

April 28 2025

Dear Jennifer Piorko Mitchell and the FINRA Rulemaking Team,

I am writing to respectfully express my concerns and strong opposition to the proposed changes outlined in **Regulatory Notice 25-05** and the amendments to **Rule 3290** ("Outside Business Activities of Associated Persons").

While I appreciate FINRA's efforts to ensure investor protection and regulatory clarity, the proposed rule change—particularly as it relates to digital assets and the broader cryptocurrency ecosystem—risks **stifling innovation, impeding financial inclusion, and discouraging responsible participation** in one of the most transformative technological sectors of our generation.

The blockchain and digital asset industry is not merely a speculative market; it represents foundational innovation in areas such as finance, identity management, supply chain transparency, and decentralized infrastructure. By expanding the scope of Rule 3290 to capture an even wider array of activities—especially in the digital asset space—FINRA risks **imposing outdated regulatory frameworks** on a rapidly evolving technology, thereby **chilling legitimate entrepreneurial activity** among registered persons.

Specifically, the proposals could:

1. **Unnecessarily Burden Innovation:**

Requiring extensive pre-approval or monitoring of virtually any outside engagement in digital asset-related ventures creates an environment where talented individuals may **hesitate to engage in or support promising blockchain projects** out of fear of overly complex compliance hurdles.

2. **Erect Barriers to Entry:**

Early-stage innovation often thrives on agile development and dynamic participation. The proposed rules would **entrench incumbents** and restrict newer entrants, including smaller firms and diverse communities that have historically been underrepresented in financial services.

3. **Misalign U.S. Regulatory Leadership:**

As other jurisdictions move to embrace crypto and Web3 technologies with **forward-looking policies**, the United States risks ceding leadership if the regulatory environment becomes too hostile. Overreaching rules discourage domestic innovation and push talent and capital abroad.

4. **Overstep Traditional OBA Concerns:**

Rule 3290 was originally designed to prevent conflicts of interest and protect clients. However, many crypto and blockchain engagements do **not present traditional conflicts**. Rather than blanket regulation, a more tailored, risk-based approach would better serve both investor protection and innovation goals.

## Recommendations:

- **Narrow the Scope:** Focus regulatory oversight on OBAs that pose clear risks to investors or the integrity of the securities markets.
- **Recognize Distinct Asset Classes:** Digital assets, especially non-security tokens, should not automatically be subjected to securities-style regulation simply due to association with a registered individual.
- **Support Pro-Innovation Policies:** FINRA should work in collaboration with industry participants to craft rules that encourage responsible innovation rather than discouraging participation altogether.

In conclusion, while I fully support investor protection and market integrity, I urge FINRA to reconsider the broad and chilling impacts of the proposed amendments. A more measured, innovation-friendly approach will help ensure that the United States remains a leader in the responsible growth of blockchain and digital assets, benefitting consumers and the economy alike.

Thank you for considering my comments.

Respectfully,

Josh Manifold

Principal

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