

SUBMISSION TO THE SEC CRYPTO TASK FORCE

Structural Enforcement Standards
for Digital Assets

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*“Smart contracts execute. They do not enforce.
Trust law solved this centuries ago.”*

Tokenization

Safe Harbor

Crypto Lending

RWAs

Trading

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1. Introduction

I am an IP attorney with over 20 years of experience writing patent license agreements, NDAs, and high-value IP licensing structures. I am also the inventor of a patent-pending enforcement protocol for digital assets, with provisional applications dating to January 2025.

I am submitting this input because I believe the Task Force is asking the right question — and that a practical answer already exists.

Smart contracts execute. They do not enforce. The Structural Enforcement Standard closes that gap — making digital assets behave like traditional contracts for the first time. Not by adding legal agreements on top of blockchain infrastructure. By building the contract into the token itself.

The core problem in digital asset regulation is not classification. It is enforcement. Specifically: smart contracts execute instructions. They do not enforce obligations. When something goes wrong after a transfer, there is no structural answer built into the token. There is only litigation.

This submission proposes a simple, practical standard that would change that — and notes that working technology implementing this standard already exists and is not complicated to deploy.

Disclosure: *The author holds provisional patent applications dating to January 2025 on a specific technical implementation of this standard, known as the Structural Enforcement Protocol. This submission proposes the standard itself — not any particular implementation. The standard is designed to be implementable by any party using a variety of technical approaches. The author's patent covers one such approach and is disclosed here in the interest of full transparency.*

2. The Problem

When a digital asset transfers, three things should happen automatically:

- The transfer conditions should be checked
- If conditions are violated, a predefined remedy should execute
- The obligations attached to the asset should travel with it to the next holder

Today, none of these things happen structurally. They happen — if they happen at all — through human review, legal agreements, and litigation after the fact.

This is why institutional lawyers block their clients from putting assets on-chain. Not because blockchain technology does not work. Because when something goes wrong, there is no structural answer. The enforcement layer is missing.

This is also why the SEC has been issuing no-action letters case by case. When the legal nature and enforcement architecture of a token has not been defined before issuance, the regulator is left to sort it out after the fact. That is an unsustainable model as tokenization scales toward trillions of dollars.

The good news: this problem is solvable. The technology to solve it exists today.

3. The Foundation: Trust Law Already Solved This

Before describing the standard, it is worth noting that the legal architecture underlying it is not new. It is centuries old.

Trust law has governed the separation of legal authority from beneficial rights for hundreds of years. A trustee holds legal title to an asset. A beneficiary holds the right to use or benefit from it. The trustee enforces the terms of the trust on behalf of the beneficiary. When beneficial rights transfer to a new holder, the obligations defined in the trust instrument travel with them. The trustee's authority does not change. The terms do not disappear. The enforcement does not depend on the platform, the marketplace, or anyone choosing to act.

This structure works. It has worked for centuries. It is why trusts are used to hold property, manage estates, govern institutional assets, and protect beneficiaries across every major legal system in the world.

The problem with digital assets is that this structure has never been implemented on-chain. Smart contracts can transfer tokens. They cannot separate legal authority from beneficial rights. They cannot enforce obligations that survive transfer. They cannot revoke rights automatically when terms are violated.

The Structural Enforcement Standard applies trust law's proven architecture to digital assets for the first time. It does not require new law. It requires implementing the law that already exists — in a form that executes automatically, on-chain, at the moment of transfer.

4. The Proposed Standard: A Dual-Layer Architecture

The standard requires that any token representing rights, obligations, or transferable value be implemented as a dual-layer structure — separating the authority layer from the rights layer, exactly as trust law separates trustee from beneficiary.

AUTHORITY LAYER (Trustee)	RIGHTS LAYER (Beneficiary)
<ul style="list-style-type: none"> • Encodes all rules: transfer conditions, licensing terms, royalties, remedies • Never moves — permanently anchored on-chain • Cannot be transferred, wrapped, or bypassed • Retains custody of the underlying asset at all times • Equivalent to the trust instrument 	<ul style="list-style-type: none"> • Represents the holder's governed rights to the asset • Transfers only through authority-layer-validated mechanism • Obligations re-encode at every transfer • Can move cross-chain — enforcement follows • Equivalent to the beneficial interest

Why the dual-layer structure is necessary:

A single token cannot do this. If the token is freely transferable, the obligations can be stripped — as happened when platforms turned off creator royalties in 2022. If the token is locked, it cannot be used. The dual-layer structure solves this by separating what moves from what governs. The rights transfer. The authority stays. The obligations re-encode at every transfer.

The four requirements within this structure:

<p>1. Transfer Conditions</p>	<p>Who can hold this asset and under what conditions. KYC status, accreditation, jurisdiction, holding period — whatever the applicable rules require. These conditions must be structurally encoded in the authority layer, not just described in accompanying documentation. If the conditions are not met, the transfer does not happen.</p>
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2. Predefined Remedies

What happens automatically when transfer conditions are violated. Freeze the asset. Return it to the authority layer's custody. Trigger an arbitration process. Notify relevant parties. These remedies must be defined before issuance — not decided by a human after the fact. This is what turns a compliance gate into actual enforcement.

3. Revocability

The architecture must support revocation when conditions warrant it. If a license is misused, if accreditation lapses, if a compliance condition changes — the rights layer token can be revoked automatically, without requiring court action. The authority layer retains custody of the underlying asset at all times. Revocation is a function of that retained authority — exactly as a trustee retains the power to act when a beneficiary violates the terms of the trust.

4. Defined Dispute Resolution

Jurisdiction, arbitration process, and governing law should be encoded in the authority layer before issuance. Everyone knows the rules before anything goes wrong. This is how well-drafted contracts work. Digital assets should be no different.

These four requirements are not technically complicated. They are the same elements any competent contracts attorney would include in a well-drafted licensing agreement — structured as a trust, with a trustee holding authority and a beneficiary holding governed rights. The difference is that in a digital asset these elements execute automatically, at the moment of transfer, rather than through litigation after the fact.

5. Why This Matters for Investor Protection

A token that meets this standard provides investor protections that traditional instruments do not:

- Transfer conditions are enforced at the moment of transfer — not reviewed afterward
- Remedies execute automatically — no waiting for human decisions
- Obligations travel with the asset regardless of what platform it trades on
- Every enforcement decision is recorded immutably on-chain — a legally defensible audit trail
- Dispute resolution is defined before anything goes wrong — no ambiguity about jurisdiction
- The authority layer retains custody — no single platform failure can eliminate enforcement

This is not incremental improvement over existing investor protection. It is structural investor protection built into the asset itself — modeled on the same trust law architecture that has protected beneficiaries for centuries.

6. Why This Matters for Regulatory Clarity

The SEC has faced a difficult challenge with digital assets: tokens arrive in the market without clearly defined legal natures, and the regulator is left to classify them after the fact through no-action letters and enforcement actions.

A Structural Enforcement Standard addresses this at the source. When transfer conditions, remedies, revocability, and dispute resolution are defined in the authority layer before issuance:

- The legal nature of the instrument is clearer from inception
- Compliance is structural rather than policy-dependent
- The audit trail supports regulatory oversight without requiring constant intervention
- Institutional actors — banks, custodians, transfer agents — can rely on the token's defined behavior

The dual-layer structure also maps cleanly onto existing legal concepts the SEC already understands. The authority layer functions like a trust instrument. The rights layer functions like a beneficial interest. The transfer mechanism functions like a trustee-validated assignment. This is not novel legal territory. It is familiar legal architecture in a new technical form.

This does not require new legislation. It requires recognition that tokens meeting this standard represent a meaningfully different — and more protective — instrument than tokens that do not.

7. Why This Matters for Innovation

The United States risks falling behind in institutional tokenization not because of excessive regulation but because of regulatory uncertainty. Institutional lawyers are blocking trillions of dollars in assets from coming on-chain because there is no structural answer to the question: what happens when something goes wrong?

A Structural Enforcement Standard gives those lawyers an answer. It creates a clear path for institutional adoption that does not require case-by-case no-action relief. It allows innovation to proceed with confidence rather than uncertainty.

The technology to implement this standard exists today. It is not experimental. It is not complicated to deploy. A working implementation is live on Arbitrum mainnet. The Structural Enforcement Protocol is patent-pending with provisionals dating to January 2025.

The barrier to institutional adoption is not technology. It is the absence of a recognized standard that tells institutions what a structurally compliant token looks like.

8. Specific Recommendations

I respectfully ask the Task Force to consider the following:

1. Recognize the Structural Enforcement Standard

Issue guidance recognizing that tokens which implement a dual-layer architecture — separating the authority layer from the rights layer, with structurally encoded transfer conditions, predefined remedies, revocability, and dispute resolution — represent a distinct and more protective class of digital asset. This structural enforcement should be encouraged as a best practice for institutional tokenization.

2. Create a Safe Harbor for Structurally Compliant Tokens

Tokens that meet the Structural Enforcement Standard should receive regulatory clarity regarding their classification and treatment. This creates a clear path for institutional adoption without requiring no-action letters.

3. Encourage Adoption Across RWA Platforms

Real world asset tokenization — real estate, private credit, treasuries, IP — represents trillions of dollars of potential on-chain value. The primary barrier is not technology. It is the enforcement gap. Recognizing and encouraging the Structural Enforcement Standard directly addresses that barrier.

4. Engage with Working Implementations

Working technology implementing this standard exists today. I would welcome the opportunity to demonstrate it to the Task Force directly.

9. Conclusion

Smart contracts execute. They do not enforce. That gap — between execution and enforcement — is the single most important structural problem in digital asset regulation today.

For decades, contracts have been the foundation of commerce — because they define rights, obligations, and what happens when things go wrong. Digital assets have had the first two. The Structural Enforcement Standard adds the third. For the first time, a digital asset can behave exactly like a traditional contract — with the added benefit that enforcement is automatic, auditable, and nobody can turn it off.

Trust law solved this problem centuries ago. The trustee holds authority. The beneficiary holds rights. The obligations survive every transfer. The Structural Enforcement Standard brings that proven architecture on-chain — and makes it executable, automatic, and permanent.

It is solvable. The technology exists. The standard is simple. The investor protections are real.

I respectfully urge the Task Force to recognize the Structural Enforcement Standard as a framework for institutional tokenization — and to create the regulatory clarity that will allow this technology to reach its potential.

Respectfully submitted,

Amy Pearson

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Structural Enforcement Protocol (patent pending)

Provisional applications dating to January 2025

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APPENDIX

Structural Enforcement in Practice

The following three examples illustrate the difference between today's digital asset infrastructure and tokens that meet the Structural Enforcement Standard. Each example stands alone. The Task Force may find one or all three relevant to its work.

EXAMPLE 1: TOKENIZED SECURITIES

What exists today:

A tokenized security is issued on a platform. Transfer restrictions are defined in legal agreements and platform policy. The platform checks KYC status before allowing a transfer. If a non-compliant transfer occurs:

- A compliance team reviews it
- Legal counsel is consulted
- The platform decides whether to act
- If action is taken, it happens days or weeks later
- The audit trail is internal and not independently verifiable

The enforcement depends entirely on the platform choosing to act. If the platform changes its policy, is acquired, or goes offline — the enforcement disappears.

With the Structural Enforcement Standard:

The authority layer encodes transfer conditions before issuance:

```
Transfer permitted only if:  
- Receiving wallet is KYC verified  
- Investor accreditation is valid  
- Jurisdiction is permitted  
- Holding period is met
```

If conditions are violated:

- Transfer blocked automatically
- Asset returned to authority layer custody
- Violation logged immutably on-chain
- Arbitration triggered automatically

No human decides whether to act. No platform policy can override it. The enforcement happens at the moment of transfer. Every decision is recorded on-chain permanently. If the platform disappears, the authority layer remains.

TODAY

- Protected by platform policy — which can change overnight
- Enforcement requires human decision
- Audit trail is internal and not independently verifiable
- Enforcement disappears if platform changes or fails

WITH THE STANDARD

- Protected by the token itself — which cannot be changed
- Enforcement is automatic and immediate
- Audit trail is immutable and on-chain
- Authority layer remains regardless of platform

EXAMPLE 2: TOKENIZED REAL ESTATE

What exists today:

A platform tokenizes a rental property. Investors hold fractional ownership tokens. Rent is distributed to token holders. Governance decisions — repairs, refinancing, selling the property — happen off-chain through the platform operator.

- If a token transfers to an ineligible wallet: the platform may or may not catch it — remediation requires manual intervention
- If rent stops being distributed: token holders have no automatic recourse — they must contact the platform
- If investors want to vote to sell: no structural mechanism exists on-chain — the platform manages it off-chain

With the Structural Enforcement Standard:

Transfer conditions:

```
Transfer permitted only if:  
- Investor meets local ownership requirements  
- Wallet is verified  
If violated:  
→ Transfer blocked  
→ Rights layer token returned to authority layer  
→ Violation logged on-chain
```

Rental income obligations:

```
Rent must distribute every 30 days  
If missed:  
→ Review triggered automatically  
→ Token holders notified on-chain  
If unpaid for 90 days:  
→ Foreclosure process notification triggered
```

Governance:

If >60% of rights layer holders vote to sell:

→ Authority layer initiates sale process

→ Proceeds distributed automatically

If maintenance ticket unresolved for 30 days:

→ Token holder vote to replace manager triggered

TODAY

- Protected by platform operator discretion
- Governance happens off-chain
- Rent distribution depends on platform responsiveness
- No structural recourse when things go wrong

WITH THE STANDARD

- Protected by the token — modeled on trust law
- Governance encoded and executable on-chain
- Rent obligations structurally enforced
- Automatic recourse built into the asset itself

EXAMPLE 3: ON-CHAIN LENDING

What exists today:

A lending platform lends against a real world asset. The borrower receives funds. Collateral is locked. Repayment schedule is enforced on-chain. But what the borrower does with the loan proceeds is completely untracked and unenforced.

Loan covenants — restrictions on how funds may be used — exist in legal agreements off-chain. Enforcing them requires auditors, legal counsel, court action, and months or years of litigation. This is why construction lending, equipment financing, and project finance remain largely off-chain. The covenant enforcement problem has never been structurally solved.

With the Structural Enforcement Standard:

The authority layer encodes loan purpose before disbursement:

```
Loan proceeds: $500,000
Permitted use: property renovation only
Payment permitted only to:
- Licensed contractor wallets
- Approved materials suppliers
- Permitted escrow accounts
If payment attempted outside permitted uses:
→ Transaction blocked automatically
→ Authority layer notified
→ Covenant violation logged on-chain
```

Construction draw schedule:

```
Draw 1: Foundation — $120,000
→ Payable to verified contractor wallets only
→ Released only after inspector attestation on-chain
Draw 2: Framing — $200,000
→ Released only after Draw 1 completion verified
If borrower defaults:
→ Collateral transfer to lender triggered automatically
→ No court order required
```

→ Full audit trail of every disbursement preserved

TODAY

- Loan covenants enforced through litigation after the fact
- Covenant violations discovered after damage is done
- Court order required for collateral transfer
- No structural tracking of how loan proceeds are used

WITH THE STANDARD

- Loan covenants enforced at every transaction
- Covenant violations blocked before they occur
- Collateral transfer automatic on default
- Every disbursement tracked and auditable on-chain

SUMMARY

Across all three examples the pattern is the same. Today, enforcement depends on a platform, a compliance team, a lawyer, or a court. It happens after the violation. It takes time. It costs money. It may not happen at all.

With the Structural Enforcement Standard, enforcement is built into the token. The authority layer holds the rules. The rights layer transfers the governed interest. Obligations re-encode at every transfer. No human needs to decide whether to act.

This is not a marginal improvement. It is a structural shift in how digital assets protect investors. For the first time, a digital asset can behave exactly like a traditional contract — modeled on the trust law architecture that has protected beneficiaries for centuries, now executable, automatic, and permanent.