September 27, 2017

Hon. Jay Clayton
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Remedial Relief for ICOs Conducted Prior to DAO Investigative Report

Dear Chairman Clayton,

The recent publication by the U.S. Securities and Exchange Commission ("SEC") of the Report of Investigation Pursuant to Section 21(a) of the Securities and Exchange Act of 1934: The DAO,[1] presents the financial technology ("FinTech") industry with a unique challenge. Prior to the publication of the DAO Report, the SEC had only issued informal guidance through SEC enforcement actions which lead some in the industry to believe the sale of tokens in an initial coin offering ("ICO") might be deemed a sale of securities. The DAO Report has provided more formal guidance to the industry that the sale of tokens in an ICO in most instances constitutes a sale of securities.

Background

Liquid M Capital, Inc. f/k/a/ Ouisa Capital, LLC ("Liquid M") is a FinTech company and broker-dealer registered with the SEC and the Financial Industry Regulatory Authority ("FINRA"). Liquid M is the operator of an alternative trading system ("ATS") that plans to use blockchain technology as part of the operation of the ATS. Templum, LLC ("Templum") is a FinTech company and partner of Liquid M. On March 13, 2017, Liquid M, then known as Ouisa Capital, LLC, filed a petition for rulemaking with the SEC, encouraging the SEC to undertake formal rulemaking with respect to the regulation of digital assets and blockchain technology.[2] This letter is a supplement to our petition.

We commend the SEC for issuing the DAO Report and providing guidance on the regulation of tokens and ICOs. The open issue is what to do about tokens that were sold through ICOs prior to the DAO Report that did not involve fraud.

Regulatory Relief

Prior to the release of the DAO Report, many entities conducted token offerings in a regulatory environment that was significantly less clear. Many of these offerings may now be deemed to violate securities laws. Because of this, and given the degree of remaining regulatory

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[1] *See* Report of Investigation Pursuant to Section 21(a) of the Securities and Exchange Act of 1934: The DAO (July 25, 2017), available at: https://www.sec.gov/litigation/investreport/34-81207.pdf.

[2] *See* Petition for Rulemaking (Mar. 13, 2017), available at: https://www.sec.gov/rules/petitions/2017/petn4-710.pdf.

uncertainty, we encourage the SEC to grant all firms that conducted a sale of tokens in advance of the DAO Report a grace period for their ICOs, and allow them a chance to remediate the possible violations within 180 days of an order issued by the SEC. We believe that firms that fall within the scope of the order should have the opportunity to either register their offering possibly under Regulation A, or to treat their offering as having been conducted under the safe harbors of Regulation D or Regulation CF, based on the facts and circumstances of the offering. Such relief would not absolve an issuer of liability for an initial token offering that involved fraud. Blockchain technology provides tremendous potential from a regulatory compliance perspective, and we encourage the SEC to embrace this. Its immutability and auditability make the technology very well-suited for easy anti-money laundering, know your customer, and suitability check compliance.

We believe that by affording FinTech firms the opportunity to remedy their conduct, the SEC will be able to advance its interests in regulating FinTech while fostering innovation and regulatory compliance. The SEC will also satisfy its duties to: (i) protect investors; (ii) maintain fair, orderly, and efficient markets; and (iii) facilitate capital formation.[3] Such an approach is not without precedent. In 2014, the SEC issued a no-action letter which provided guidance to mergers and acquisitions brokers ("M&A Brokers") that had been an open issue for some time. The letter permitted M&A brokers to engage in certain activities in connection with the purchase or sale of privately-held companies without registering as a broker-dealer under Section 15(b) of the Securities Exchange Act of 1934.[4] This no action letter provided an industry-wide opportunity to address an open regulatory issue.

We would be very interested in meeting with you to talk further about this matter. If Liquid M, Templum, or we can be of any further assistance to you before then, please do not hesitate to contact us at the above address or at 646-595-1737 or our counsel Richard B. Levin at 202-772-8474.

Very truly yours,

Vincent R. Molinari
Chief Executive Officer
Liquid M Capital, Inc.

Christopher Pallotta
Chief Executive Officer
Templum, LLC

cc: Michael S. Piwowar, Commission, Securities and Exchange Commission
Kara M. Stein, Commissioner, Securities and Exchange Commission

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[3] Michael S. Piwowar, Acting Chairman, SEC, Remarks at the "SEC Speaks" Conference 2017: *Remembering the Forgotten Investor* (Feb. 24, 2017), *available at:* https://www.sec.gov/news/speech/piwowar-remembering-the-forgotten-investor.html.

[4] M&A Brokers, SEC No-Action Letter (Feb. 4, 2014), *available at*: https://www.sec.gov/divisions/marketreg/mr-noaction/2014/ma-brokers-013114.pdf.