. They function as interconnected systems of internal controls, external validation, and regulatory supervision that jointly reduce the risk of catastrophic failure. In that sense, regulation is not a constraint on innovation. It is what makes responsible innovation possible and sustainable.

Regulated Exchanges are Better Exchanges

Running a crypto exchange in the United States is hard, and it should be. Exchanges handle customer funds, supervise risk engines, respond to market volatility, monitor for potential fraud, and manage cross-border cybersecurity threats. All of this while under the scrutiny of auditors, regulators, and the public.

Regulatory expectations shape daily operations: onboarding procedures, surveillance protocols, compliance operations, capital adequacy planning, governance of hot and cold wallets, operational risk reviews, independent audits. The process is demanding, continuous, and at times inflexible, but it is necessary.

When done properly, regulation acts as a guard rail and guide. It forces the kind of institutional maturity that market forces alone may not demand, especially in high-growth environments. It also creates an ecosystem where trustworthy players can distinguish themselves.

Why This Bill Matters

The draft legislation under discussion offers a thoughtful and coherent framework for digital asset markets. It recognizes that digital assets are not monolithic, and it seeks to allocate regulatory jurisdiction between the CFTC and SEC in a manner that reflects how these markets actually operate.

Importantly, it would:

- Establish baseline registration and compliance requirements for digital asset trading platforms,
- Create clarity for the classification of digital assets,
- Preserve investor protection while accommodating technological differences, and
- Empower the CFTC to oversee spot digital commodities markets and, in certain instances, oversee multi-asset class markets in coordination with the SEC.

For the first time, market participants would have a pathway to registration that fits the structure of digital asset trading. This is critical because forcing crypto markets into legacy frameworks built for other asset classes risks both over-regulation and under-enforcement.

This bill instead takes a functional approach. It preserves core principles, including customer protection, fair dealing, and transparency, while tailoring implementation to the nature of decentralized technology and blockchain-based assets. That balance is hard to strike, and the drafters deserve credit for engaging directly with market realities.

Adopting this bill will answer many of the foundational questions that have thus far remained unaddressed. It will allow regulators to move from enforcement-first policymaking to proactive rulemaking. It will give responsible actors a path forward. And it will create the legal infrastructure to support U.S. leadership in tokenized markets.

Endorsing Coordination Between the CFTC and SEC

The line between commodities and transactions that implicate the securities laws in crypto markets is not always bright. But regulatory coordination should not require metaphysical certainty. Market participants need workable rules. Investors need protection. And the public needs confidence that regulators are rowing in the same direction.

This bill contemplates joint rulemaking, coordinated oversight, and clear lines of accountability. That is not only a legal necessity, but also a practical one. Neither agency can oversee the

entirety of this space alone. But together, they can offer a credible framework that addresses market risks while enabling innovation.

Importantly however, coordination does not mean duplication. It means defining roles based on asset function and market behavior. I want to encourage each of the CFTC and the SEC to actively coordinate to ensure that markets are regulated in a clear, predictable and not unnecessarily redundant way. This bill recognizes that complexity and gives agencies the tools to manage it. As longtime industry observers, we can all acknowledge the friction that can occur when directing two federal agencies to “coordinate and harmonize” when done without including reasonably observable boundaries and instructions for that coordination. I encourage the Committee to finalize a bill that provides this clear instruction to the agencies and that includes meaningful oversight mechanisms to permit the Committee to monitor (and, if needed, prompt) that regulatory coordination throughout the implementation process.

Federal Preemption and the Need for National Consistency

In the absence of federal action, states have filled the vacuum for digital asset markets. The result is a fragmented patchwork of licensing regimes that are difficult to navigate and nearly impossible to harmonize. The status quo favors incumbents, punishes compliance, and undermines U.S. competitiveness.

The burden of navigating dozens of separate licensing frameworks, with overlapping and occasionally contradictory requirements, falls heaviest on early-stage projects and smaller intermediaries. These are precisely the actors we should be encouraging to build domestically and not driving offshore.

A federal framework, especially one that preempts duplicative state regulation, would level the playing field and bring clarity to innovators and investors alike. It would allow regulators to concentrate expertise and resources where they are most needed. And it would send a signal that the United States intends to lead in the next generation of financial infrastructure.

Why Digital Assets Matter

For all the noise and speculation, I want to conclude my written statement by affirmatively acknowledging that there is real substance in this space. I am a markets lawyer and professional, and I know that markets exist when there is a market. Digital assets represent trillions of dollars in real value, hundreds of billions of dollars in monthly transaction volumes (between spot and derivative markets), and millions of users. Studies have demonstrated that approximately 55 million U.S. persons hold cryptocurrencies. Developers are building decentralized financial

systems with the potential to expand access to capital, reduce transaction costs, and create programmable financial products. Enterprises are exploring tokenized treasuries, real-time settlement systems, and on-chain asset management. These are not hypothetical ideas; each statement reflects live market experiments, and they are happening now.

And they are happening globally. Other jurisdictions (e.g., Singapore, Dubai, Abu Dhabi, the U.K., the EU) are implementing comprehensive digital asset frameworks. The U.S. cannot afford to remain on the sidelines. Leadership in financial infrastructure has long been a pillar of American economic strength. This is the next front.

But innovation alone is not enough. It must be channeled through a framework that promotes fairness, transparency, and market integrity. That is what this legislation begins to do.

Conclusion: A Clear Call to Action

I appreciate the work that this Committee has done to complete the difficult task of translating complex market dynamics into a functional regulatory framework, learning from the lessons of this market's history and failings and also carrying over the best of our collective experiences in regulating existing markets. This was not easy work, but it was essential. In digital assets, as in every market, regulation matters. The next step is federal market structure legislation, and I again suggest that it is ready to be adopted, now.

Thank you for the opportunity to testify. I look forward to your questions.

**Committee on Agriculture
U.S. House of Representatives
Nongovernmental Witnesses Biography**

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Ryne Miller is a Partner at Lowenstein Sandler LLP in New York City, where he is the Chair of its Commodities, Futures & Derivatives practice and Co-Chair of its Lowenstein Crypto group. Prior to Lowenstein, Miller held roles as the founder and Managing Partner of Miller Strategic Partners LLP, as the General Counsel of FTX US, as a Partner and Co-Head of the Commodities, Futures & Derivatives practice at Sullivan & Cromwell LLP, and as an attorney at the U.S. Commodity Futures Trading Commission. Miller also served as a law clerk to Magistrate Judge Stephen Shreder in the U.S. District Court for the Eastern District of Oklahoma.

Miller's practice provides advice and tailored advocacy to U.S. and global leaders at both traditional financial markets firms and innovative financial technology companies, drawing on his prior experiences as a senior U.S. financial markets regulator, seasoned trading and markets regulatory counsel, and general counsel for a financial services and digital assets business. Miller's client matters include high stakes and sensitive internal matters, including negotiations with material business partners on key strategic relationships, governance and regulatory design, strategic transactions, and managing crisis and incident response situations. He has also worked extensively on investigative matters involving the CFTC, the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), the National Futures Association (NFA), the Financial Crimes Enforcement Network (FinCEN), the Department of Justice (DOJ), and multiple other Federal and state regulatory bodies.

A native of the state of Oklahoma, Miller earned a bachelor's degree in economics from Oklahoma State University (2004), a J.D. from the University of Oklahoma College of Law (2007), and a LL.M. from the New York University School of Law (2009).