

BURWICK LAW PLLC
1 World Trade Center, 84th Floor
New York, New York 10007

April 15, 2026

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

Re: File No. S7-2026-09 — Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets

Dear Ms. Countryman:

I submit this comment in response to File No. S7-2026-09. The Commission's interpretive release is an important effort to provide greater clarity regarding the application of the federal securities laws to crypto assets and related transactions. The release emphasizes economic reality, supply-and-demand dynamics, and pricing efficiency. That emphasis is sound. But doctrinal clarity about whether a particular crypto asset is or is not a security should be paired with equal attention to whether the market in which that asset trades is genuine, stable, and accountable.

My principal point is straightforward: market integrity in crypto cannot be understood solely by classifying assets. It also depends on whether visible price, volume, and liquidity reflect real participation by independent actors, or instead the synthetic activity of bots, commonly controlled wallets, and coordinated trading networks. In many crypto markets, especially those operating without meaningful identity controls, that distinction is blurred. When it is blurred, price discovery itself becomes unreliable.

Three recurring structural problems deserve express regulatory attention.

- synthetic market activity created through pseudonymous or anonymous multi-wallet trading, including bot-driven wash trading;
- liquidity arrangements that are discretionary, unstable, and vulnerable to insider withdrawal; and

- the absence of identity-based accountability mechanisms sufficient to detect common control, deter manipulation, and identify the actors responsible when markets are rigged.

The first major market-integrity problem is synthetic activity masquerading as genuine demand. In a pseudonymous environment, a single actor or coordinated group can operate large numbers of wallets and create the appearance of distributed participation. That activity can inflate volume, move price, create chart patterns, manufacture apparent liquidity, and induce real retail trading based on the false impression that a market is active and broadly supported. The problem is not merely that reported volume becomes inaccurate. The deeper problem is that the market becomes informationally unreliable. Apparent demand, momentum, and tradability may be fabricated rather than real. Once that occurs, price discovery is corrupted at its foundation.

Meme-coin markets provide an especially visible example of these concerns, but the underlying problem is broader. In a non-KYC environment, there is no reliable way to know how far bot-driven wash trading, common-control wallet activity, and other forms of synthetic trading extend across the wider crypto market. The result is that apparent price, volume, and liquidity across asset classes may be materially distorted by activity that does not reflect genuine independent demand. In such an environment, asset prices can be artificially inflated, liquidity can be unstable or illusory, and the market itself can become toxic because visible trading signals no longer provide a reliable basis for judging whether real buyers exist at the prices the market appears to support.

That broader uncertainty is itself a serious regulatory problem. In a non-KYC market, neither regulators nor participants can reliably determine the extent to which observed activity across blockchains and crypto assets reflects genuine two-sided participation as opposed to bot-driven self-dealing, circular trading, or coordinated manipulation. At sufficient scale, such activity can distort not only individual asset prices, but also transaction counts, fee generation, throughput figures, and other network-level metrics that may then be cited as evidence of adoption, growth, or commercial success. In that setting, manipulation of individual assets can become manipulation of perceived ecosystem growth itself.

The second major market-integrity problem is extractable or unstable liquidity. Even where volume appears real, the architecture of a trading pair or liquidity pool may still create a fundamentally misleading impression of market quality. In many crypto markets, retail participants trade against liquidity that is not meaningfully locked and is instead subject to the discretion of insiders, deployers, promoters, or affiliated operators. In such settings, the quoted price can falsely suggest that the asset has a functioning market and that holders will be able to exit at or near prevailing prices. In reality, the liquidity supporting that market can be withdrawn,

especially in one-sided or concentrated pairs, causing the market to collapse. This is the structural mechanism behind many rug pulls.

That problem should be understood as a market-integrity issue, not merely a disclosure issue. Where liquidity is discretionary and extractable, the market may be presented as active and tradeable while in fact remaining dependent on the continued willingness of a controlling actor to keep capital in the pool. The resulting price does not reflect durable, competitive market conditions. It reflects an unstable arrangement in which insiders can leave retail market participants bearing the losses.

KYC and accountability are critical safeguards.

KYC is a critical safeguard in both contexts. First, KYC helps address synthetic market activity because it limits the ability of a single actor or coordinated group to simulate broad market participation through large numbers of anonymous or pseudonymous wallets. KYC does not eliminate manipulation, but it materially improves regulators' and market operators' ability to identify common control, investigate suspicious activity, and distinguish genuine market participation from self-dealing, circular trading, or bot-driven wash activity.

Second, KYC helps address extractable liquidity and rug-pull dynamics because it ties liquidity providers, pair operators, and related intermediaries to identifiable persons or entities. If liquidity is withdrawn in a deceptive or abusive manner, regulators and victims are not left chasing anonymous addresses with no accountable counterparty behind them. Identity creates accountability, and accountability is what makes legal enforcement possible.

For that reason, KYC should not be understood merely as an AML tool. In crypto markets, it is also a market-integrity tool. It helps determine whether the market is populated by independent participants or by one concealed actor impersonating many. It helps determine whether visible liquidity is supported by accountable persons or by entities that can disappear behind anonymous addresses. And it helps restore the basic conditions required for meaningful price discovery.

Traditional securities regulation already reflects this principle.

This is not a novel regulatory concept. In traditional securities markets, the Commission does not permit core market functions to be carried out through opaque, anonymous, or structurally unaccountable intermediaries. Broker-dealers generally must register under the Exchange Act before effecting securities transactions. Alternative trading systems operating under Regulation ATS must register as broker-dealers and make required filings before commencing operations. Transfer agents and clearing agencies are likewise subject to registration and regulatory

oversight because they sit at critical control points for ownership, settlement, and market integrity.

The same logic applies to customer identification and beneficial-ownership requirements. In traditional securities markets, identity verification is treated as baseline market infrastructure, not as an optional add-on. The point is not that the existing broker-dealer or market-infrastructure framework maps perfectly onto every crypto arrangement. The point is more modest and more important: where core market functions are being performed, the federal securities framework already insists on identifiable, regulated, and accountable actors. Crypto markets should not be treated differently where the same concerns are present in sharper form.

Indeed, the case for accountability is often stronger in crypto markets because the relevant harms are easier to scale and harder to unwind. A single actor can fragment activity across large numbers of wallets, create the appearance of distributed participation, inflate metrics relied upon by the public, and withdraw from the market before victims or regulators can reliably identify who controlled the activity. That is precisely why anonymity at critical control points should not be treated as a neutral design choice.

Recommended Commission approach.

I urge the Commission, whether in further interpretive guidance, examination priorities, or future rulemaking, to state more directly that meaningful market integrity in crypto requires more than doctrinal clarity regarding whether an asset is a security. It also requires attention to whether the trading environment is authentic and whether the infrastructure supporting quoted prices is stable and accountable.

At a minimum, the Commission should recognize that where trading activity and liquidity provision occur without meaningful identity controls, the risk of fabricated supply-and-demand signals, market manipulation, and rug-pull conduct rises materially. That recognition should expressly include the practical reality that bot-driven wash trading can scale across large numbers of assets, distort fee and throughput metrics at the blockchain level, and create a false appearance of ecosystem-wide growth that may itself mislead investors and the public.

The Commission should also make clear that innovation does not require tolerance for structurally unreliable markets. A market in which visible price, volume, and liquidity may be materially disconnected from genuine independent demand is not simply volatile. It is unreliable. And where that unreliability is enabled by anonymity at critical points of control, the regulatory response should focus on restoring identity, accountability, and enforceability.

The Commission's current release is an important first step in providing legal clarity. But clarity about asset classification should not obscure the more basic question whether the market itself is real. When synthetic volume can be passed off as organic demand, and when discretionary liquidity can be marketed as a functioning market, investors are not participating in fair price discovery. They are entering a structurally unreliable environment in which appearance and reality may sharply diverge. KYC and related accountability measures are therefore not merely compliance tools. They are core safeguards for market integrity.

Respectfully submitted,

Max Burwick
Burwick Law PLLC
1 World Trade Center, 84th Floor
New York, New York 10007