

Paradigm

October 20, 2026

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

Re: S7-2026-27: Regulation Crypto Assets (“Reg Crypto”)

Secretary Countryman,

Paradigm Operations LP (“**Paradigm**”) appreciates the opportunity to comment on the Securities and Exchange Commission’s (“**Commission**”) proposed rules to create a tailored offering regime for investment contracts involving crypto assets (“**Proposed Rule**”).¹ As a frontier-technology investment firm that invests and builds in crypto, AI, robotics, and across new frontiers from the earliest stages,² Paradigm commends the Commission’s efforts to ensure that crypto asset developers and issuers have a clear pathway to finance the development of new and innovative blockchain-based protocols.

To that end, this letter respectfully provides feedback regarding certain aspects of the Proposed Rule, which would further facilitate capital formation and innovation in crypto asset markets while ensuring investors remain adequately protected. Specifically, Paradigm recommends that the Commission: (1) allow covered investment contracts to include multiple crypto assets and accommodate layered structures such as vaults; (2) allow covered investments to include other assets, such as issuer equity, and protect good-faith determinations that a subject crypto asset is not a security; (3) provide an integration safe harbor for concurrent offerings that describe the same crypto asset; (4) clarify that certain secondary transactions on third-party platforms are not securities transactions; and (5) allow third-party sponsors to conduct offerings when a project has no clearly identifiable issuer.

I. The Commission Should Allow Covered Investment Contracts to Include Multiple Crypto Assets and Layers of Crypto Assets

As currently proposed, Reg Crypto defines “covered investment contract” as an investment contract (1) that has a crypto asset subject to it, (2) where that crypto asset is not a security, and (3) only that crypto asset is subject to it.³ In practice, if not intent, the third prong of that definition would prevent blockchain developers from offering investment contracts involving multiple crypto assets or layers of crypto assets and, in doing so, would curtail the proliferation of innovative

¹ SEC, *Regulation Crypto Assets*, 91 Fed. Reg. 54510 (Aug. 21, 2026) (“Proposal”).

² More information about Paradigm is available online at <https://www.paradigm.xyz/>.

³ See Proposed 17 C.F.R. 228.100.



developments and harm the consumers and investors who benefit from these advances. Accordingly, Paradigm recommends that the final rule remove or revise this condition.

Importantly, we understand and appreciate that the third prong of the covered investment contract definition Reg Crypto is designed to resolve some of the legal ambiguities that plagued the development of many blockchains in the past decade. For example, the Ethereum development team raised money in 2014 by selling more than 50 million ether to the public,⁴ and, in the following years, the development teams of various other blockchains, including Solana, raised money in similar ways. As was the norm, these blockchains contained a single crypto asset as their native token, and the use of public channels to raise funds created difficult legal questions about how to distinguish a blockchain or protocol's native crypto asset from potential investment contracts created through fundraising.

Paradigm applauds the Commission's efforts to clarify how the federal securities laws apply in these scenarios, including through the Proposed Rule and recent joint interpretive guidance with the Commodity Futures Trading Commission ("**Joint Guidance**").⁵ Paradigm also understands the desire to resolve the legal issues blockchain developers and crypto asset issuers faced in the previous decade. However, we respectfully note that in the decade since this legal ambiguity appeared, new blockchain structures have been developed that include more than one crypto asset. For example, Optimism and Unichain each use ether as a gas asset and use separate tokens (*i.e.*, OP and UNI) for governance or network-security functions. Similarly, the Ontology Network has distinct tokens for staking and governance (ONT) and gas (ONG), as does the Midnight Network (DUST for gas, NIGHT for governance).⁶

Following their emergence around 2020, vaults (*i.e.*, a set of smart contracts published on a blockchain that are designed to hold digital assets) began to raise similar concerns. Vaults typically accept deposits of one or more crypto assets and issue a separate token representing the depositor's share of the vault's holdings, so a single offering may necessarily involve both the vault token and the underlying assets. As Commissioner Peirce recently noted, vaults are "not uniform" and their "promise will only be realized ... if we grapple now with the intersection between [them] and the federal securities laws."⁷ As proposed, the third prong does not grapple with this intersection and, instead, would operate as a blanket prohibition preventing an issuer from relying on Reg Crypto to offer such a structure even where each underlying asset is itself a non-security crypto asset.

Therefore, to ensure that Reg Crypto is sufficiently adaptable to both the current state of blockchain technology and future blockchain models not yet contemplated, Paradigm recommends the final rule remove or revise the third prong of the covered investment contract definition to

⁴ Gemini, *Ethereum and the ICO Boom* (accessed Sep. 23, 2026), <https://www.gemini.com/cryptopedia/initial-coin-offering-explained-ethereum-ico#section-initial-coin-offerings-on-ethereum>.

⁵ SEC & CFTC, *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets*, 91 Fed. Reg. 13714 (Mar. 23, 2026).

⁶ See ONTology, *ONT and ONG Tokens* (accessed Sep. 23, 2026), <https://ont.io/tokens/>; midnight, *Midnight Network* (accessed Sep. 23, 2026), <https://midnight.network/>.

⁷ See Commissioner Peirce, *Headstands and Summervaults: A Statement on Crypto Vaults and Lending Strategies* (Jul. 22, 2026), <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-crypto-vaults-lending-strategies-072226>.



allow covered investment contracts to cover multiple assets and layers of crypto assets like vaults. This change should allow crypto asset issuers and blockchain developers to develop innovative new blockchain models based on investor demands rather than unduly restrictive technical requirements. Furthermore, this change could be achieved with minimal amendments to the Proposed Rule. Such revisions could include revising the definition in Proposed 17 C.F.R. 228.100, and references throughout Reg Crypto to “subject crypto asset” in the singular such as Item 5 of the Reg Crypto offering circular instructions.

II. The Commission Should Also Expand the Definition of Covered Investment Contract to Allow Assets Other Than Non-Security Crypto Assets and Crypto Assets Whose Security Status is Ambiguous

Relatedly, the covered investment contract definition also requires that the subject crypto asset not be a security. The Proposed Rule indicates this restriction was designed to separate crypto assets intended to develop or evolve out of security status from those not expected to undergo such an evolution.⁸ However, the Proposed Rule also seeks comment on whether the Commission should instead adopt a definition of “covered investment contract” that would permit investment contracts involving assets other than non-security crypto assets to constitute a “covered investment contract” so long as they also involve non-security crypto assets such as a single investment contract that contemplates the sale of both a crypto asset and a share of the issuer’s stock.⁹

Paradigm supports Reg Crypto offerings of investment contracts involving assets other than non-security crypto assets. Blockchain developers and crypto asset issuers often use combinations of simple agreements for future equity (“SAFES”), simple agreements for future tokens (“SAFTs”), token warrants, Regulation D private offerings, and Regulation S offshore offerings to raise money. The final rule should ensure developers, issuers, and their investors have the contractual freedom to mix and match fundraising methods based on their particular needs, including by allowing portions of a covered investment contract to include issuer or related party equity. This means Reg Crypto issuers should be able to allocate portions of any offering as they see fit provided such allocations are adequately disclosed so that investors understand the potential risks and rewards.¹⁰

Paradigm also recommends allowing covered investment contracts to cover crypto assets whose security status may be ambiguous. One theme of Commission enforcement actions over the last ten years has been uncertainty over when a particular crypto asset is a security and when it is not. Recent Commission guidance seeks to resolve this, but a future Commission could change its mind and expose blockchain developers and crypto asset issuers to potential liability, reducing investor returns. This could compound if state attorneys general considered any change in the Commission’s position on which crypto assets qualify as securities to mean state securities laws are no longer preempted for subject crypto assets.

⁸ Proposal, note 19 at 54512.

⁹ Proposal at 54520 (citing note 128).

¹⁰ For the same reasons, and in response to Question 7, Paradigm would not support a fixed percentage limit on other assets. Instead, the final rule should require issuers to disclose each asset subject to the covered investment contract, how units are allocated among those assets, and the rights and risks associated with each.



To avoid this outcome, Paradigm recommends the Commission explicitly allow covered investment contracts to involve assets other than non-security crypto assets and provided that an issuer that reasonably and in good faith determines, at the time of the offering, that a subject crypto asset is not a security will not lose the exemption if that determination is later questioned or the Commission's position changes. This would give blockchain developers and crypto asset issuers the ability to design their products based on market demand without fear of losing their Reg Crypto exemption. It would also mitigate the risk that a future Commission changes its mind about which crypto assets qualify as securities (and the state securities law risks that could come with that) by ensuring offerings conducted in good-faith reliance on Reg Crypto would remain exempt from registration and continue to benefit from the preemption of state registration requirements under proposed 17 C.F.R. 228.500.

III. The Commission Should Provide Tailored Integration Relief

As the Commission notes in the Proposed Rule,¹¹ the integration doctrine seeks to prevent issuers from improperly avoiding registration by artificially dividing a single offering into multiple offerings such that exemptions apply to the multiple offerings that would not be available for the combined offering. The Proposed Rule would direct issuers to refer to 17 CFR 230.152 (“**Rule 152**”) to determine whether Reg Crypto offerings should be integrated with others.¹²

Rule 152 provides several integration safe harbors, including (1) offerings separated by more than 30 calendar days, and (2) general solicitation offerings if made after any terminated or completed offering.¹³ When no safe harbor applies, concurrent offerings risk integration unless the issuer can show each offering is registered or exempt.¹⁴ However, when concurrent exempt offerings each allow general solicitation (as Reg. D and Reg Crypto do), the use of similar offering materials for each risks integration because the material terms may be similar (e.g., when a subject crypto grants holders the same utility).¹⁵ The Proposed Rule would revise Rule 152 to provide that Reg Crypto offerings would commence upon the date of an offer or when the issuer files the required forms and terminate or complete when the issuer or its agents cease selling efforts, file a transition report, withdraw an offering statement, or the Commission declares an offering statement abandoned. It would not address the risk that arises when concurrent offerings necessarily describe the same crypto asset.

One of the key distinctions between crypto assets and traditional securities offerings is that while traditional securities offerings grant investors a claim on the issuer, crypto assets typically grant holders the ability to use a blockchain or protocol. Thus, when investing in a traditional offering, the investor buys a claim on the issuer, whereas with a crypto asset offering they are effectively buying a claim on a product. This means a traditional issuer undertaking concurrent exempt offerings can offer materially different terms to different sets of investors (see above

¹¹ See Proposal, note 130 at 54521.

¹² See Proposal 17 C.F.R. 228.101(b).

¹³ 17 C.F.R. 230.152(b). Rule 152(c) and (d) provide when offerings commence and terminate or complete.

¹⁴ 17 C.F.R. 230.152(a).

¹⁵ See 17 C.F.R. 230.152(a)(2).



regarding the use of SAFEs, SAFTs, token warrants etc.). However, because crypto assets represent claims on the same product, their terms may not be viewed as materially different. This raises the risk of a crypto asset issuer seeking to rely on Reg. D and Reg Crypto simultaneously, potentially having their offerings integrated and losing the ability to rely on Reg Crypto (e.g., if the combined offering exceeds the \$75 million allowed under the fundraising exemption).

To address this issue, Paradigm recommends the Commission provide an additional safe harbor in Rule 152 or issue guidance in the final rule release stating that a Reg Crypto offering will not be integrated with a concurrent exempt offering, and that the offering materials for one will not be deemed offering materials for the other, solely because they describe the same subject crypto asset and its terms, functionality, or associated rights.

IV. The Commission Should Clarify Crypto Asset Status in Secondary Transactions

The Proposed Rule indicates that offers and sales of a non-security crypto asset subject to an investment contract would constitute securities transactions, including in secondary markets, until the non-security crypto asset separates from the investment contract.¹⁶ If security status travels with the crypto asset, rather than the investment contract, it could materially reduce the potential utility of the crypto asset by limiting distribution through crypto asset intermediaries (e.g., centralized exchanges, market makers, decentralized finance protocols) because those platforms could be subject to broker or dealer registration with the Commission. This could, in turn, create a chicken-and-egg problem where issuers struggle to fulfill the promises necessary to separate the investment contract from the crypto asset due to ownership concentration¹⁷ or a lack of consumptive use.¹⁸

As Commissioner Peirce has noted, “treating a token as a security is akin ... to saying that if in *Howey* investors were permitted to take their profits in kind by taking delivery of the oranges produced by their strip of trees, those oranges would be securities and subsequent sales of these oranges ... would be securities transactions.”¹⁹ Moreover, courts have held that crypto assets sold to the public, including by the issuer, in blind bid-ask transactions should not be viewed as securities transactions in part because the issuer did not make any promises to those particular

¹⁶ Proposal at 54515 (“a non-security crypto asset becomes subject to an investment contract when an issuer offers it by inducing an investment of money in a common enterprise with representations or promises to undertake essential managerial efforts from which a purchaser would reasonably expect to derive profits. Under such circumstances, secondary market offers and sales of such a non-security crypto asset would constitute securities transactions”); see also Joint Guidance at 13722 (if “purchasers would reasonably expect such representations or promises to remain connected to the non-security crypto asset, the non-security crypto asset would continue to be subject to the associated investment contract in secondary market transactions”).

¹⁷ See *SEC v. LBRY*, 639 F. Supp. 3d 211, 220 (D.N.H. 2022) (holding that crypto asset was a security, in part, due to issuer retaining a high concentration of total tokens, which a reasonable purchaser would understand to motivate them to increase such tokens’ value).

¹⁸ See *United Housing v. Forman*, 421 U.S. 837, 852 (1975) (“when a purchaser is motivated by a desire to use or consume the item purchased ... the securities laws do not apply”).

¹⁹ See Commissioner Peirce, *Concurrence in the Matter of Wireline, Inc.* (Jan. 15, 2021), <https://www.sec.gov/newsroom/speeches-statements/peirce-concurrence-wireline-011521>.



buyers.²⁰ The notion that secondary transactions in a crypto asset subject to an investment contract would be securities transactions seems contrary to this precedent.

To solve potential ambiguities surrounding secondary transactions, Paradigm recommends the Commission clarify that secondary transactions in crypto assets subject to an investment contract would not qualify as securities transactions when conducted on third party platforms in scenarios similar to blind bid-ask transactions. Alternatively, the Commission could (i) confirm that intermediaries facilitating such secondary transactions are not required to register as brokers or dealers solely for that reason, or (ii) expand the safe harbor in proposed 17 C.F.R. 228.400 so that a crypto asset is not treated as subject to an investment contract in such transactions while the issuer remains current in its Reg Crypto reporting.

V. The Commission Should Allow Sponsors to File Disclosures Separately from the Issuers

To use the exemptions in Reg Crypto, crypto asset issuers, or persons authorized to act on behalf of such issuers, would file various forms as required by the final rule. Reg Crypto does not define “issuer,” but federal securities laws define it as “every person who issues or proposes to issue a security.”²¹ Many crypto assets that are the subject of investment contracts do not have a clearly identifiable issuer. For example, a protocol governed by a decentralized autonomous organization may sell tokens from a community treasury to fund development by multiple independent contributors, leaving no single person that organizes the offering and is primarily responsible for the venture’s success. The Commission and courts have considered this in other contexts, including DeFi protocols and sponsored partnership interests, concluding an issuer can be any person that “organizes or sponsors the organization of [an entity] and is primarily responsible for the success or failure of the venture for which the [entity] is formed”.²²

For crypto assets, there can be an issuing entity or a centralized development team that could fit within the traditional definition of “issuer.” However, some projects are developed by open-source contributors or decentralized communities with no clearly identifiable issuer, with bitcoin as a prominent example. Paradigm believes such projects should still be able to raise money provided a lead developer or investor is willing to take responsibility for disclosures and fund raising. Although the startup exemption would already permit an individual or group to act as the issuer, the fundraising exemption would still require a U.S.-organized entity. Paradigm thus recommends that the Commission revise Reg Crypto, including the fundraising exemption, and its related forms Reg Crypto to allow third parties to independently sponsor Reg Crypto offerings and file related forms even when they are not explicitly the issuer or acting on its behalf. Any such sponsor would assume the disclosure, reporting, and liability obligations of an issuer under Reg Crypto, preserving the protections investors would otherwise receive. Doing so would better allow the development of innovative blockchain protocols and facilitate the development of crypto assets

²⁰ See *SEC v. Ripple Labs, Inc.*, 682 F. Supp. 3d 308, 329 (S.D.N.Y. 2023) (“the record establishes that with respect to Programmatic Sales, Ripple did not make any promises or offers because Ripple did not know who was buying the XRP, and the purchasers did not know who was selling it.”).

²¹ 15 U.S.C. §§ 77b(a)(4), 78c(a)(8), 80a-2(a)(22).

²² *SEC v. Murphy*, 626 F.2d 633 (9th Cir. 1980); see also Joint Guidance, note 83 at 13721.



that enable holders to share in the growth and value of building a crypto network while still protecting investors.

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Paradigm appreciates the Commission's consideration of our comments. If you have any questions or would like to discuss these comments further, please reach out to Stefan@paradigm.xyz.

Sincerely,

/s/
Stefan Schropp
Senior Regulatory Counsel
Paradigm Operations LP

