

**Written Testimony of Rodrigo Seira**  
**Hearing before the United States House of Representatives**  
**Committee on Financial Services**  
**Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence**

**“American Innovation and the Future of Digital Assets:  
Aligning the U.S. Securities Laws for the Digital Age”**  
**April 9, 2025**

Thank you, Chair Steil, Ranking Member Lynch, and Members of the Subcommittee, for the opportunity to testify before you today. I am appearing here in my personal capacity and not on behalf of my firm or any client.

My testimony will make three interrelated points. First, crypto represents a new technological paradigm that will reshape how we interact and organize in the digital age. Second, in my opinion, the current securities law framework is not fit for purpose in regulating crypto, and attempts to force crypto into this regime without a significant overhaul are counterproductive. Third, we have an opportunity to develop a new regulatory framework that protects crypto consumers and our capital markets, while allowing crypto to flourish. My goal today is to help us capitalize on this opportunity.

### **The Promise of Crypto**

I have always been fascinated by the forces that bring groups of people together or push them apart, which is how I find myself here today speaking about crypto.

At its core, crypto is a social coordination technology. It enables individuals to organize, interact, and collaborate based on rules enforced by transparent code, rather than by intermediaries or centralized policies. While many of crypto’s early use cases have been financial, crypto is a general-purpose technology with countless applications. Crypto provides new ways for individuals to be economically rewarded for their contribution to networks and other public goods, opening the door to people around the country that lack the traditional advantages of capital and credentials.<sup>1</sup>

### **Crypto Needs a New Regulatory Regime**

Regulation, technological development, and the flows of financial capital are tightly intertwined and interact in a recurring pattern throughout history.<sup>2</sup> As new technological paradigms such as crypto emerge, they operate in the fringes of the old regulatory regime, where they attract capital which can lead to a speculative frenzy. This frenzy often ends in a rupture that exposes the need for a regulatory realignment.

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<sup>1</sup> Dixon, Chris. *Read Write Own: Building the Next Era of the Internet*. Random House, 2024.

<sup>2</sup> Perez, Carlota, *Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages*. Edward Elgar, 2003.

We are living through that moment: it is clear that the current securities regulatory framework is not a viable option to regulate crypto and fails to achieve its stated policy goals.

*a. The current securities regime doesn't present a viable option to regulate crypto.*

Critics often portray the crypto industry as a collection of willful lawbreakers, refusing to follow straightforward rules. Fraud and abuse have undoubtedly occurred in crypto—as they have in any emerging technology sector. However, the idea that crypto projects can simply “come in and register” with the SEC is demonstrably false.

I believe that if promoters are raising capital to fundraise for a new business enterprise by pre-selling crypto assets, those initial fundraising transactions should be subject to the securities laws. In practice, however, virtually no crypto projects have successfully registered their tokens under federal securities laws and lived to tell the tale. Projects that tried to comply with the SEC's current requirements expended significant resources and effort, only to fail or survive in a state of regulatory uncertainty.<sup>3</sup>

Moreover, registration is not a simple, one-time process. Registering a token in the same manner as stock triggers an ongoing obligation to operate as a publicly reporting company, subject to extensive requirements like Exchange Act reports, proxy rules, tender offer regulations, and more. Even if a project manages to register a token, its ability to trade is severely constrained. Tokens that are registered as securities can only be traded on National Securities Exchanges, through Alternative Trading Systems, or via broker-dealers over-the-counter—all of which impose significant additional regulatory burdens on intermediaries and are fundamentally incompatible with the disintermediated trading models that crypto enables.

The current securities regime is not a realistic or viable option for crypto projects.

*b. The current securities regime does not achieve its intended regulatory goals when applied to certain types of crypto assets.*

The SEC disclosure framework, designed in the 1930s to regulate companies issuing securities like stocks and bonds, is intended to ameliorate information asymmetries and agency problems that develop between security issuers and the investing public. This regime is relevant when applied to initial fundraising transactions described above, or to tokenized securities. However, certain types of crypto assets, such as the native tokens of decentralized networks,<sup>4</sup> differ from securities in fundamental ways:

- network tokens can persist independent of any corporate issuer;
- network tokens confer holders technological abilities in a network, rather than legal claims against an issuer; and

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<sup>3</sup> Justin Slaughter, Katie Biber, and Rodrigo Seira, *Lessons from Crypto Projects' Failed Attempts to Register with the SEC*. Paradigm Policy Blog, 2023.

<sup>4</sup> Miles Jennings, Scott Duke Kominers, Eddy Lazzarin, *Defining tokens*, a16z crypto blog, 2025.

- network tokens often accrue value based on network utility rather than a company's profits.

As applied to network tokens, the current securities disclosure forms focus on irrelevant corporate and financial information while ignoring critical crypto-specific aspects like governance mechanisms, network design, tokenomics, cybersecurity, and the network utility of the assets. As a result, forcing crypto into the traditional securities disclosure regime is harmful to the very public securities laws are intended to protect because it fails to provide purchasers with the material information they need to determine the value and risks of their crypto holdings.

### **The Opportunity**

The Financial Innovation and Technology for the 21st Century Act, which was passed with broad bipartisan support by the House of Representatives last year, marked a significant step toward regulatory clarity in the digital asset space. If enacted, FIT21 would provide much-needed clarity for market participants and foster innovation within a structured regulatory environment. A predictable framework will protect users by requiring appropriate disclosures and consumer protections while ensuring that companies can innovate without the constant fear of arbitrary enforcement actions. With the right balance, FIT21 can help establish the United States as the global leader in digital asset innovation, safeguarding both economic competitiveness and protect consumers without stifling technological progress.