

United States Senate

WASHINGTON, DC 20510

October 13, 2022

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Dear Chair Gensler:

The Securities and Exchange Commission's (SEC) mission is to protect investors and ensure fairness and efficiency in U.S. financial markets. The SEC's pursuit of this mission via regulation and enforcement is critical to American prosperity and global trust in our financial markets. Clear rules promote an environment where investors are protected; responsible financial innovation is enabled by providing clear rules-of-the-road to market participants; and investor confidence is built through stakeholder feedback. I write to urge the SEC to issue regulations for digital asset securities through a transparent notice-and-comment regulatory process.

Whatever the risks and benefits of these new assets might be, existing laws and regulations were not designed to deal with how digital assets are being used in the market. Currently, digital asset markets do not have a coordinated regulatory framework. This creates uneven enforcement, and deprives investors of a clear understanding of how they are protected from fraud, manipulation, and abuse. At the same time, as you have repeatedly noted, existing securities regulation does not cleanly apply. Retail investors, in some circumstances, may not be getting the disclosures necessary to comprehend risks associated with digital assets since releasing such information material to investors is not required by existing rules. Applying the old rules to the new market could inadvertently cause financial services to be more expensive, less accessible, and the SEC's disclosure regime to be less useful to the American people. Yet, there are some products and investments, such as Initial Coin Offerings (ICOs), where the SEC is well positioned to offer regulatory guidance since ICOs operate similarly to a traditional financial product.

Given the complexity of these issues, and recognizing that some digital assets are securities, others may be commodities, and others may subject to a completely different regulatory regime, a formal regulatory process is needed now. This will significantly improve policy development and allow the SEC to collect views and understand concerns. Furthermore, it will create clear rules that will benefit investors who currently may not be fully aware of the risks associated with digital asset investments.

Accordingly, the SEC should take action including, but not limited to:

- clarifying what types of digital assets are securities;
- addressing how to issue and list digital securities;
- determining what disclosures are necessary for investors to be properly informed;
- establishing a registration regime for digital asset security trading platforms; and,
- setting rules on how trading and custody of digital assets should be carried out.

I recognize these questions are complicated, but it is time for the SEC to engage. Empowering innovators, fostering financial innovation, protecting investors, and ensuring market integrity are consistent principles. A notice-and-comment period will yield critical public input and enable the SEC to put forward rules that effectively protect investors while supporting responsible

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innovation. Public input is critical to effectively synthesizing these principles into prudent regulations. I look forward to working with you to build prudent rules as this powerful technology continues to develop.

Sincerely,

A handwritten signature in blue ink that reads "John Hickenlooper". The signature is fluid and cursive, with "John" on the first line and "Hickenlooper" on the second line.

John Hickenlooper
United States Senator