Written Testimony of
Katherine Minarik
Chief Legal Officer, Uniswap Labs

"American Innovation and the Future of Digital Assets:
From Blueprint to a Functional Framework"

Before the U.S. House Financial Services Committee

June 4, 2025

Chairman Hill, Ranking Member Waters, and Members of the Committee:

Thank you for the invitation to testify today.

My name is Katherine Minarik, and I am the Chief Legal Officer at Universal Navigation Inc., more commonly known as Uniswap Labs. Uniswap Labs has always been based in the United States, and the United States is where we want to stay.

Uniswap Labs and many others in the industry are grateful for the bipartisan work put in by this committee and your staff members on the proposed CLARITY Act, even as we continue to provide our comments alongside those from other industries, organizations, and the public as a whole. The draft legislation is grounded in several important principles already – declining to impose ill-fitting legal frameworks of the past onto new technology; recognizing that digital asset and blockchain technology that present different risks and benefits require different legal treatment; and prioritizing the experience of everyday users of this new technology. None of these principles are ideological, and I hope they lead to bipartisan support for final market structure legislation that secures America's future with this technology.

Uniswap Labs is a pioneer of decentralized finance, or DeFi, which is one part of the broader digital asset and blockchain landscape. Today our company develops software products that work on top of the Uniswap Protocol, a decentralized network to swap crypto tokens on Ethereum blockchains. Our products make it easier for people to access and interact directly with DeFi more broadly. At its core, DeFi is technology that can make markets more efficient and safer for everyone. And the promise of the work done by Uniswap Labs, along with so many others in DeFi, is a future where users can directly engage with the financial system as a whole without having to give up control of their transactions or custody of their assets or private data.

That promise of a better future and a better financial system is what drew me and so many others to this industry. And that promise is why I'm here today. Congress has a critical role to play in shaping the future of digital asset and blockchain technology in America for the better. When done right, legislation enables responsible innovation, exactly what we want for America's future. It creates open space for good-faith innovators while also creating guardrails to help users. And it ensures that regulators can administer the law efficiently, responsibly, and consistently, based on well-understood direction from Congress and without surprise to the public following Congress's direction in good faith.

Every other major economy — from the EU to the UK to Singapore — has already taken steps to provide regulatory structure for digital asset technology. If the United States fails to take first steps of our own, we risk driving good actors and cutting-edge development overseas.[1] We will

[1] *See* Electric Capital Partners, LLC, Geography of Crypto Developers: 2023 Developer Report, Developer Report

not just cede the next wave of financial innovation to other corners of the world, but also end up relying on overseas regulators to set the rules for Americans' use of, and access to, this technology.

But time is of the essence for market structure legislation even without that global regulatory pressure. Right now, the absence of comprehensive legislation for the digital asset industry has created a dangerous vacuum, especially and maddeningly for the innovators in America most committed to building openly and in good faith. Political pressure from a handful of powerful voices, rather than the law itself, drove regulatory agendas on digital assets and turned compliance into a moving target.

I do not say that lightly, but based on the troubling regulatory engagement experienced by good-faith actors in the digital asset industry over the past several years:

- different federal regulators taking contrary positions with one another about how the law applies to particular facts;[2]
- a regulator advancing a legal theory in one court only to tell another court the opposite just days later;[3]
- multiple regulators serving subpoenas for thousands of Americans personal identifying information and transaction histories without any suspicion of wrongdoing;[4]
- a regulator allowing a company to go public only to sue that company over the very same business model two years later;[5]
- a regulator making repeated misrepresentations to a court to obtain an emergency order to cripple a private company, leading the court to impose an unprecedented $2 million penalty of attorneys' fees against the regulator;[6]

(2023), https://www.developerreport.com/developer-report-geography. The report shows the U.S. share of blockchain developers fell from 42% in 2018 to 29% in 2022, while countries like Germany and India have seen steady increases.

[2] *See* Testimony of Rostin Behnam, Chairman, Commodity Futures Trading Commission, before the U.S. Senate Committee on Agriculture, Nutrition, and Forestry, Oversight of Digital Commodities, 118th Cong. (July 9, 2024), https://www.congress.gov/event/118th-congress/senate-event/LC73578/text (estimating that "upwards of 70 to 80 percent of the market are non-securities"); Gary Gensler, Chair, U.S. Sec. & Exch. Comm'n, Remarks Before the SEC Speaks Conference (Sept. 8, 2022), https://www.sec.gov/newsroom/speeches-statements/gensler-sec-speaks-090822 (stating "the vast majority [of tokens] are securities").

[3] *See* Brief for Amicus Curiae Coinbase, Inc. in Support of Plaintiffs' Opposition to Defendants' Motion to Dismiss, Beba LLC v. SEC, 24-cv-153, ECF No. 41-2 (W.D. Tex.) at 5.

[4] *See, e.g.*, Coinbase and the IRS. Brian Armstrong on Medium (Jan. 14, 2017), https://barmstrong.medium.com/coinbase-and-the-irs-c4e2e386e0cf.

[5] *See* We Asked the SEC for Reasonable Crypto Rules for Americans. We Got Legal Threats Instead, Coinbase Blog (May 10, 2024), https://www.coinbase.com/blog/we-asked-the-sec-for-reasonable-crypto-rules-for-americans-we-got-legal ("The SEC reviewed our business and allowed us to become a public company in 2021. Then, two years later, they sued us for essentially the same business.").

[6] *See, e.g.*, Helen Partz, U.S. Judge Orders SEC to Pay Legal Fees in Debt Box Case, Cointelegraph (May 29, 2025), https://cointelegraph.com/news/judge-order-debt-box-sec-fees.

- multiple regulators pressuring banks not to do business with an industry and their executives as a whole.[7]

This kind of conduct did not just chill innovation, it undermined public trust in our regulatory agencies altogether.

Bipartisan legislation that ensures American standards shape the future of digital asset and blockchain technology is the best path out of this wilderness. If you believe in the promise of digital asset and blockchain technology, you should want legislation so that the most important innovation has space to grow responsibly here in America. If you are deeply skeptical of crypto, then you should want this legislation even more. Because without it, we are not protecting the public, we are abandoning them.

In this testimony, I will walk through what DeFi is, the benefits it provides, and what Uniswap Labs is building as background to explaining why it is crucial that Congress enact thoughtful market structure legislation for digital assets.

I. What is DeFi and why does it matter?

DeFi is technology infrastructure. Like the internet enabled a new generation of communications and commerce, DeFi provides the base layer for a new era of financial services. DeFi consists of self-custody wallets and blockchain-based protocols and smart contracts that operate transparently, enabling users to transact, lend, borrow, and exchange assets without relying on intermediaries. DeFi represents a shift from basic financial services gated by a handful of powerful institutions to open protocols that are programmable, composable, and globally accessible by design.

Decentralized markets have several common features:

- **Self-custodial.** The custodial risks of traditional and centralized finance do not exist in decentralized finance, because there is no third-party custodian. Users always hold and control their own assets in self-custodied wallets, which they use to directly access decentralized services. This is more than a technical shift—it's a structural safeguard. In a world where traditional banking is growing increasingly consolidated, exclusionary, and fragile, self-custody offers a counterbalance: a way for anyone with an internet connection to access financial tools, store value, and participate in the economy without centralized single points of failure.

[7] *See* Choke Point 2.0, Press Release, H. Comm. on Fin. Servs., *Meuser:* The Biden Administration's Operation Choke Point 2.0 Was Carried Out by The Prudential Regulators to Target and Debank the Digital Asset Ecosystem (Feb. 6, 2025), https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=409457.

- **Autonomous**. Typically DeFi protocols, once launched, continue to execute autonomously in perpetuity and generally are immutable–that is, they cannot be altered, even by the creator. It means that there is no single person or company approving or facilitating any DeFi transactions. In DeFi, once the conditions of the underlying smart contract code are met the contract automatically executes.

- **Transparent**. Transactions using DeFi protocols are transparent – all transaction records are recorded on the public blockchain. These records are available to everyone as soon as the transaction is processed using publicly available tools like Etherscan or Dune Analytics. More fundamentally, DeFi protocol smart contract code itself is publicly available and accessible to anyone. This means that, unlike traditional financial markets, there is no information asymmetry in the execution of a transaction. Anyone can review the underlying smart contract code to ensure it does precisely what it purports to do.

- **Interoperable and Composable**. Interoperability refers to the fact that blockchain-based applications can exchange data with other blockchains. Composability allows products to be built on top of each other, leveraging innovation that came before without having to reinvent the wheel. Together these properties mean that services can be offered at lower cost, and innovators use their resources to compete in offering improvements, not reinventing the same tools and processes dozens of times over. Users and builders also retain more control over their own data and choice in which technology to use because the code is not controlled by any single actor, unlike financial services offered by a single private company. Builders cannot be unfairly locked out and users cannot be unfairly locked in.

Users can interact with DeFi protocols in various ways. They can interact directly with the smart contracts, which are essentially blockchain-based software programs. Or, people can utilize user interfaces, which translate the parameters of a transaction into instructions that a user can send to the blockchain using their self-custody wallet. These "front-end" user interfaces do not exert any control over the actual operation of the smart contract. Rather, they provide a convenient interface for users to access the underlying software.

The differences between DeFi, centralized digital asset and blockchain technology, and traditional finance matter meaningfully to their regulatory treatment. We have traditionally regulated intermediaries in the financial system because the very nature of their relationships

with users presents unique risks. Custody of user assets,[8] access to confidential information,[9] exercising discretion on behalf of the user,[10] acting as counterparties[11] – all of these things have value but come with risks. These risks substantially disappear when, for example, a participant in a transaction retains custody and control of their own assets, and the transaction itself is self-directed by that participant and takes place on a public ledger like a blockchain, and no third party has discretion over or the ability to control any aspect of a transaction.

Attempting to force DeFi into the same framework as traditional finance or centralized service providers, as regulators have attempted over the last several years, fails to recognize these differences. Even worse, it would mean that users would not only lose the benefits that DeFi provides, but would also face *more* risk, not less.

DeFi remains a nascent technology in many ways but its benefits are not hypothetical even at this early stage.[12] For example, DeFi protocols reduce friction and transaction costs for the creation, distribution, trading, and settlement of financial assets with faster settlement times for users.[13]

---

[8] In 2011, futures commission merchant MF Global experienced a meltdown of its financial condition, caused by improper transfers of over $891 million from customer accounts to a MF broker-dealer account to cover certain losses. Corzine Reaches $5 Million Settlement With Regulators in MF Global Case, (Jan. 5, 2017), https://www.nytimes.com/2017/01/05/business/dealbook/mf-global-jon-corzine-penalty-settlement.html.

[9] The abuse of exchange data market power is a recurring controversy among traditional finance exchanges and has been a priority policy area. *See, e.g.*, Nasdaq, NYSE Dealt Blow in Clash With SEC Over Market-Data Feeds, (May 25, 2022), https://www.bloomberg.com/news/articles/2022-05-25/nasdaq-nyse-dealt-blow-in-clash-with-sec-over-market-data-feeds.

[10] In 2020, Robinhood agreed to pay a $65 million civil penalty to settle the charges. Robinhood to Pay $65 Million to Settle SEC Charges (Dec. 17, 2020), https://www.sec.gov/news/press-release/2020-321.

[11] In 2021, the collapse of Archegos Capital Management triggered over $10 billion in losses for its counterparties, as major banks including Credit Suisse and Nomura were exposed through leveraged derivative trades. Credit Suisse alone lost $5.5 billion, revealing significant failures in counterparty risk management and internal controls. Archegos Collapse Cost Banks $10 Billion After Risky Bets Unwind, (Apr. 6, 2021), https://www.bloomberg.com/news/articles/2021-04-06/archegos-collapse-cost-banks-10-billion-after-risky-bets-unwind.

[12] *See generally* Caitlin Ostroff & Jared Malsin, Turks Pile Into Bitcoin and Tether to Escape Plunging Lira, Wall St. J. (Jan. 12, 2022), https://www.wsj.com/articles/turks-pile-into-bitcoin-and-tether-to-escapeplunging-lira-11641982077; Roger Huang, Dissidents Are Turning to Cryptocurrency As Protests Mount Around The World, Forbes (Oct. 19, 2020), https://www.forbes.com/sites/rogerhuang/2020/10/19/dissidents-are-turning-to-cryptocurrency-as-protests-mount-around-the-world/; Timour Azhari, Young Lebanese driving crypto 'revolution' after banks go bust, Reuters (Sept. 20, 2021), https://www.reuters.com/article/lebanon-crypto-currency-youth/feature-young-lebanese-driving-crypto-revolution-after-banks-go-bust-idUSL8N2QH1MW/; Carlos Hernández, Bitcoin Has Saved My Family, N.Y. Times (Feb. 23, 2019), https://www.nytimes.com/2019/02/23/opinion/sunday/venezuelabitcoin-inflation-cryptocurrencies.html; Jillian Deutsch & Aaron Eglitis, Putin's Crackdown Pushes Independent Russian Media Into Crypto, Bloomberg (May 10, 2022), https://www.bloomberg.com/news/articles/2022-05-10/putin-s-crackdown-pushes-independent-russian-media-into-crypto; Cristina Criddle & Joshua Oliver, How Ukraine Embraced Cryptocurrencies in Response to War, Financial Times (Mar. 19, 2022), https://www.ft.com/content/f3778d00-4c9b-40bb-b91c-84b60dd09698.

[13] As additional blockchains are created and new technology, such as scaling solutions, are developed, costs for transacting using DeFi protocols likely will continue to decrease. *See* Austin Adams, Mary-Catherine Lader, Gordon

DeFi interfaces expand access globally to financial services, in countries where "local currencies are collapsing, broken, or cut off from the outside world," "legacy financial systems falter[]," or "the horrors of monetary colonialism, misogynist financial policy, frozen bank accounts, exploitative remittance companies, and an inability to connect to the global economy" are a constant reality.[14][15] And self-custody wallet technology means that people from all backgrounds and circumstances have a safe, secure, digital means of storing their assets without having to use an intermediary, even if their ability to access traditional financial services has been limited, whether through unfair or discriminatory treatment or excessive pricing.[16]

The continued development of reliable, secure DeFi technology matters profoundly to the development of a safer, more efficient, and more accessible financial system and global economy.[17] And this is why protecting the future of DeFi development in America is essential to America's continued global financial and technology leadership.

II. What are Uniswap Labs and the Uniswap Protocol?

Hayden Adams, the CEO of Uniswap Labs, invented the Uniswap Protocol in 2018 and then founded Uniswap Labs. Uniswap Labs is a New York-based software company that is one of many building non-custodial tools that make it easier for individuals and institutions to interact with the Uniswap Protocol and other DeFi technology. These tools include:

- **Uniswap Interface** – a web-based front-end application that allows users to connect a self-custodial wallet and generate instructions that the user can then communicate to the Uniswap Protocol in order to execute a token swap.

- **Uniswap Wallet** – a mobile, self-custodial software application that allows users to interact with a blockchain.

- **Uniswap Trading API** – a backend tool that enables third-party platforms to route trades through the Uniswap Protocol.

Liao, David Puth, & Xin Wan, On-chain Foreign Exchange and Cross-border Payments, Uniswap Labs (Jan. 18, 2023), https://app.uniswap.org/OnchainFX.pdf.

[14] *See* Letter in Support of Responsible Crypto Policy, *supra*; *see also* Azhari, *supra*; Hernández, *supra*.

[15] *See, e.g.*, Bitange Ndemo, The role of cryptocurrencies in sub-Saharan Africa, Brookings Inst. (Mar. 16, 2022), https://www.brookings.edu/articles/the-role-of-cryptocurrencies-in-sub-saharan-africa/ (describing how cryptocurrency platforms can "help level the economic playing field and expand finance options to underserved customer markets").

[16] *See* Katherine Minarik, Anyone Can Get Debanked. DeFi is a Critical Safety Net (Feb. 4, 2025), https://a16zcrypto.com/posts/article/debanking-defi-safety-net/.

[17] Letter in Support of Responsible Crypto Policy, Open Letter to 117th Congressional Leadership (June 2022), https://www.financialinclusion.tech/ ("Bitcoin provides financial inclusion and empowerment because it is open and permissionless. Anyone on earth can use it. Bitcoin and stablecoins offer unparalleled access to the global economy for people in countries like Nigeria, Turkey, or Argentina, where local currencies are collapsing, broken, or cut off from the outside world."); *see also* Huang, *supra*.

The Uniswap Protocol is a decentralized trading protocol that enables peer-to-peer transactions of digital assets on blockchain networks through smart contracts that utilize the concept of an automated market maker. The Uniswap Protocol's smart contracts are publicly available and operate autonomously on-chain without relying on any centralized intermediaries. More specifically, the Uniswap Protocol operates, executes, and enforces its operations and transactions without human intervention, functioning solely on pre-established, transparent rules encoded directly within the source code of the applicable blockchain, and, since 2020, a decentralized community of UNI token holders provides a narrow set of on-chain governance.[18] Unlike a traditional exchange that facilitates trading through an order book that it maintains itself, the Uniswap Protocol utilizes liquidity pools, allowing users to swap digital assets directly on a peer-to-peer basis using algorithmically-determined pricing mechanisms. The Uniswap Protocol is permissionless and immutable, meaning that its smart contracts cannot be unilaterally altered or controlled by any person or entity, including Uniswap Labs.[19]

Cumulative volumes occurring through the Uniswap Protocol through May 2025 exceeds $3.1 trillion across 166 million distinct wallet addresses.[20] Daily volume on the Uniswap Protocol averages well over $3 billion per day with resting liquidity in the protocol at approximately $3.73 billion.[21]

Although Hayden Adams also founded Uniswap Labs, the company does not *and cannot* control the Uniswap Protocol. Even if Uniswap Labs ceased to exist, the Uniswap Protocol itself would continue to be accessible to anyone who chooses to interact directly with the underlying smart contracts.

In short, the Uniswap Protocol represents decentralized infrastructure, not a service or a financial institution. And while Uniswap Labs plays a valuable role in enhancing accessibility to the protocol, it does not own, control, or gate access to the protocol, which remains a public good in the Ethereum ecosystem.

III. Regulatory enforcement of digital asset and blockchain technology today is broken

The absence of an initial legislative framework for digital asset and blockchain technology from Congress has already led to irreparable harm to America's digital asset and blockchain industry. What began as attempts to stretch existing authority conferred to regulators to their limits

[18] "Uniswap Governance Launch," *Uniswap Blog*, (September 16, 2020), *see also* UNI Token Governance Docs, https://blog.uniswap.org/uni.
[19] Four versions of the Uniswap Protocol have been developed and implemented across several blockchains. The phrase "Uniswap Protocol" is used to generally refer to each unless specifically indicated otherwise.
[20] *See* Uniswap Protocol Key Stats, https://dune.com/mud2monarch/uniswap-protocol-stats (as of May 31, 2025).
[21] *See* Explore, Uniswap Labs, https://app.uniswap.org/explore#/ (as of May 31, 2025).

evolved quickly into conflicting interpretations of those laws, refusals by some regulators to share their interpretations of those laws before launching enforcement actions, and even at times misrepresentations by regulatory agency lawyers in court leading to sanctions.[22] Against this backdrop of expansive enforcement investigation and actions against multiple American companies building in good faith, other regulators took steps to cut off these companies' access to basic operational banking services.

It is no surprise that courts called for help from Congress.[23] And now Congressional action is necessary to put an end to this chapter. While regulatory enforcement remains a vital tool for protecting markets and the public, it must be grounded in transparent and predictable legal frameworks. Without statutory direction, enforcement risks becoming a weapon rather than a safeguard.

***SEC v. Debt Box (2023)*: A "gross abuse of the power entrusted to [the SEC] by Congress"**[24]

In July 2023, the SEC initiated one of its many digital asset industry enforcement actions from the past several years and took the additional step of seeking an ex parte temporary restraining order (TRO), which means it asked the court to impair the defendant Debt Box's business immediately and without giving them the chance to respond. The court took the SEC's concern extremely seriously, as we want courts to do when the government sounds an alarm.

As one law firm has explained, "The emergency relief had swift and severe consequences for the defendants. The court's TRO shut down Debt Box's operations, froze the defendants' personal and business assets, and installed a receiver to take control of the company."[25] But "[s]everal months later, after the defendants had been afforded an opportunity to challenge the emergency relief, Judge Shelby dissolved the TRO and receiver appointment, finding that the SEC had failed to present sufficient evidence of imminent, irreparable harm. More troublingly, the judge expressed concern that the SEC had made 'materially false and misleading representations' in obtaining and defending the ex parte TRO. For example, the SEC had falsely claimed that the defendants were actively closing bank accounts and moving assets overseas to evade jurisdiction, when in fact no such activity had occurred. In defending against defendants' motions to dissolve the TRO, the SEC doubled down on these misrepresentations, asserting that "the facts on the

---

[22] *See supra* notes 2-6; s*ee also Boyd v. United States*, 116 U.S. 616, 635 (1886) ("It may be that it is the obnoxious thing in its mildest and least repulsive form; but illegitimate and unconstitutional practices get their first footing in that way, namely, by silent approaches and slight deviations from legal modes of procedure.").

[23] *See, e.g.*, *In re Voyager Dig. Holdings, Inc.*, 649 B.R. 111, 119 (Bankr. S.D.N.Y. Mar. 11, 2023) (recognizing the uncertainty around classification of digital assets "has been around for a number of years").

[24] *SEC v. DEBT Box*, No. 2:23-cv-00599 (D. Utah); *see also* Nikhilesh De, SEC Committed 'Gross Abuse of Power' in Suit Against Crypto Company, Federal Judge Rules, CoinDesk, https://www.coindesk.com/policy/2024/03/18/sec-committed-gross-abuse-of-power-in-suit-against-crypto-company-federal-judge-rules.

[25] James V. Masella III & Brad Gershel, Overreach and Misrepresentation: The SEC's Pursuit of Emergency Relief in 'DEBT Box,' Ballard Spahr LLP (June 12, 2024), https://www.ballardspahr.com/insights/alerts-and-articles/2024/06/overreach-and-misrepresentation-the-sec-pursuit-of-emergency-relief-in-debt-box.

ground" showed defendants had made 'significant efforts to move investor funds outside of the court's jurisdiction in the months leading up to the SEC's filing.'"[26]

The judge ultimately "issued a scathing order, finding that the SEC had engaged in a 'gross abuse of the power entrusted to it by Congress' and that the SEC's defenses for its misrepresentations to the court were 'entirely without color'" and that "'the [SEC's] repeated misstatements were made wantonly for an improper purpose—to improperly harm Defendants by obtaining and defending the extraordinary ex parte relief the [SEC] was not entitled to through abuse of judicial process.'"[27] The judge sanctioned the SEC and ordered it to pay $1.8 million in attorneys' fees to Debt Box.[28]

The *Debt Box* case did not involve a single error or misrepresentation to a court – it was a series of knowing misrepresentations and omissions as if the ends justified the means. This is the danger of regulatory enforcement actions becoming so untethered from existing law for years on end. Misguided agendas can take hold and take over from the law itself.

The *Debt Box* case is therefore an important reminder of the important role Congress must play in providing directions and guardrails for those regulators, for the protection of the public as a whole.

Operation Chokepoint 2.0 – Debanking an American industry and its leaders

Similarly, the de facto campaign by regulators and bank supervisors to pressure financial institutions into denying services to legally operating American companies in the digital asset and blockchain industry – often referred to as "Operation Chokepoint 2.0" – reveals another troubling example of regulatory politicization in the absence of direction from Congress.

This informal pressure—carried out through opaque risk assessments, unofficial guidance, and regulatory intimidation—has been documented by industry leaders and members of Congress.[29] The effort resembles the original Operation Chokepoint a decade ago, a controversial program that discouraged banks from serving politically disfavored but lawfully operating businesses in industries like payday lending.[30] In both cases, regulators relied on backdoor tactics to impose their own policy preferences and exclude lawful businesses from the financial system.

---

[26] *Id.*
[27] *Id.*
[28] *Id.*
[29] *See* Nic Carter, "Operation Chokepoint 2.0 Is Real and Happening Now," *Substack*, (Feb. 2023); *see also* "Congressional Inquiry into Banking Restrictions for Crypto Firms," *The Block*, May 2023; *see also* U.S. House Financial Services Committee Hearing, "Coincidence or Coordinated? The Administration's Attack on the Digital Asset Ecosystem" (April 2023).
[30] *See* "FDIC's 'Operation Choke Point': Illegally Choking Off Legitimate Businesses?" *House Oversight Committee* (2014), https://oversight.house.gov/wp-content/uploads/2014/05/Staff-Report-Operation-Choke-Point1.pdf.

No industry operating lawfully should have to depend on maintaining political favor in order to continue to operate at all. Congress can prevent that existential risk to the digital asset industry through legislation that acknowledges the lawful existence of this technology and the companies that develop it.

IV. Market structure legislation can address these risks and safeguard innovation in the United States

Broadly, market structure legislation is essential to establish a predictable legal environment for the digital asset industry through codifying key definitions and outlining agency authorities and regulatory boundaries. In regards to DeFi specifically, comprehensive legislation should offer:

Accurate categorization of technology in legislation is essential to real risk mitigation
One of the most important aspects of market structure legislation like the CLARITY Act is providing direction to companies that take custody or control of user assets or transactions. That transfer of control to a third party can provide meaningful benefits to users who do not want to execute or even decide on their transactions on their own. But the benefits of centralized digital asset and blockchain activities come with risks – not dissimilar to the risks customers of the traditional finance industry face today.

As discussed above, DeFi does not present those risks. It *protects* users from many of those risks because users never have to give custody or control of their assets to a third party. So it is imperative that any market structure legislation does not categorize DeFi technology the same way as centralized technology. Otherwise, legislation could end up *increasing* the risks to users of DeFi today and eliminating DeFi's benefits altogether.

We have seen how easy it is for regulators to conflate even very different technology within the digital asset industry. For example, last December, the Internal Revenue Service (IRS) promulgated additional rulemaking to implement the Infrastructure Investment and Jobs Act of 2021. That statute expanded the definition of "broker" for tax reporting purposes, intending to ensure proper reporting of taxable digital asset transactions. However, the IRS's proposed regulations went significantly beyond the statute and attempted to classify a broad range of participants in DeFi—including smart contract developers, front-end interface providers, and potentially even node operators—as "brokers." As the DeFi Education Fund and others explained at the time, the IRS's requirements are "technologically infeasible, legally unsound, and economically damaging," contrary to Congress's intentions.[31] Congress overturned the IRS

[31] DeFi Education Fund, *Comment Letter on Proposed Digital Asset Broker Rules* (Nov. 2023), https://www.defieducationfund.org/_files/ugd/e53159_40d4255857d142f2a1744be79f1dab3f.pdf.

rule through the Congressional Review Act (CRA) earlier this year.[32] But that tool is rightly only available sparingly and for a subset of regulatory activity.

The best check against regulatory misinterpretation of technology is accurate delineation of that technology in the legislation itself, flexible enough to allow for the development of the industry and specific enough to prevent circumvention of Congress's well-considered intent. This is critical for any market structure legislation – and especially for the future of DeFi, as conflation of DeFi with centralized technology companies could inadvertently cripple DeFi development in America entirely.

Preservation of the right to self-custody benefits the public

One of DeFi's most powerful innovations is enabling individuals to control their own digital assets without reliance on third parties. Any market structure legislation should explicitly protect self-custody rights by preventing the government from infringing on individuals' and businesses' rights to custody their own assets. This principle aligns with personal property rights and digital sovereignty and should not be eroded through indirect regulation or enforcement.

By establishing a right to self-custody, the CLARITY Act includes an important first step. Additional clarity on that right will ensure that the benefits of self-custodial technology are protected for Americans and that development of this important technology can continue here at home. Market structure legislation like the CLARITY Act is rightly focused on those persons and entities who have custody or control over user assets. But further codifying the existing reality that developers of non-custodial, peer-to-peer blockchain software that allow users to control their own digital assets are *not* financial institutions, as the recently introduced Blockchain Regulatory Certainty Act does,[33] further safeguards self-custodial technologies for the long-term.

Market structure legislation rightly rejects the unfounded worst assumptions about the industry as a whole.

The most repeated narrative against market structure legislation assumes the worst of the entire digital asset and blockchain industry. It assumes there is no present or future benefit in this technology. It assumes that every user of the technology today is mistaken in the value they perceive in it. It assumes that every person within the industry is out for themselves alone.

Refusing to legislate based on assumptions like these is not the right approach to facing down the risks and benefits of a new industry. Skeptics of this industry should want market structure legislation more than anyone, so there are much more robust rules in place to hold bad actors to

[32] Congressional Review Act, 5 U.S.C. §§ 801–808; *see also* U.S. Congress, *Joint Resolution Disapproving the Rule Submitted by the Internal Revenue Service Relating to "Digital Asset Broker Reporting"* (2024) (resolution number TBD).

[33] H.R. 3533, 119th Cong. (2025), https://www.congress.gov/bill/119th-congress/house-bill/3533.

account. But more fundamentally, America as a country has always been a believer in the possibility of transformational change, not assuming the worst of those who forge a new path. As Justice Douglas cautioned in dissent in *California Bankers Association v. Schultz*, the 1974 Supreme Court case that narrowly upheld the constitutionality of the original Bank Secrecy Act, it is "sheer nonsense" to craft laws because we "assume that every citizen is a crook, an assumption I cannot make." 416 U.S. 21, 85 (1974). I urge Congress to legislate based on facts, not assumptions.

V. Conclusion

The U.S. has long been a global leader in capital markets and financial services, in large part because of its commitment to clear rules, strong investor protections, and dynamic innovation. Today, we are at an inflection point. A new model of financial infrastructure—one that is open, transparent, and powered by blockchain technology—is emerging. When innovation leaves the U.S., users don't stop participating—they simply turn to platforms based abroad or to less accountable systems. If we do not quickly begin the work of enacting legislative solutions, we risk driving U.S. innovation overseas, ceding technological leadership to adversarial jurisdictions, and making American users of this technology more vulnerable.

Uniswap Labs is committed to continuing to support efforts to create legislation that enables innovation in America, protects everyday users and good-faith developers, and differentiates between the risks and benefits of different technologies within our industry, so we can realize the full potential of digital asset and blockchain technology for all of us.