

## MEMORANDUM

**To:** Crypto Task Force Meeting Log  
**From:** Crypto Task Force Staff  
**Re:** Meeting with Representatives of Anchorage Digital Bank and Mercury Strategies LLC

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On May 2, 2025, Crypto Task Force Staff met with representatives from Anchorage Digital Bank and Mercury Strategies LLC.

The topic discussed was approaches to addressing issues related to regulation of crypto assets. Anchorage Digital Bank and Mercury Strategies LLC representatives provided the attached document, which was discussed during the meeting.

**To:** Commissioner Hester Peirce, Chair - SEC Crypto Task Force  
**From:** Rachel Anderika; Head of Global Operations and Bank COO, Anchorage Digital  
Kevin Wysocki, Head of Policy, Anchorage Digital  
Anne Kelley, Consultant, Mercury Strategies  
**Date:** April 2025  
**Re:** Meeting Topics

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The memorandum describes at a high level the topics that Anchorage Digital proposes to discuss at its meeting with the SEC's Crypto Task Force: custody, exchange-traded fund staking, stablecoin rewards, and the Special Purpose Broker Dealer license framework.

### **Custody**

At Anchorage Digital Bank (ADB) we provide for the safekeeping of our clients' cryptographic keys that unlock their digital assets. We use air-gapped, hardware security module (HSM) based key storage that mitigates the risks of human error and attack vectors by showing proof of existence and maintaining exclusive control over the keys at all times. Transaction endorsements are protected by behavior anomaly detection, based on a collection of meaningful risk indicators and any sensitive operations require approval of a quorum of members within a client group. At ADB, we hold the highest industry standard for securing digital assets. We have successfully passed System and Organization Control (SOC) Type 2 audits, we are examined twice a year by our primary federal regulator, the Office of the Comptroller of the Currency (OCC), and we use military-grade encryption.

Further, at no point do clients or any other party—except our bank—have access to the keys we create and protect for clients. We never, under any circumstances, create copies or shards of our clients' cryptographic keys. This exclusive control of keys by our bank is critical to reducing risks of theft, misappropriation, or any other unauthorized use of clients' digital assets. It also means that the beneficial ownership of a client's digital assets cannot change, unless our bank participates in such action by effectuating the transaction prior to the change in ownership. Also, we can provide evidence of this exclusive control with our logs and audits of such logs.

At ADB, we will never—nor have we ever—moved clients' digital assets unless our clients have explicitly instructed us to do so. Client instructions to move digital assets are validated by ADB, and if all criteria are met, we approve and broadcast the transaction to the blockchain. Also, at no time are Anchorage Digital funds and client funds commingled at ADB.

The HSM, exclusive-control architecture we use gives our clients all the benefits of cold storage and hot wallets, without their respective tradeoffs. Similar to hot wallets but unlike cold storage, our clients have the ability to quickly access and use their digital assets. However, unlike hot wallets but similar to cold wallets, our clients digital assets are securely stored in segregated on-chain vaults, and clients' assets under our care are never lent out or hypothecated. Further, our clients can rest assured that due to the unique protections of the National Bank Act and our

designation as a nondepository custodian that maintains all client assets off balance sheet, client assets would never directly or indirectly be subject to claims of creditors of ADB or its affiliates in the event of an insolvency. In other words: assets at ADB are unequivocally “bankruptcy remote.”

Unfortunately, not all centralized entities that provide custodial services of digital assets are federally regulated, clearly bankruptcy remote, or have as high of standards, which could put clients’ assets at risk.

**Anchorage Digital strongly recommends segregating custody and exchange functions in the cryptocurrency industry** as a critical step to enhance investor safety and market integrity, drawing from lessons in traditional finance where such separation has long been a mandated safeguard. In traditional markets, keeping custody distinct from trading activities protects investors by ensuring that assets are independently safeguarded and eliminating conflicts of interest, preventing the kind of unchecked control that can lead to catastrophic losses. When an exchange also handles custody, it controls both the trading platform and the safeguarding of assets, creating a single point of failure ripe for mismanagement, hacks, or insider abuse—as seen in high-profile collapses like FTX, which commingled and fraudulently appropriated customer funds. By separating these roles, custody providers can focus on secure storage, while exchanges focus on optimizing trading, significantly reducing the risk of asset loss. This segregation, a cornerstone in traditional finance, also fosters transparency in crypto, as independent custodians can provide verifiable proof of reserves, cementing trust in an industry plagued by opacity. Ultimately, segregation aligns cryptocurrency with time-tested regulatory standards that prioritize protecting users over the convenience of centralized control, offering a critical protection for investors.

### **Exchange-Traded Fund Staking**

**Allowing Exchange-Traded Funds (ETFs) to stake will benefit investors** by enabling them to earn additional yield from their holdings. It would also contribute to a network’s security and decentralization, both integral features of a Proof of Stake (PoS) mechanism. However, staking within ETFs should only be permitted if the assets are held and staked through a secure control location managed by a regulated entity, either directly or indirectly. This would ensure that the staked assets are protected against theft or mismanagement, comply with regulatory requirements, and are expertly managed from a technological perspective. Limiting staking to regulated entities would also ensure that validator nodes securing the network are managed with robust operational standards to promote business continuity, minimize the risk of downtime, and mitigate risks and disruption arising from slashing penalties or network attacks. Finally, a controlled environment overseen by a regulated entity would uphold investor trust by demonstrating a commitment to security, transparency, and operational soundness, crucial for institutional adoption and regulatory approval.

## **Stablecoin Rewards**

As the regulatory landscape for digital assets continues to evolve, one critical area of uncertainty revolves around the legal treatment of stablecoin rewards, yield, and interest. Currently, the STABLE Act prohibits “payment stablecoin” issuers from providing yield or interest. The GENIUS Act prohibits stablecoins that provide yield or interest from the definition of “payment stablecoins.” In both of these bills “payment stablecoins” are deemed not “securities.” When talking to leaders in Congress and their staff, a pathway to provide rewards, yield, or interest on stablecoins may be provided in the crypto market structure legislation. We are optimistic that this will happen, but it is not certain. **At Anchorage Digital, we believe that the SEC should consider creating a clear pathway for crypto firms to provide stablecoin rewards.** A clear pathway would create greater confidence to make major capital investments in stablecoin projects, which can lead to economic growth, innovation, high-paying jobs, more consumer protections, and better services and products for stablecoin users.

## **Special Purpose Broker Dealer**

**Anchorage Digital believes that the SEC should retire the Special Purpose Broker Dealer license framework and incorporate all digital assets into the ordinary broker-dealer framework.** As the Commissioners and staff at the SEC know, the SPBD license only applies to digital asset securities, leaving out many of the most well known digital assets such as Bitcoin and Ethereum, which has resulted in a very small digital asset securities market with limited activity. Unfortunately, this narrow focus on digital asset securities, along with the strict regulatory requirements and high regulatory costs, limits the license’s utility. Instead of continuing with the SPBD license framework, the SEC should focus on incorporating *all* digital assets into the ordinary broker-dealer framework. Specifically related to the custody of digital assets, broker-dealers should be allowed to provide custody of the digital asset themselves, if they are able to meet custodial safeguarding standards and maintain reasonably established capital requirements.