CFA Institute

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Via electronic submission through
https://www.sec.gov/comments/s7-2026-27/regulation-crypto-assets

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Regulation Crypto Assets (Release Nos. 33-11434 and 34-106150; File No. S7-2026-27)

Dear Ms. Countryman,

CFA Institute welcomes the opportunity to provide comments on the Securities and Exchange Commission's (the "Commission") proposed **Regulation Crypto Assets**, published on August 21, 2026. CFA Institute[1] speaks on behalf of its members and advocates investor protection and market integrity before standard setters, regulatory authorities, and legislative bodies worldwide. We focus on issues affecting financial analysis and investment management, professional competence, and the fairness, transparency, and accountability of global financial markets.

As you begin this new regulatory process for crypto markets, we feel it is important to avoid confusion and complexity by presenting a comprehensive framework. Several significant gaps and unresolved issues in this initial crypto consultation are expected to be addressed through forthcoming crypto-asset regulatory proposals according to the Commission's own comments. As these proposals are highly interdependent, it is important that stakeholders have the opportunity to evaluate these new market rules as a unified regulatory package rather than through separate piecemeal consultations. Soliciting public comment on only one component at a time limits the ability of stakeholders to assess how the proposals interact and their cumulative regulatory, operational, and market impacts.

We also note the Commission's understandable frustration with congressional inaction on crypto-asset legislation, including the Clarity Act. However, such frustration does not provide a legal basis for substituting rulemaking for legislative action. We worry that attempting to do so invites challenges under *Loper Bright* and increases the risk that a court will conclude that the Commission has exceeded its statutory authority. Rather than promoting regulatory certainty, this approach is likely to generate prolonged litigation and impede the development of a coherent, durable crypto-asset regulatory framework.

[1] CFA Institute is the global association of investment professionals that sets standards for professional excellence and credentials. We champion ethical behavior in investment markets and seek an environment where investors' interests come first, markets function at their best, and economies grow.

Executive Summary and Core Policy Positions

- We support clear and rigorous rules on ethics and conflict of interest requirements for insiders and public officials.
- We support clear rules for e-token issuance / who and how is the new e-token being "dropped" and what are the initial and ongoing responsibilities of the issuer.
- We support clear disclosures / rules to create crypto authorized accounts that are "transaction verified and documented".
- We support rigorous rules on execution services for trading tokens that prevents, market manipulation and conflicts of interest.
- We support clear and rigorous rules on custody and safe keeping of customer cash and e-token holdings.
- We support clear and consistent disclosures on features like mining, staking, rewards, or other investment-like "returns" offered on any token by crypto issuers, exchanges or other crypto nodes and the appropriate verification and investor protections in place.

Introduction

CFA Institute comments focus on the key issues relating to market integrity and investor protection in the context of our Code of Ethics and Standards of Professional Conduct .

The proposal would establish a startup exemption permitting up to $5 million over a maximum four-year period, a fundraising exemption with $20 million and $75 million tiers measured over 12 months, and a conditional safe harbor addressing when a covered investment contract has ceased to exist. The framework concerns arrangements involving a crypto asset that is not itself a security; it does not provide a general exemption for tokenized shares or other assets that are themselves securities. Issuers using the offering exemptions would remain subject to applicable anti-fraud and antimanipulation provisions.[2]

CFA Institute supports regulatory clarity and proportionate requirements that reflect economic substance. In our June 2026 response with CFA Society United Kingdom to the Financial Conduct Authority, we broadly supported an activity-based approach and cautioned against regulatory treatment that overlooks the risks created by a firm's actual functions.[3] Those principles also inform this response. In particular, easier access to fundraising should be

[2] SEC, Regulation Crypto Assets, Release Nos. 33-11434 and 34-106150 (Aug. 18, 2026), pp. 1–2, 7–9, 321–323, 329–335 (the "Proposing Release"). Page references are to the supplied release conformed to the Federal Register version. The proposal remains a proposed rule as of October 12, 2026. Full source links appear in References.

[3] CFA Institute and CFA Society United Kingdom, Response to Consultation Paper CP26/13—Cryptoasset Perimeter Guidance (June 3, 2026), PDF pp. 2 and 7.

accompanied by reliable information, identifiable responsibility, and effective controls over conflicts and market conduct.

Our recommendations focus on amendments to Rules 103, 200, and 400 and the related forms. Where broader account or trading standards require a separate proceeding or another authority's involvement, we identify that distinction. Requirements should be proportionate to the offering and activity.

1. Ethics and Conflicts Require Specific Disclosure and Effective Controls

Rule 103(b)(4) already requires disclosure about management, related persons, conflicts, and transfer restrictions. We support that foundation. The release nevertheless recognizes that information asymmetries and misaligned incentives may be heightened while investors depend on an issuer to complete its development promises. Merely stating that a conflict exists does not explain its economic significance or how it is controlled.[4]

i.) **Identify material interests and the persons who benefit.** In response to Questions 27–30 and 34, we recommend that the Commission require issuers to explain material direct and indirect economic interests of founders, promoters, controlling persons, and affiliates. Relevant arrangements include preferential allocations, token discounts, compensation for promotion, revenue-sharing agreements, and relationships with market makers or listing venues. Disclosure should identify the terms and beneficiaries after reasonable inquiry, including material interests held through controlled entities. This should not become a requirement to publish the identities of ordinary token holders. Our stance takes inspiration from the CFA Institute Code of Ethics and Standards of Professional Conduct Standard VI(A), avoiding conflicts where reasonably possible and making effective disclosure where conflicts remain. It provides an ethical basis for stronger controls[5].

ii.) **Address public-official relationships without overstating this rulemaking's reach.** Rule 103 should expressly encompass material allocations, gifts, promotional payments, ownership interests, and commercial relationships involving executive-branch or legislative officials and their controlled entities, where known or reasonably available to the issuer. The issuer should explain any preferential terms and the nature of the official's relationship to the project. Communications should not imply government endorsement merely because an official has an interest in, or promotes, a token.[6]

Broader restrictions on officials' conduct require action by the appropriate authorities. Existing guidance from the U.S. Office of Government Ethics (OGE) illustrates that crypto holdings can

4 Proposing Release, pp. 58–66; proposed Rule 103(b)(4); Questions 27–30 and 34–35.

5 CFA Institute, Standard VI(A), Avoid or Disclose Conflicts (updated Jan. 2024). The Code and Standards bind CFA Institute members and candidates; their use here as policy principles does not imply that all token issuers or officials are subject to them.

6 Jake Offenhartz, "Inside the botched launch of ex-NYC Mayor Eric Adams' new crypto token," The Associated Press via NBC New York, Jan. 15, 2026

engage executive-branch conflict rules independently of their treatment under securities law.[7] We encourage coordination with OGE and congressional ethics bodies on disclosure, gifts, misuse of nonpublic information, and appropriate restrictions on token sponsorship or paid promotion by officials with direct policy or oversight responsibilities. Executive-branch recusal requirements and legislative ethics rules should be addressed through their respective legal frameworks. An SEC offering exemption itself cannot establish the comprehensive ethics regime needed for Congress and other public officials.

2. Token Issuance and Airdrops Need Transparent Terms and Timely Updates

Rule 103(b)(7) already addresses supply, allocations, lockups, distribution methods, related-person holdings, and release schedules. Rule 200 would accommodate covered distributions associated with network development, including certain airdrops and incentives. These provisions can support legitimate distribution while exposing investors to substantial dilution and insider-sale risks unless their practical operation is clear.[8]

i.) **Explain who receives an airdrop and what they provide.** For distributions within the exemption, issuers should document eligibility criteria, selection methods, allocation amounts, insider participation, and any required purchase, service, referral, promotional activity, or other consideration. They should explain how non-cash consideration is valued against the offering limit. An airdrop should not be described as free if recipients must perform a material obligation to obtain it. Equally, the rule should respect the Commission's March 2026 interpretation concerning qualifying distributions without consideration; the label "airdrop" alone should determine neither inclusion nor exclusion.[9]

ii.) **Update material information when it changes.** Rule 200(d)(3) would generally require website amendments within 30 days after year-end. We recommend event-driven updates for material changes to allocations, unlocks, governance powers, development promises, rewards, or issuer-linked trading arrangements. The release expressly invites this approach in Questions 67–69.[10] A four-business-day outside deadline after a materiality determination would provide a practical starting point consistent with the timing used for specified Form 1-UC events. Issuers should make that determination without unreasonable delay. The deadline should not permit continued offering activity on materially misleading information.

In addition, to preserve evidence of what investors were told, issuers should file a dated baseline disclosure and material amendments on EDGAR. Each amendment should include a concise

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7 U.S. Office of Government Ethics, Legal Advisory LA-22-04 (July 5, 2022), pp. 1–3. The advisory addresses exemptions under 5 C.F.R. part 2640 from 18 U.S.C. § 208; it is not an interpretation of congressional ethics rules.

8 Proposing Release, pp. 59–66 and 75–81; proposed Rules 100, 103(b)(7), and 200; Questions 34–35 and 43–46.

9 SEC and CFTC, Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets, Release Nos. 33-11412 and 34-105020 (Mar. 17, 2026), pp. 58–62; Proposing Release, pp. 76–77, n. 200.

10 Proposing Release, pp. 88–92 and 154; proposed Rules 200(d)(3) and 305(a)(4); Questions 64–69; Appendix D, Form 1-UC, pp. 387–395. Four business days for startup material updates is our recommendation, not the proposed Rule 200 deadline.

description of the changes and retain access to prior versions. For fundraising issuers, Form 1-UC should expressly capture material crypto-specific changes that may fall outside its current event categories. Some changes may already trigger the form; the purpose is to close identifiable gaps and avoid duplicative reporting.

3. Account Authority and Transaction Records Should Be Clear and Auditable

Investors need to know who may give instructions for an account, what transaction was authorized, and what was executed. A blockchain entry can establish that a transfer was recorded but may not establish the identity or authority of the person who instructed it, the terms agreed with an intermediary, or the information provided when the investor committed. Rule 103(b)(7)'s reference to methods of verifying transaction history should therefore be supported by practical recordkeeping expectations.

i.) **Connect instructions to completed transactions.** Records and confirmations should identify the token and network, quantity, execution price where applicable, fees, timestamp, venue or counterparty where appropriate, and transaction identifier if one exists. Records should distinguish a submitted instruction from a confirmed transaction and capture failed, reversed, or corrected entries. Where activity is recorded internally before being reflected on a blockchain, the provider should be able to reconcile the two histories and explain differences to the customer.

ii.) **Preserve useful records and protect personal information.** Require exportable transaction histories, appropriate retention, controls against undocumented alteration, and a clear process for correcting errors and resolving disputes. Investor-identifying records should be available to supervisors under lawful authority rather than published alongside public wallet histories. This approach reflects the record-retention principle in CFA Institute Standard V(C), while leaving the Commission to specify a proportionate period and coordinate it with applicable existing requirements.[11] The term "authorized account" should describe verified authority to act, it should not suggest SEC approval of an account or token. Trading arrangements must support fair execution and market integrity.

4. Mining Staking and Rewards Require Clear Economic and Risk Disclosures

The Commission's March 2026 interpretation addresses specified protocol mining and staking activities, including certain administrative or ministerial services. Some arrangements involving a provider's discretion or guaranteed rewards fall outside its stated scope. The new offering framework should preserve those distinctions and should not imply that every product marketed as "staking," "mining," or "rewards" receives the same treatment.[12] Our recommendations apply

[11] CFA Institute, Standard V(C), Record Retention (updated Apr. 2024). This standard concerns records supporting investment activities and communications; the specific issuer and account requirements discussed here are recommendations.

[12] SEC and CFTC, Release Nos. 33-11412 and 34-105020, pp. 34–53, particularly pp. 49–51 and nn. 124–127. Falling outside a described activity in the interpretation does not by itself establish that a different arrangement is a security.

to material features of covered offerings and, through appropriate companion standards, to services within the relevant authority's jurisdiction.

i.) **Identify the source and distribution of rewards.** Under Rules 103(b)(7), (9), and (10), disclose whether rewards arise from network fees, newly issued tokens, an issuer subsidy, or another activity. Explain who sets the formula, who can change it, the share retained by service providers or affiliates, and the conditions under which payments can fall or stop. Where new token issuance is used to fund the rewards, show the associated supply growth so that investors can evaluate dilution.

ii.) **Present returns on a comparable basis.** Present performance information fairly, accurately, and completely, avoiding selective periods or assumptions that create misleading expectations. State whether a quoted rate is historical or projected, whether it is variable or contractually promised, the measurement period, any compounding assumption, and whether it is before or after fees. Use consistent methods and periods when comparing returns or explain material differences. Explain that an increase in token units may coincide with a loss measured in dollars. Mining-related projections should identify material energy, equipment, and participation costs and assumptions about network difficulty. Avoid presenting a temporary promotional subsidy as a sustainable investment return. These recommendations draw on Standard III(D)'s principles of fair, accurate, and complete performance presentation and Standard V(B)'s emphasis on understandable service descriptions, costs, significant risks, and the distinction between facts and opinions.[13]

5. The Exit Safe Harbor Should Require Evidence of Fulfilled Promises

Rule 400 would permit reliance where the issuer has completed or permanently ceased all promised essential managerial efforts, makes and intends no new such promises, and files Form TR. The Commission could challenge an inaccurate assertion of compliance, and the release acknowledges that other parties could still assert that a security exists. We support greater certainty, but the safe harbor's availability after permanent cessation raises a distinct concern: an issuer could abandon an unfinished project and seek the same procedural benefit as an issuer that delivered its promises.

i.) **Reserve the safe harbor for fulfillment.** In response to Question 133, we recommend limiting Rule 400 to issuers that have fulfilled the essential managerial efforts they represented or promised. Whether an abandoned arrangement has otherwise ceased to be an investment contract would remain a separate determination under applicable law. This recommendation does not assume that securities status can be extended indefinitely by rule. It distinguishes the conditions for an optional safe harbor from the underlying legal analysis. Issuers should not be able to erase an unmet promise by unilaterally narrowing it immediately before filing.

[13] CFA Institute, Standard III(D), Performance Presentation (updated Apr. 2024), Standard V(B), Communication with Clients and Prospective Clients (updated Jan. 2024).

Conclusion

CFA Institute supports a tailored offering framework that expands legitimate capital formation while giving investors reliable information and clear accountability**.** We recommend targeted amendments that make conflicts and allocations specific, preserve verifiable transaction records, require prompt material updates, and explain the economics and risks of reward arrangements. The safe harbor should be supported by evidence that essential managerial promises have been fulfilled.

The Commission should adopt the issuer-focused changes within this proceeding and coordinate any broader account, execution, and public-official ethics measures through the appropriate authorities and processes. Standardized disclosure fields and recognition of existing records can help contain costs. The final framework should make responsibilities of various players in the crypto infrastructure clear, understandable and enforceable throughout a project's development.

Finally, we reiterate our desire to see a comprehensive and integrated set of crypto related initiatives that feature investor protection. The Commission must ensure it does not improperly circumvent congress and remains within the limits of proper agency authority. To do otherwise will simply add to the delay in achieving a well-designed and reasoned approach to crypto regulations.

CFA Institute thanks the Commission for considering our comments. We would welcome further engagement on the disclosure requirements, investor protections, and implementation of the final rule.

Sincerely,

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