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WRITTEN TESTIMONY OF
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United States Senate Committee On Banking, Housing, And Urban Affairs
IN A HEARING ENTITLED
From Wall Street To Web3: Building Tomorrow's Digital Asset Markets

Chairman Scott, Ranking Member Warren, and distinguished Members of the Committee, thank you for the opportunity to testify today. My name is Summer Mersinger, and I am the Chief Executive Officer of Blockchain Association. We are the leading voice of the American digital asset industry, representing more than 130 of the most innovative and respected companies and stakeholders in the blockchain ecosystem. Our members, many of whom are startups and small businesses, are building the next generation of the internet here in the United States—from software developers and infrastructure providers to investment firms and trading platforms—and we are proud to advocate for the responsible growth of this transformative technology.

I am here today to convey a clear, urgent, and unified message from our industry: comprehensive and carefully calibrated rules of the road for digital assets are essential for protecting consumers, fostering responsible innovation, and ensuring the United States remains the undisputed global leader in finance and technology for the 21st century.

Regulating the industry with existing laws has created ambiguity, stifling American innovation and driving entrepreneurs to jurisdictions with clearer legal frameworks. This approach ultimately leaves consumers and investors vulnerable, as these overseas markets often exist with little to no oversight and are well outside the reach of U.S. authorities. The lack of a defined, congressionally-mandated regulatory framework is the single greatest threat to American leadership in this emerging industry. While other major financial centers like the European Union, the United Kingdom, Japan, and Singapore have enacted or are advancing bespoke frameworks for digital assets, the U.S. has fallen dangerously behind.

We are at a critical inflection point. The choice before us is not *whether* to regulate this industry, but *how*. We can either continue down a path of uncertainty that cedes our leadership and exports this innovation to other countries, or we can enact sensible, bipartisan legislation that cements our position as the premier destination for financial innovation for decades to come.

To that end, Blockchain Association and its members have developed a set of core principles—many of which are similar to the Senate Banking Committee Crypto Market Structure Principles released recently by Chairman Scott and Senators Lummis, Tillis, and Hagerty—that we

believe must serve as the foundation for any durable digital asset market structure legislation. Today, I will outline key considerations for Congress on market structure and offer our perspective on a productive path forward.

Our industry is aligned on twelve foundational principles that will guide a functional, fair, and effective regulatory regime. These principles are not a menu of options; they are an interconnected whole, designed to provide clarity and guide Congress in crafting bipartisan legislation. Some key themes from the principles include the following:

1. Create a Functional, Calibrated, and Right-Sized Regulatory Framework.

The most significant flaw in the current U.S. regulatory approach is the attempt to force-fit a 21st-century technology into an early 20th-century legal framework. Digital assets and the decentralized networks they run on are not simply old products in new wrappers; they possess unique technological, economic, and functional characteristics that demand a modern, functional, and calibrated approach.

Our existing securities and commodities laws were designed for a world of centralized intermediaries—brokers, exchanges, and clearinghouses—each performing a distinct function. The digital asset ecosystem is different. It includes network validators, software developers, and other participants who may not have custody of user assets or a traditional customer relationship. Furthermore, digital asset platforms may integrate functions that are separated in traditional finance. A one-size-fits-all framework that fails to account for these differences is unworkable. Forcing platforms into registration categories that were not designed for their business models creates operational conflicts and legal confusion, rather than clarity and protection. Regulation must be right-sized for the activities being regulated.

2. Recognize the Unique Characteristics of Digital Assets.

At the heart of the regulatory challenge is a fundamental question: What is a digital asset? The answer is not always simple, and our laws must reflect that nuance. The current legal uncertainty stems from the application of the Supreme Court's 1946 Howey test. It is critical to remember that Howey is a test for determining whether a particular transaction constitutes an "investment contract"—a type of security—not a test for defining the inherent nature of the underlying asset itself.

An orange grove is not a security. However, a scheme to sell interests in that grove to the public with the expectation of profit derived from a promoter's efforts is an investment contract, and therefore a security. Similarly, a digital asset, which is ultimately just lines of code, is not inherently a security. The critical question is how it is sold. This is not a semantic distinction—it has real consequences for innovation.

Congress has a responsibility to step in and clarify the boundaries. That means distinguishing between a digital asset and the manner in which it is offered or sold. It means recognizing that

the same token may be subject to different regulatory treatments depending on its function, stage of development, and distribution model. And it means crafting flexible, principles-based rules that support innovation while guarding against real risks to consumers.

Digital assets are simply tools—albeit versatile and powerful tools—that must be understood in context. Recognizing their unique characteristics is not a regulatory concession. It is a precondition for effective oversight and American leadership in this emerging area.

3. Establish a Clear and Efficient Path to Register Digital Asset Trading Platforms.

A regulatory framework is only as effective as the supervisory structure that underpins it. Today, there is no viable path for digital asset intermediaries to register and operate in the United States in a manner consistent with their technological and business models. These platforms, which perform crucial market functions, are confronted with a fragmented and contradictory set of rules that were not designed for them.

Congress must create a bespoke registration framework for digital asset intermediaries that is comprehensive, functional, and provides clear lines of authority. Such a framework should establish a primary federal supervisor for registered platforms tasked with overseeing their holistic activities, from customer onboarding to market conduct.

Crucially, this new framework must grant clear jurisdiction over the digital asset spot market and create a functional registration path—the lynchpin of effective oversight and market integrity.

4. Promote Robust Consumer and Investor Protections.

The digital asset industry unequivocally supports strong, comprehensive consumer and investor protections. Trust is the bedrock of any financial market, and we are committed to building an ecosystem that is safe, transparent, and resilient.

Comprehensive legislation must include robust safeguards that are tailored for the unique aspects of the digital asset ecosystem. These should include, but are not limited to:

- **Safe Custody of Funds:** Strict rules should require customer assets to be held safely, protect against the loss or misuse of customer funds, and prohibit the commingling or rehypothecation of customer funds without their explicit, affirmative consent. Blockchain technology itself can provide a higher standard of transparency through auditable proof of reserves.
- **Clear and Detailed Disclosures:** Disclosures should be in plain language and require information not only of the risks of a particular asset but also of the project's token economics, governance structure, and source code.

- **Comprehensive Market Integrity Rules:** A broad prohibition should protect against all forms of fraud, deception, and market manipulation.
- **Strong Oversight:** Robust supervision and examination programs for all registered intermediaries should encourage best practices for security and foster broader participation to ensure individuals can confidently engage in a safe and trusted digital asset ecosystem.

These are not burdens; they are the necessary prerequisites for a mature, trusted, and thriving industry. We stand ready to work with this Committee to codify the strongest consumer protections in the world.

5. Foster U.S. Competitiveness and Innovation.

Finally, establishing regulatory clarity is an issue of immense national importance. Digital assets and blockchain technology represent a technological leap forward with the potential to create more efficient, transparent, and accessible financial services, supply chains, and digital identity solutions. The nation that writes the rules for this foundational technology will export its values and secure a significant economic and strategic advantage for the coming century.

By providing regulatory clarity, Congress can unlock tens of billions of dollars in domestic investment, create hundreds of thousands of high-paying jobs, and bring the world's best innovators back to our shores. Continued inaction will only accelerate the trend of American companies moving overseas, taking their capital, talent, ingenuity, and jobs with them. Ensuring the next generation of the internet and financial market infrastructure is built on American standards and reflects American values is not just an economic imperative—it is a matter of national security.

Blockchain Association and its members are not asking for a world without rules. We are asking for clear rules. We are asking for a framework that protects consumers, provides certainty for innovators, and positions the United States to lead the next chapter of technological history. The principles I have outlined today represent a durable and bipartisan consensus from the heart of the American digital asset industry. They provide a sound foundation for the vital work this Committee is undertaking.

The cost of inaction is too high. We urge you to seize this historic opportunity to pass meaningful, bipartisan market structure legislation this year. We stand ready to serve as a resource in this effort.

Thank you for your time and leadership on this critical issue. I look forward to answering your questions.