Blockchain Association's Principles on Digital Asset Market Structure

Below is Blockchain Association's consensus position on digital asset market structure policies for both legislation and regulation. This position is illustrated in 12 principles that act as lowest common denominators, uniting the views expressed by the Association's member companies.

- **Pro-Competition** — Policies should foster innovation and growth for U.S. businesses, developers, and users of digital assets.
  - A regulatory framework should position the United States as the preferred hub for investment and technological advancement in blockchain technology and digital assets. A thriving digital asset ecosystem depends on fostering an environment where small businesses and developers can innovate without undue burdens. Clear, transparent rules that promote lawful pathways for existing and emerging businesses to operate enhance the ability of entrepreneurs to succeed and encourage fair competition.

- **Consumer Protection** — Policies should safeguard retail participants with protections to ensure a secure and transparent market.
  - Users are at the heart of the digital asset ecosystem: They should be provided with clear and standardized disclosures to ensure that participants can make informed decisions. Regulations should provide tailored market intermediation, directing intermediaries to protect against the loss or misuse of customer funds, encourage best practices for security, and foster broader participation to ensure individuals can confidently engage in a safe and trusted digital asset ecosystem.

- **Scope** — Policies should be fit for purpose and tailored to focus on financial activities, not other applications of distributed ledger technology (DLT) and digital assets.
  - Digital assets serve diverse purposes, from financial transactions to creative or consumptive uses. Legislation and regulation must clearly define their scope—focusing on financial activities rather than targeting specific assets—and exclude non-financial applications. This would ensure innovation outside financial markets is not inadvertently stifled and resources are allocated efficiently to the regulation of genuine financial risks.

- **Infrastructure** — Policies should be carefully designed to avoid favoring specific solutions and focus on regulating specific activities rather than foundational infrastructure.
  - DLT infrastructure forms the backbone of the digital asset ecosystem, enabling secure and efficient transactions. The hardware, software, and services that comprise DLT infrastructure must be protected from broad interpretations that could make operating such components unlawful or burdensome. Additionally, regulations must be tailored to the ecosystem's technology, protecting these innovations and the unaffiliated network of participants that operate them while ensuring policies avoid favoring or penalizing particular solutions.

- **Developer Protections** — Policies should protect the developers of open-source software, especially from liability when that software is used by independent bad actors.
    - Developers drive innovation by creating the tools and platforms that power the digital asset ecosystem: they must be protected to foster competition and sustain technological progress. Moreover, liability protections ensure that developers are not held responsible for how their code is used by bad actors, encouraging open-source collaboration. Clear safeguards (in line with Section 230 of the Communications Act of 1934) reduce risks and incentivize contributions to this critical area of technological advancement.

- **Network Participation** — Policies should protect the ability of individuals, developers, and institutions to participate in DLT networks and applications.
    - Blockchain technology's promise lies in its ability to decentralize technological infrastructure, as exemplified by peer-to-peer transactions and decentralized governance. Policies should empower users and institutional holders to take advantage of the functional uses of digital assets, whether that be by transacting peer-to-peer, exercising voting rights, accessing protocols through non-custodial interfaces, participating in consensus or security mechanisms, or using digital assets for other innovative applications.

- **A Global Market** — Policies should reduce friction for participation in a global market and ensure U.S. competitiveness.
    - The digital asset market is inherently global. Implementing a regulatory framework in the United States with a single trading market would enhance liquidity, transparency, and price discovery by minimizing fragmentation and enabling seamless interactions between domestic and international participants. The United States can remain competitive, attract investment, and secure leadership in the digital asset space by fostering global regulatory harmony while establishing its own innovative framework.

- **Non-Custodial Software and Services** — Policies should protect non-custodial software and services from inappropriate regulatory classifications as intermediaries or financial institutions.
    - Decentralized protocols and smart contracts expand access to various services and reduce costs through automation and transparency. Misclassifying non-custodial software and services as intermediaries overlooks a fundamental difference: These technologies do not custody user assets and, therefore, do not pose the same risks as centralized financial intermediaries. Regulations must clarify that non-custodial software and services are not classified as intermediaries. Such clarity would ensure that these technologies can flourish while tailored regulations would maintain accountability for centralized entities that interact with them.

- **Token Classification** — Policies should establish clear classifications for tokens, delineating securities, commodities, and other asset types with precision.
  - Ambiguity in token classification creates legal uncertainty and hinders innovation. By providing sound definitions, guidance, and clear jurisdictional divides, regulation can ensure compliance while enabling growth.

- **Custody** — Policies should safeguard the right to self-custody digital assets using non-custodial wallets and provide additional clarity for custodial activities.
  - Self-custody is a cornerstone of financial sovereignty in the digital asset ecosystem. To promote individual empowerment and security, policies should protect users' ability to hold and manage their assets without intermediaries. Policies should provide flexibility and support best practices for customers or institutions to safeguard digital assets—either using non-custodial or custodial solutions as appropriate. Additionally, the providers of non-custodial wallets should be protected from erroneous classifications to ensure users have access to innovative custody solutions.

- **Staking** — Policies should clearly enable staking natively or through intermediaries.
  - Staking rewards users for network participation and fosters ecosystem security. Policies should reduce legal uncertainty for all staking models and allow digital asset intermediaries, such as centralized exchanges, to provide secure and trusted methods for customers to stake their assets.

- **Transition** — Policies should provide a smooth transition for existing businesses, clarity for listing tokens, and federal preemption of state laws.
  - Smooth transitions to new regulatory frameworks ensure businesses can adapt without disruption, fostering industry compliance and maintaining market stability. Policies should provide clear guidance on how tokens can be listed for trading for existing and emerging business models. Additionally, federal preemption of state laws reduces complexity and encourages a cohesive, national approach.