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"American Innovation and the Future of Digital Assets: From Blueprint to a Functional Framework"
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Chairman Hill, Ranking Member Waters, and Members of the Committee, thank you for the opportunity to testify today on the critical need for clear regulatory frameworks in the digital asset space. My name is Vivek Raman, and I am the CEO and co-founder of Etherealize, a firm dedicated to connecting traditional finance with the Ethereum blockchain ecosystem. Prior to founding Etherealize, I spent a decade on Wall Street as a trader in fixed-income markets at Morgan Stanley, UBS, Deutsche Bank, and Nomura. That experience impressed upon me both the strengths and shortcomings of our traditional financial system. It also fuels my conviction that blockchain networks – and Ethereum in particular – offer a transformative decentralized model for safer, more inclusive, and globally accessible finance.

I am here today in support of the introduced Digital Asset Market Clarity (CLARITY) Act, which establishes a clear, forward looking framework that appropriately reflects the unique characteristics of digital assets and decentralization---while providing strong protections for consumers and investors. In my testimony, I will:

- Highlight **Ethereum** as a premier example of decentralization and innovation in blockchain technology, including its open and fair launch and the vast scale of its current ecosystem;

- Emphasize the need for **regulatory clarity**, outlining how the CLARITY Act's key provisions form a sensible regulatory approach that protects markets while unleashing responsible innovation and the next wave of institutional adoption. Tokenized assets (like Blackrock's BUIDL fund), stablecoins, and financial applications are already flourishing on Ethereum, and a comprehensive federal framework will usher the next wave of institutional growth in the United States; and

- Explain why a **decentralized financial system** is critical for a safer, more inclusive, and globally accessible future of finance, including in the U.S.[1] – and how Ethereum exemplifies this model.

[1] Decentralized finance (DeFi) leverages blockchain technology to provide open, permissionless access to financial services, enabling individuals worldwide to participate without traditional intermediaries. This model promotes financial inclusion and innovation by offering services such as lending, borrowing, and trading to global populations, even in regions with limited banking infrastructure. Additionally, DeFi's transparent and immutable nature enhances security and trust in financial transactions.
Sources: Investopedia, What Is Decentralized Finance (DeFi) and How Does It Work?, https://www.investopedia.com/decentralized-finance-defi-5113835; World Economic Forum, Why Decentralized Finance Is a Leapfrog Technology for the Unbanked, https://www.weforum.org/stories/2022/09/decentralized-finance-a-leapfrog-technology-for-the-unbanked/

Blockchains like Ethereum represent mission-critical infrastructure for the next generation of the internet – a global, neutral financial layer. Just as the U.S. led the development of the internet itself, we now have a strategic opportunity to lead in blockchain adoption through clear and sensible regulation. I applaud this Committee's bipartisan work on the CLARITY Act. My message today is that **decentralization matters,** and the CLARITY Act correctly recognizes how to harness decentralized networks for public good. I respectfully submit that this framework will provide the certainty that entrepreneurs, institutions, investors, and consumers need, which will ensure the U.S. continues to lead in the next iteration of the internet built on blockchain technology.

Ethereum: A Decentralized, Innovative Network with an Open Launch

Ethereum is widely regarded as the leading programmable blockchain platform – the foundation of decentralized finance (DeFi), stablecoins, tokenized assets, and countless other innovative applications.[2] It achieved this status in large part due to an open and fair launch and its strong **decentralization from day one**. Launched in 2015 following a globally accessible crowdsale of its native token (ETH) in 2014[3], Ethereum did not emerge from any single dominant corporation or government. Ethereum was bootstrapped by a diverse group of users, and its development has remained *open-source and community-driven*. No founder or insider holds outsized control over the network today. In fact, Ethereum now exemplifies what the CLARITY Act defines as a "*mature blockchain system*" – a blockchain network (and its related token) "that is not controlled by any person or group of persons under common control." In practical terms, Ethereum's consensus mechanism[4] and governance are distributed across tens of thousands of independent nodes and over one million active validators spread around the world, with no central authority able to unilaterally dictate outcomes[5].

Ethereum's launch and growth have been marked by *transparency and broad participation*. The code was developed in the open and released publicly; anyone could run a node or mine (and

[2] As of early 2025, ~80% of tokenized real-world assets are issued on Ethereum. BlackRock's Head of Digital Assets called Ethereum "the natural choice" for tokenization.
Sources: RWA.xyz (https://app.rwa.xyz/networks); Cointelegraph https://cointelegraph.com/magazine/ethereum-maxis-should-become-assholes-to-win-tradfi-tokenization-race

[3] Ethereum was launched in 2015 following a globally accessible crowdsale of its native token, ETH, in mid-2014. See *Ethereum Foundation — History. https://ethereum.org/en/history/#ether-sale*

[4] In blockchain systems, consensus refers to the process by which network participants agree on the validity and order of transactions. Ethereum uses a proof-of-stake (PoS) consensus mechanism, in which validators are randomly selected to propose and attest to new blocks based on the amount of ETH they have staked. This ensures that no single party can unilaterally alter the blockchain's history, providing security and integrity without central control.
Source: Ethereum Foundation, Introduction to Ethereum Consensus, https://ethereum.org/en/developers/docs/consensus-mechanisms/pos/

[5] Ethereum currently operates with over one million active validators and tens of thousands of globally distributed independent nodes. See:beaconcha.in (Ethereum validator data), ethernodes.org (Ethereum node data), accessed June 2025.

now stake)[6] to support the network. Over the years, Ethereum's community has only grown more decentralized. According to Electric Capital, as of late 2024, over 6,200 monthly active developers[7] were contributing to open-source projects across the broader Ethereum ecosystem, including core protocol development, Layer-2 networks, and applications – by far the largest developer pool of any blockchain protocol. This large, worldwide developer community indicates a high degree of decentralization in expertise and control, and it fuels responsible innovation on the platform. Ethereum's security is bolstered with over a dozen independent implementations of its software (vs one implementation for most other Layer-1 chains), resulting in institutional-grade resilience and redundancy. Ethereum's upgrade process is governed by open Improvement Proposals (EIPs)[8] and consensus among stakeholders, rather than dictated by a corporate board. A striking illustration of Ethereum's decentralized yet coordinated innovation was the "Merge"[9] in 2022 – a major upgrade where Ethereum switched its consensus mechanism from proof-of-work mining to proof-of-stake **without network downtime**, effectively upgrading the engine of a running global network. This successful transition, involving tens of thousands of independent participants, showcased the resilience and community coordination of Ethereum's decentralized model. It also introduced ETH staking, which by early 2025 had attracted over $80 billion worth of ETH deposits[10] (about 28% of the supply) to secure the network – underscoring the widespread confidence and participation in Ethereum's security process.

Crucially, Ethereum's **decentralization is not an abstract ideal; it has concrete benefits**. Because no single entity controls Ethereum, the network is extremely resilient (it has never gone down in its 10-year history). There is no central server or small group of data centers to attack or a single company that could mismanage the system – a sharp contrast to centralized financial institutions and infrastructure that can become single points of failure. Moreover,

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[6] In blockchain networks, a node is any device running the network's protocol software, helping to validate and propagate transactions while maintaining a full copy of the ledger. In Ethereum's original proof-of-work system, participants could "mine" blocks by solving cryptographic puzzles to earn rewards and secure the network. Since Ethereum's transition to proof-of-stake, anyone can now support the network by staking ETH to become a validator, helping to process transactions and propose new blocks. Sources: Built In, What Are Blockchain Nodes and How Do They Work?, https://builtin.com/blockchain/blockchain-node; Ledger, What Is a Node and Why Should I Operate One?, https://www.ledger.com/academy/what-is-a-node-and-why-should-i-operate-one; Investopedia, How to Stake Ethereum, https://www.investopedia.com/how-to-stake-ethereum-7482623

[7] As of late 2024, Ethereum and its broader Layer-2 ecosystem had over 6,200 monthly active developers — more than 3x the next largest protocol. Source:https://www.developerreport.com/ecosystems/ethereum *Footnote Disclosure: Electric Capital counts developers based on original code authorship across all public Ethereum-related GitHub repositories. This includes protocol clients, Layer 2s, dapps, wallets, and tooling. Developers merging code or duplicating work from forks are excluded.*

[8] Ethereum's upgrade process is governed through Ethereum Improvement Proposals (EIPs), which are openly published, discussed, and reviewed by the community. The official EIP website is eips.ethereum.org, and the full repository of proposals is maintained at github.com/ethereum/EIPs.

[9] The Merge was Ethereum's most significant upgrade to date, transitioning from energy-intensive proof-of-work to proof-of-stake. It occurred on September 15, 2022.
Source: Andrew Ross Sorkin, "Ethereum, a Virtual Currency, Successfully Transitions to a New Operating System," *The New York Times*, Sept. 15, 2022.
https://www.nytimes.com/2022/09/15/technology/ethereum-merge-crypto.html

[10] Source: Ethereum Beacon Chain data — https://beaconcha.in/

decisions that affect Ethereum (like changes to fees or supply) are subject to public scrutiny and require broad consensus, which protects users from arbitrary governance. This decentralization has made Ethereum a *neutral platform* for innovation: entrepreneurs can build on Ethereum without needing permission from a gatekeeper and **without the counterparty risk** that comes from centralized platforms that can arbitrarily change their rules, deplatform users, and introduce other risks to the businesses of entrepreneurs building on top of them. This open-access, permissionless quality has unleashed a wave of creativity and competition in financial services and beyond – all happening on top of a shared, public infrastructure. In summary, Ethereum is a premier example of a decentralized blockchain platform with an origin and governance that embody openness and fairness. It provides a living model of the kind of robust, public-interest technology that the CLARITY Act appropriately recognizes and encourages as secure global infrastructure.

The Need for Regulatory CLARITY Now to Further Ensure U.S. Leadership

Despite the remarkable growth of the digital asset ecosystem, the U.S. regulatory environment for cryptocurrencies and blockchain-based assets has been characterized by uncertainty and fragmentation. Innovators and investors have faced a confusing patchwork of guidance and enforcement actions, often having to infer the rules from decades-old statutes that never contemplated this technology. This lack of clear, up-to-date regulation has produced several adverse consequences:

- **Frozen Innovation and Investment:** Entrepreneurs building legitimate blockchain projects have been operating in a fog—uncertain whether their token might suddenly be deemed a security, or whether the platform they rely on could be treated as an unregistered exchange, all amid a lack of clear regulatory guidance. This uncertainty raises the cost of compliance dramatically and has doubtless dissuaded many responsible actors from pursuing promising ideas in the U.S. Investors likewise are hesitant to back U.S.-based projects when basic questions (Which regulator will oversee this asset? Will this token be legal to freely trade?) have no clear answers. As one member of this Committee aptly noted earlier this year, both a stablecoin bill and a market structure (digital asset) bill are needed to provide comprehensive clarity, and Congress "*should be able to get*" both done in 2025.[11] Until now, the absence of such legislation has been a drag on the sector's development in a compliant way.

- **Regulation by Enforcement and Legal Ambiguity:** In lieu of explicit rules, we have seen regulators resort to broad enforcement actions to set de facto policy without offering clear guidance. This approach is inherently reactive and inefficient. It creates an

[11] In March 2025, Representative Ro Khanna stated that Congress "should be able to get" both a stablecoin bill and a market structure bill passed this year, reflecting bipartisan momentum toward regulatory clarity in digital assets.
Source: Cointelegraph, *US Lawmakers Introduce Bipartisan Regulatory Framework for Digital Assets*, March 28, 2025.
https://cointelegraph.com/news/us-lawmakers-bipartisan-regulatory-framework-digital-assets

adversarial climate between innovators and regulators, who should ideally be working together to protect consumers while enabling growth. We have seen federal agencies previously disagree publicly over whether certain major digital assets (like ETH) are commodities or securities. Such ambiguity not only confuses market participants, it has also driven activity offshore to jurisdictions that have moved faster to provide regulatory clarity. Other regions, such as the European Union with its Markets in Crypto-Assets Regulation (MiCA) and jurisdictions like the United Kingdom, Singapore, Japan, and Dubai, have taken significant steps and are actively crafting comprehensive crypto regulatory frameworks.[12] The U.S. must not fall behind, and clear rules are essential to retain talent and capital onshore.

- **Consumer and Investor Protection Gaps:** Ironically, the lack of clarity harms the very investors we aim to protect. A prime example is the collapse of offshore exchanges or issuers that were not subject to robust oversight and U.S. regulatory standards.[13] Regulatory clarity will raise the bar for conduct in this industry by bringing serious players into compliance and weeding out bad actors. For instance, if U.S. law clearly delineates when a token issuance triggers securities law, honest projects can comply (e.g. registering or falling under exemptions), and any frauds will be easier to prosecute to best protect consumers and investors. If the U.S. provides for needed clarity through a comprehensive regulatory framework, including establishing appropriate licensed pathways for trading of tokenized, security-like digital assets (such as through registered Alternative Trading Systems or broker-dealers that have the flexibility to seamlessly operate on blockchain rails), then consumers can use such venues, which will be subject to regulatory oversight as well as clear and appropriate guardrails. In short, clarity enables proactive regulation – setting guardrails before crises occur – instead of the current reactive pattern. It will give consumers more confidence that when they engage with crypto services under U.S. jurisdiction, those services adhere to robust standards on disclosures, custody of assets, prevention of conflicts of interest, and much more.

Given these stakes, the introduction of the CLARITY Act is a significant and positive development. This bipartisan effort directly addresses the major ambiguity at the heart of current law: how to classify and regulate digital assets in a way that protects users and markets without smothering innovation. The CLARITY Act provides precisely what its name suggests – clear definitions, roles, and processes. As Representative Ritchie Torres noted, *"[t]he CLARITY Act will deliver clear rules of the road that entrepreneurs, investors, and consumers deserve."* It represents the culmination of extensive work by this Committee (including prior efforts like the passage of Financial Innovation and Technology for the 21st Century Act (FIT21)) and incorporates input from industry, legal experts, and regulators.

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[12] *See A Golden Age of Digital: Charting a Path Forward: Hearing Before the U.S. House Fin. Services Comm., Sub Comm. on Digital Assets,* 119th Cong. (2025) (statement of Ji Hun Kim, Crypto Council for Innovation)

[13] The collapse of offshore exchanges which operated outside comprehensive U.S. oversight, underscores the risks posed by unregulated platforms.
Source: U.S. Senate Committee on Banking, Housing, and Urban Affairs, Crypto Crash https://www.congress.gov/117/chrg/CHRG-117shrg53797/CHRG-117shrg53797.pdf

The CLARITY Act sets the stage for a sensible regulatory framework that distinguishes *infrastructure (platforms)* from *activities (assets and their use)*, encourages the development of decentralized networks, and establishes practical oversight for digital asset markets (through mechanisms like ATS registration and tailored disclosure requirements). In my view, these provisions strike an elegant balance: **they bring digital asset activities into compliance** (requiring disclosures, segregating customer funds, mandating registrations), while simultaneously acknowledging the unique nature of blockchain technology and decentralization.

Why Decentralization Matters: Safer, More Inclusive, and Globally Accessible Finance

The core feature of Ethereum and similar public blockchains is **decentralization** – no central operator, open access to all (with safeguards for compliance) – and this feature is not only a technological nuance; it is a fundamental shift that carries significant public policy benefits. A decentralized financial system can address several long-standing issues in traditional finance, including **single points of failure, opacity, counterparty risk, and barriers to innovation**. Let me outline why decentralization is so critical for a safer, more inclusive, globally accessible financial future, and how Ethereum's model exemplifies these advantages:

- **Resilience and Stability Through Decentralization:** In traditional finance, we are accustomed to central intermediaries (e.g., banks, exchanges, and clearinghouses) that must not fail, because failure can cascade systemically. History unfortunately provides many examples – a single large bank's collapse can freeze consumer funds or require taxpayer bailouts; a single stock exchange's technical outage can halt trading in thousands of securities. In a decentralized network like Ethereum, by contrast, there is no single critical point whose failure can bring the system down. Tens of thousands of independent nodes collectively keep the ledger running. The failure of any one node (or even many) does not compromise the network's availability or integrity. This massively distributed architecture makes the system **intrinsically more robust by minimizing counterparty risk**. It is also less attractive as a target for cyberattack or malfeasance – there is no central database to hack to corrupt Ethereum's ledger. This resilience was demonstrated during extreme events (for instance, during periods of market stress or record-high usage, Ethereum has reliably processed transactions, whereas certain other participants, including exchanges, payment apps, and even entire blockchains with centralized models have been affected or gone down under the similar strain).[14] Thus, decentralization can **reduce single-point systemic risks** and enhance the overall stability of the financial system. In essence, we replace the "too big to fail" hub-and-spoke model with a web of many independent operators – a more fault-tolerant design. Regulators and consumers alike should appreciate the built-in risk mitigation that a mature decentralized platform can provide.

[14] During periods of high network congestion and market volatility, centralized exchanges and payment platforms have experienced outages and service disruptions, while Ethereum has maintained continuous uptime. Source: CoinDesk, "Coinbase Resumes Operation after 3-hour Outage," *May 14, 2024*. https://www.coindesk.com/business/2024/05/14/coinbase-reports-system-wide-outage

- **Market Integrity and Transparency:** Decentralized networks inherently promote market integrity. On Ethereum, anyone can audit the smart contract code of a decentralized protocol or examine the entire transaction history of an asset. This radical transparency can deter fraud and market manipulation, since any improper activity is quickly apparent to the community and can be openly analyzed by experts and regulators. Moreover, decentralization means no insider or small group can easily distort the market. Ethereum's protocol rules (like how blocks are produced or how token balances update) apply equally to all and are enforced automatically by code. Decentralization is actually designed to protect market integrity: it minimizes the trust we must place in human intermediaries and maximizes the reliance on open, auditable code and broad consensus. Notably, the CLARITY Act recognizes this by tying certain regulatory outcomes to *decentralization criteria*. For example, to be considered a "mature" decentralized network under the Act, a project would need to demonstrate that its value is driven by the functioning of the network itself rather than the efforts of a central managerial team. This concept echoes the idea that if a token's price and utility derive from a *bona fide, decentralized network* (as with ETH on Ethereum), then the opportunities for insider manipulation or misinformation are greatly reduced. In sum, decentralization can foster **fairer, more transparent markets**, aligning well with regulatory goals of market integrity.

- **Financial Inclusion and Open Access:** A decentralized financial system built on public blockchains is, by its nature, **open to anyone with an internet connection**. There is no need for permission from a bank to create a crypto wallet, no credit score or paperwork required to interact with a smart contract. This opens the door for billions of unbanked or underbanked individuals globally to access basic financial services. For example, someone in a developing country with only a smartphone can receive or store stablecoin dollars on Ethereum, preserving their savings against local currency inflation – something that previously might require a U.S. bank account (out of reach for many). We already see this in practice: stablecoins on Ethereum and similar networks are used for remittances and savings from Latin America to Africa to Southeast Asia.[15] As noted, stablecoins combine the stability of major currencies with the accessibility of crypto networks, enabling financial independence globally beyond the confines of traditional

[15]Stablecoins are increasingly used for remittances and savings in emerging markets, offering a hedge against inflation and currency devaluation. In 2024, Latin America received $415 billion in crypto flows, with stablecoin usage rising sharply in Argentina, Brazil, and Venezuela. Similar adoption trends are seen in Africa and Southeast Asia.
Sources:
Chainalysis, "2024 LATAM Crypto Adoption: The Rise of Stablecoins," October 9, 2024.
https://www.chainalysis.com/blog/2024-latin-america-crypto-adoption/
AICoin, "Web3 Payment Research Report: In 2025, Stablecoins in Africa," May 2025.
https://www.aicoin.com/en/article/460823
OpenTrade, "In regions like Latin America, Africa and Southeast Asia…," May 2025.
https://medium.com/opentrade/in-regions-like-latin-america-africa-and-southeast-asia-inflation-and-currency-depreciation-are-7ee368334772

banking. Additionally, decentralized finance (DeFi) applications on Ethereum are providing services like lending, borrowing, and yield generation to anyone, often with as little as a few dollars to start.[16] This drastically lowers the barrier to entry compared to legacy finance, where high fees and minimum balances exclude smaller participants. Decentralization means an entrepreneur in Nigeria can directly access a global lending pool on Ethereum, or a farmer in India can insure crops via a decentralized insurance application – all without entrenched intermediaries that might have excluded these customers. The inclusivity gains are profound: by removing gatekeepers, decentralized finance can democratize access to wealth-building tools and cross-border economic activity, while also increasing demand for and usage of the dollar via stablecoins.

- **Innovation and Competition:** Finally, decentralization spurs open innovation. Because protocols like Ethereum are open-source and permissionless, developers around the world can build new financial applications on top of them without needing intermediaries or paying licensing fees. This composable "Lego block" environment has led to an explosion of creative fintech innovation – from automated market maker exchanges[17] to stablecoins to non-fungible tokens[18] – far faster than would be possible in a heavily siloed, permissioned system. The best ideas can gain adoption simply by proving useful to users, rather than relying on access to a distribution channel controlled by incumbents. This dynamic fosters healthy competition and rapid iteration, which ultimately benefits consumers with better services and lower costs. Moreover, because these services run on decentralized infrastructure, they can interoperate in seamless ways. We can already see the power of this interoperability: for instance, a user can take a tokenized asset (say a tokenized Treasury bill) and use it as collateral in a decentralized lending protocol, or trade it on a decentralized exchange, all in a matter of seconds and without needing separate accounts at different institutions. This interconnected innovation is reminiscent of the early internet era – where open protocols allowed an outpouring of new applications. It is no coincidence that blockchains are often compared to the internet in terms of being a general-purpose, transformative platform. Decentralization is the key trait that makes that possible by keeping the platform open and not captured by any single interest.

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[16] DeFi (Decentralized Finance) applications on Ethereum offer permissionless access to financial services such as lending, borrowing, and yield generation, often with low minimums, enabling global participation.
Source: World Economic Forum, *Decentralized Finance: (DeFi) Policy-Maker Toolkit*, June 2021. https://www3.weforum.org/docs/WEF_DeFi_Policy_Maker_Toolkit_2021.pdf

[17] Automated Market Makers (AMMs) are decentralized exchange protocols that enable users to trade digital assets directly with a smart contract–powered liquidity pool, rather than through a centralized order book or counterparty. AMMs allow anyone to provide liquidity and facilitate 24/7, permissionless asset trading.
Source: Coinbase, What Is an Automated Market Maker (AMM)?, https://www.coinbase.com/learn/advanced-trading/what-is-an-automated-market-maker-amm

[18] Non-fungible tokens (NFTs) are unique digital assets recorded on a blockchain, representing ownership of items such as digital art, music, collectibles, or tokenized real-world assets. Unlike cryptocurrencies like Bitcoin or Ether, NFTs are not interchangeable on a one-to-one basis.
Source: Investopedia, Non-Fungible Token (NFT): What It Means and How It Works, https://www.investopedia.com/non-fungible-tokens-nft-5115211

In summary, a decentralized financial system offers a vision of finance that is more resilient, transparent, inclusive, and innovative. Ethereum's track record to date provides compelling evidence of these benefits: it has weathered crises without central bailouts, it has enabled transparent markets like decentralized exchanges with billions in daily volume, it has brought basic financial capabilities to populations that banks do not serve, and it has incubated entirely new financial products at an astonishing pace. Of course, decentralization is not a panacea; it introduces new challenges (e.g. how to govern protocols, how to manage risks in code, etc.). But I firmly believe – and my experiences both on Wall Street and in crypto reinforce – that the net positives are immense. This is why it is so vital that our regulatory framework recognizes and preserves the unique attributes of decentralized platforms. We should regulate to **reinforce** the benefits (e.g. transparency, security, broad access) and to mitigate residual risks, rather than inadvertently smothering the golden goose by applying rules designed for centralized intermediaries. The CLARITY Act, as further detailed below, makes exactly this distinction – and thereby lays the groundwork for harnessing decentralization to improve finance for all.

Differentiating Infrastructure from Applications: The Internet Analogy

Underlying the CLARITY Act's approach is a fundamental insight: **blockchain platforms are infrastructure, while tokens and apps are the content or applications running on that infrastructure**. This mirrors the architecture of the internet itself – and provides a useful analogy for why our regulations must make this distinction. In the early days of the internet, policymakers recognized that the internet (the network of networks, using open protocols like TCP/IP) should be allowed to grow and innovate with appropriately tailored regulation, while specific uses of the Internet (websites, e-commerce businesses, online services) could be regulated under existing laws (consumer protection, commerce laws, etc.). That philosophy proved incredibly successful – it allowed the internet's underlying infrastructure to flourish, scaling to billions of users, while authorities still addressed illicit activities *on top of* the internet (like fraud or intellectual property violations on websites) through targeted enforcement. We did not regulate the internet itself as if it were a single monolithic "communication service" responsible for all content flowing through it; we recognized it as neutral plumbing, and we went after bad actors at the application layer.

Similarly, **Ethereum and other truly decentralized blockchain networks are neutral infrastructure** – they are akin to a global "financial internet" on which various tokens and applications run. It is those tokens and applications (much like websites or digital services) that may warrant regulatory consideration depending on their nature – a token might represent a security or a derivative or a currency; an equity issuance application might facilitate primary sales of company stock and need appropriate rules. But the *blockchain platform* itself is not the actor engaging in those activities; it is merely the protocol – analogous to how HTTP or SMTP underlie the web and email. This distinction is crucial. If we were to treat the blockchain platform as the target of regulation (for example, trying to shut down or license the Ethereum network as if it were a single entity), we would both undermine the technology's benefits and fail to effectively police wrongdoing (since bad actors could simply move offshore). The CLARITY Act recognizes this distinction: it fosters the development of the decentralized platform itself (much

like building out internet infrastructure) and appropriately focuses rules and enforcement on the specific assets and activities on that platform.

The CLARITY Act further explicitly embraces this analogy. By distinguishing *platform vs. asset*, by measuring *network decentralization*, and by calibrating regulation to *how tokens are used* (not just how they exist), it sets up a framework akin to **"internet vs. websites."** A mature, decentralized blockchain (like Ethereum) is more comparable to the internet backbone – it should be seen as mission-critical infrastructure that we want to be robust, neutral, and accessible to all developers and users. Individual tokens or programs (like a stablecoin, or an investment token for a startup, or a trading application) are comparable to the websites and online businesses – those we can regulate through disclosures, licensing (if they take custody of user funds, for instance), and so on. This layered approach ensures we do not strangle innovation at the infrastructure level. Imagine if, in 1995, we had required government registration and approval for anyone to launch a new internet protocol or to run a web server; the U.S. tech boom likely would have faltered. Instead, we set general rules (against hacking and fraud, for example.) and otherwise let the technology develop, which made the U.S. the leader of the internet age.

We have a parallel opportunity with blockchains: to lead the next era of the internet – the internet of value – by differentiating between core protocol and peripheral uses. Decentralization is the mechanism that makes a blockchain more like the internet (open and no single owner) versus a private network (closed and controlled by one entity). This is precisely why the CLARITY Act emphasizes decentralization for platforms – because a decentralized platform can be treated largely as a piece of public infrastructure, whereas a centralized platform (like a private database or a permissioned ledger run by a company) might need a different treatment. By focusing on whether a blockchain is decentralized, the Act effectively asks, *Is this platform more like a public good (like the internet) or more like a private product (like a fintech app)?* If it is the former, regulators will recognize this and let it function as infrastructure (while still policing any illicit use on it); if it is the latter, then perhaps it should be regulated like the company product it is.

To illustrate the internet analogy more concretely: Ethereum (the platform) can be likened to Linux or the World Wide Web protocols – no one "owns" them outright and anyone can build on them.[19] On Ethereum, one application might be a dollar-pegged stablecoin (comparable to a fintech payment app) – that stablecoin can be regulated under payments and prudential rules, but Ethereum itself should not be regulated as if Ethereum created that stablecoin. Another application might be a tokenized stock trading system – that system might need broker-dealer licenses and exchange oversight, but again Ethereum is just the rail, not the broker. The CLARITY Act inherently understands this dichotomy: it does not call Ethereum or any blockchain a security or commodity by itself in the traditional sense; it calls them "digital commodities" when decentralized (placing them under CFTC oversight). It calls for **rules that**

[19] "Ethereum is, first and foremost, a protocol, just like the protocol the internet relies upon: TCP/IP." Consensys, "Efforts of Many: An Overview of the Ethereum Protocol," https://consensys.io/blog/efforts-of-many-an-overview-of-the-ethereum-protocol.

differentiate infrastructure from applications, much as we differentiate the open internet from the companies operating on the internet.

The CLARITY Act sends the clear message that this Committee understands and appreciates this analogy – that the U.S. will **nurture the blockchain networks as we did the internet**, ensuring they remain open platforms for innovation, while at the same time aggressively policing harmful conduct and appropriately regulating products built on top. This balanced viewpoint is the only sustainable way to regulate an innovation that is, at its heart, *open-source software running on a distributed network*. You cannot regulate it effectively by just banning or blessing code; you have to look at usage and context. That is precisely what the CLARITY Act does: to be clear, it does not give a free pass to everything crypto (far from it, it actually expands regulatory oversight in many areas and provides for additional clarity in needed areas), but it **does** say we should treat a decentralized platform differently from a centralized issuer. The internet analogy can serve as a useful guide in helping frame and understand the issues at hand. In the long run, the U.S. will want Ethereum to do for **value transfer and economic exchange** what the internet did for **information exchange**. To achieve that, we must allow these networks to thrive and remain neutral, just as we did with the internet's protocols, while crafting forward leaning and sensible rules for the businesses and assets that utilize them. The CLARITY Act is a commendable step in that direction.

Ethereum as Critical Financial Infrastructure – and Why the U.S. Should Lead

I would like to close by re-emphasizing the broader vision: public blockchains like Ethereum are *already becoming critical global financial infrastructure*. We have reached a point where this technology is too significant to ignore or push to the shadows. Trillions of dollars in stablecoin transactions, billions in tokenized real assets, millions of users worldwide[20] – these are not speculative projections; they are the facts and reality of today. Ethereum, in particular, has proven itself capable of handling this scale while maintaining decentralization and security. The *potential* of a mature Ethereum (and other similar platforms) is vast: imagine real-time settlement of any asset, 24/7 markets that integrate with compliance by design, self-executing contracts that reduce the need for costly intermediaries in trade and finance, and inclusion of populations who have never had access to traditional banking. We are moving toward that future, and **the countries that embrace it will shape the outcome**.

The U.S. has an enormous amount to gain by asserting leadership in the blockchain and crypto space. We are home to many of the world's top innovators, investors, and research institutions in this field. U.S. companies and entrepreneurs have been at the forefront of developing blockchain-based applications (many of the largest crypto exchanges, wallet providers, and

[20] Public blockchain networks have processed trillions of dollars in stablecoin transfer volume annually, supported billions in tokenized real-world assets (RWAs), and onboarded millions of users globally. Sources: RWA.xyz, Stablecoin Transfer Volume (select "Transfer Volume" and "Interval: Yearly"), https://app.rwa.xyz/stablecoins;
RWA.xyz, Tokenized Real-World Assets by Network, https://app.rwa.xyz/networks;
YCharts, Ethereum Cumulative Unique Addresses, https://ycharts.com/indicators/ethereum_cumulative_unique_addresses

DeFi projects have significant U.S. roots or presence).[21] However, in recent years, the ambiguity of U.S. regulation has begun to drive that activity overseas. We have seen other global jurisdictions set up clearer regimes and actively court crypto businesses.[22] If we do nothing, we risk seeing the "center of gravity" of this technological revolution move outside America – much as we might have if we'd been hostile to the early internet or to past innovations like semiconductors. That would be a strategic and economic mistake. Blockchains and digital assets will form a key layer of the 21st-century financial system – essentially a new global economic operating system. The question is, will the U.S. set the standards for it (embedding our core values of transparency, rule of law, and free markets), or will we import someone else's standards later? By providing clarity and smart regulation now, Congress can ensure that the U.S. is the hub of responsible blockchain innovation.

Encouragingly, we already see major U.S. institutions recognizing Ethereum's promise. BlackRock, Franklin Templeton, and other major U.S. banks are tokenizing assets on Ethereum and experimenting with stablecoins and private Ethereum networks.[23] The private sector is ready to capitalize on blockchain efficiency once rules are clear and established. And it is not just the private sector – U.S. government agencies could benefit too (for instance, adopting blockchain for more transparent government auditing or more efficient grant disbursements). None of this can happen at scale without clarity in the law. The CLARITY Act paves the way for that future by removing the legal clouds that currently hang over blockchain usage.

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[21] U.S.-based companies have played a leading role in blockchain innovation. Coinbase, headquartered in San Francisco, is the largest publicly traded U.S. crypto exchange. Consensys, based in Brooklyn, develops MetaMask, one of the most widely used Ethereum wallets. Uniswap Labs, also U.S.-based, created Uniswap, a leading decentralized exchange protocol.
Sources:
Coinbase, About Coinbase, https://www.coinbase.com/about
Consensys, About Consensys, https://consensys.io/about/
Uniswap Labs, Company Overview, https://uniswap.org/

[22] The lack of regulatory clarity in the United States has led crypto firms to consider relocating to jurisdictions with more defined frameworks. In April 2023, Coinbase CEO Brian Armstrong warned that without clear U.S. regulations, crypto companies would develop in "offshore havens."
Source: Reuters, Coinbase CEO: Crypto Firms Will Develop 'Offshore' Without Clear US Rules, April 18, 2023.
https://www.reuters.com/technology/coinbase-ceo-crypto-firms-will-develop-offshore-without-clear-regulations-2023-04-18/

[23] Major U.S. financial institutions are increasingly leveraging Ethereum for asset tokenization initiatives. In March 2024, BlackRock launched its first tokenized fund, the BlackRock USD Institutional Digital Liquidity Fund (BUIDL), on the Ethereum blockchain, enabling daily yield distribution and real-time settlement. Franklin Templeton expanded its tokenized U.S. Government Money Fund (FOBXX) to public blockchains including Ethereum, facilitating peer-to-peer transfers and stablecoin integration. UBS Asset Management also launched its first tokenized money market fund, uMINT, using Ethereum-based infrastructure.
Sources: Wall Street Journal, BlackRock Launches First Tokenized Fund on Ethereum Blockchain, March 20, 2024.
https://www.wsj.com/livecoverage/fed-meeting-fomc-interest-rate-decision-march-2024/card/blackrock-launches-first-tokenized-fund-on-ethereum-blockchain-nzDSJjH5mEijUzKO24T4; Blockworks, Franklin Templeton Launches Benji on Ethereum in 'Milestone' Move, October 31, 2024.
https://blockworks.co/news/franklin-templeton-launches-benji-on-ethereum; UBS, UBS Asset Management Launches Its First Tokenized Investment Fund, November 1, 2024.
https://www.ubs.com/global/en/media/display-page-ndp/en-20241101-first-tokenized-investment-fund.html

Regulatory certainty is not a green light for anything-goes; it is a pledge to set firm, intelligible guardrails - and the CLARITY Act delivers just that. The bill already shields consumers by requiring that customer assets remain segregated from company funds, compelling firms to manage conflicts of interest, and mandating plain-English disclosures. It also safeguards bedrock crypto freedoms such as self-custody and peer-to-peer transactions—priorities championed by co-sponsor Representative Warren Davidson. Importantly, the bill is still evolving. Etherealize also appreciates the Committee's ongoing bipartisan efforts to refine this legislation—particularly with respect to disclosure standards and the treatment of related-party token holdings. We would also encourage this Committee to further ensure that circumvention of the excellent frameworks in this bill be prevented with appropriate guidelines. As these refinements take shape, the Act should continue to balance robust oversight of intermediaries with preservation of decentralization, sustaining the ethos of individual financial autonomy within a clear legal order.

Ethereum and decentralized blockchain technology represent a bet on the future of finance – one that the U.S. is uniquely positioned to foster. That bet is paying off; the technology is maturing, and real-world adoption is accelerating.[24] Now we need the legal and regulatory framework to catch up. The CLARITY Act provides for this framework. It provides certainty, balances innovation with protection, and distinguishes the signal from the noise. It will unlock capital and creativity – for example, by giving institutional investors confidence that tokens like ETH are not legally dubious, by giving entrepreneurs a clear checklist for how to launch a token lawfully, and by giving consumers more reliable venues and products to interact with.

The U.S. has always led in setting up the "rules of the road" for global finance – from Bretton Woods to securities laws that became gold standards worldwide. We have an opportunity to do so again here, for the digital asset markets. I firmly believe that with regulatory clarity, the U.S. will be the hub of the next-generation financial system just as it was for traditional finance and the internet. The alternative – to remain uncertain or hostile – would not stop the innovation, it would only push it away and cede leadership to others. This is why it is crucial to have a comprehensive federal regulatory framework.

In a future not far off, we can imagine a world where sending money is as seamless as sending an email, where entrepreneurs can raise capital from a global pool of investors in seconds on a blockchain, where financial contracts execute automatically and fairly without legalese, and where everyone globally has access to a stable digital dollar if they choose. This is the promise of blockchain technology – a promise of *greater financial empowerment and efficiency*. Realizing this promise requires that we have *rules in place that both enable and safeguard the process*. The CLARITY Act embodies this by establishing a thoughtful regulatory framework that

[24] In 2025, blockchain adoption has transitioned from speculative exploration to operational deployment across various sectors. Major financial institutions such as BlackRock, JPMorgan, and Franklin Templeton are actively utilizing blockchain technology for tokenized assets and settlement processes. This shift signifies blockchain's move from a theoretical concept to a practical infrastructure component in the global financial system.
Source: Financial Times, Finance is ready for a blockchain reset, May 28, 2025.
https://www.ft.com/content/11c4973a-d798-4819-b342-fcffa4146f3d

recognizes **blockchains as foundational infrastructure subject to appropriate oversight, while ensuring that the applications and assets built on them are supervised to promote stability, integrity, and responsible innovation.**

I respectfully urge this Committee, the House, and Congress as a whole to seize this opportunity. With the CLARITY Act, it will be a clear signal that the U.S. will continue to lead in embracing the future of finance – doing so on our terms, consistent with our values of fairness, transparency, and innovation. Let us set the precedent that **decentralized technology can thrive under a framework of clear, sensible regulation**. I am confident that with such clarity, the next generation of financial entrepreneurs will flock to build in the U.S., just as past generations did in the eras of banking, markets, and the internet. The time to act is now to ensure U.S. leadership in digital assets and blockchain technology.

Thank you again for the opportunity to share my perspective. I am happy to answer any questions and to continue to serve as a resource as you refine this legislation. Together, we can ensure that Ethereum and networks like it continue to exemplify the positive potential of decentralization – and that the U.S. remains the epicenter of this financial innovation, **to the benefit of consumers, investors, institutions, and the integrity of markets worldwide**.