

Testimony By

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Before the  
U.S. House Financial Services Subcommittee on Digital Assets, Financial Technology, and  
Artificial Intelligence

*“A Golden Age of Digital Assets: Charting a Path Forward”*

Tuesday, February 11, 2025, 2:30pm

Chairman Steil, Ranking Member Lynch, and members of the subcommittee:

Thank you for the opportunity to testify before you today.

My name is Jonathan Jachym. I am the Global Head of Policy and Government Relations at Kraken. Our business was founded in 2011 in San Francisco and built on principles of security and customer protection.

Over the last 13 years, Kraken has steadily grown into a diversified, global digital asset business serving over 15 million customers around the world on a 24/7 basis. Our mission is to accelerate the adoption of digital assets so the world can achieve financial freedom and inclusion. We have led the way on developing industry best practices even when the regulatory landscape remained unclear.

After many years of legislative debate, we are at a moment when this 119th Congress can galvanize the positive shift from contention towards non-partisan consensus on U.S. digital assets policy. We are before Congress today to deliver a message of urgency to finalize market structure legislation that will create a clear regulatory framework for centralized intermediaries.

Towards that goal, my testimony today focuses on three main topics:

- I. Kraken’s role in the global digital asset marketplace;
- II. key components of an effective U.S. legislative framework for centralized intermediaries;  
and
- III. our experience with policy advancements in major jurisdictions around the world.

### **I. Kraken’s role in the global digital asset markets**

Kraken has a team of over 2,000 professionals across 60 countries. Our geographic diversity is a competitive strength and aligns us with the global nature of our markets and the dynamic community of customers and innovators we serve.

We continually strive to offer the most secure and transparent execution platform, deepest liquidity, and the best user experience in our markets. In 2024, clients entrusted us with \$42.8 billion of assets on our platform with total trade volume of \$665 billion. Kraken is consistently named one of the most secure places to buy and sell digital assets due to our robust security for client assets.<sup>1</sup>

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<sup>1</sup> For further information on our risk management, security, and client protection standards, see *“Industry-leading security protects your investments,”* <https://www.kraken.com/features/security>.

Kraken has invested in setting the industry standard for transparency.<sup>2</sup> In 2014, we pioneered a market leading Proof of Reserves process to allow customers to independently verify their holdings are backed by fully reserved assets.”<sup>3</sup>

There are notable market and regulatory trends that serve as a foundation for policymakers:

- **Spot markets** - Spot crypto markets have recently reached over \$3.5 trillion in market capitalization.<sup>4</sup> Over 80-90% of the transactions in digital asset markets are executed via centralized intermediaries.<sup>5</sup> A majority of the volume and trading on centralized intermediaries remains in the most established digital assets. As noted later in my testimony, many other jurisdictions have already advanced or finalized rules for centralized intermediaries and oversight over secondary market transactions.
- **Traditional markets** - There has been significant growth in institutional and retail adoption in digital asset markets supported by the risk management role of derivatives and more recent emergence of Exchange Traded Products (ETPs) listed on traditional markets.
- **Decentralized finance** - Decentralized finance (DeFi) innovation continues to grow via onchain ecosystems which have vastly different structures and policy considerations relative to centralized intermediaries or traditional markets. The DeFi community is leading on best practices and effective policy solutions to support responsible innovation.

Kraken serves our customers and community of innovators across all three of these areas:

- **Our established role as a centralized intermediary for spot digital asset markets** – At the heart of our business is our centralized spot crypto exchange, where users can trade major fiat currencies like USD and EUR for digital assets, or engage in crypto-to-crypto transactions. Today, we offer over 300 digital assets for trading. Kraken ranks among the top exchanges by market share in our core regions—primarily Europe and North America. We offer market leading intermediary services for crypto custody and staking, among other products and services to support our customers.
- **Facilitating digital asset growth in traditional markets** – CF Benchmarks, a Kraken company, is the world’s leading global benchmark provider and is an FCA-regulated Benchmark Administrator. Our trusted, global benchmarks serve as reference rates for the majority of approved digital asset ETPs in the U.S., and are used as the settlement index for major derivatives exchanges.<sup>6</sup> These products and services support risk management and expand adoption and ownership in digital asset markets through traditional regulated products. Kraken also offers crypto derivatives trading in eligible jurisdictions through regulated platforms.

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<sup>2</sup> “Announcing the 2023 Kraken Transparency Report,” <https://blog.kraken.com/news/announcing-the-2023-kraken-transparency-report>.

<sup>3</sup> Kraken, “Proof of Reserves,” <https://www.kraken.com/proof-of-reserves>.

<sup>4</sup> Coin Gecko, “Global Cryptocurrency Market Cap Charts,” <https://www.coingecko.com/en/global-charts>.

<sup>5</sup> The Block, “DEX to CEX Spot Trade Volume (%)” <https://www.theblock.co/data/decentralized-finance/dex-non-custodial/dex-to-cex-spot-trade-volume>.

<sup>6</sup> CF Benchmark indices supports ETFs/ETPs listed in the U.S., Europe, Canada, Brazil, Australia, and Hong Kong. <https://www.cfbenchmarks.com/>.

- **Powering the future of onchain markets** – Decentralized, or “onchain,” markets remain the frontier of digital asset innovation. Kraken operates a cutting edge Layer 2 (L2) blockchain, Ink, which serves as a seamless bridge to DeFi. Ink empowers users to move onchain with confidence supported by appropriate compliance tools and technology. As a single, integrated ecosystem, Ink simplifies user engagement with top-tier DeFi applications (dApps), protocols and communities, making it easier for developers and users to build and access new opportunities onchain.

Kraken continues to invest heavily in regulatory licensing, compliance, and supporting effective crypto policy development around the world. In the U.S., Kraken maintains a registration as a Money Services Business with FinCEN and holds over 40 state money transmitter licenses. We were the first digital asset business to receive a Special Purpose Depository Institution (SPDI) charter with the Wyoming Division of Banking. We also hold licenses and registrations in the United Kingdom, European Union, Canada, and Australia, among many other developed and emerging markets.

## **II. Charting a path forward: Congress should pass legislation to create a regulatory framework for centralized intermediaries, building on many years of bipartisan work.**

We are excited to embark on a new era of policymaking in the U.S. and end the regulation-by-enforcement approach of the past. Following many years of industry engagement, education, hearings, legislative drafting and debate, we have seen significant bipartisan consensus in Congress for enacting a strong regulatory framework for centralized intermediaries that protects consumers while enabling blockchain-based innovation.

Building on the years of progress in the House and Senate, the U.S. now has a clear opportunity to advance an effective framework for regulating centralized intermediaries. Among many other important policy issues, we note three foundational components that are central to an effective market structure framework:

1. **Spot market authority for the CFTC** – CFTC oversight over centralized intermediaries and secondary market transactions, complemented by effective disclosure requirements, will create a durable approach for supporting innovation and protecting customers. Congress should avoid unnecessarily fracturing spot markets along bifurcated or complex jurisdictional lines. The Administration, SEC, and CFTC should enhance and accelerate cooperation towards this legislative goal.
2. **Clear exemptions from centralized intermediary rules for decentralized protocols** – Similar to the approach taken by other major economies, the U.S. should not apply centralized intermediary rules to decentralized protocols. Open and transparent decentralized blockchain networks do not have centralized governance systems, infrastructure or management. Applying traditional registration and reporting requirements designed for centralized intermediaries would be both impractical and contrary to the well-established fundamental freedoms in our internet-based economy. Rather, the industry and policymakers must continue to evaluate and craft best practices and distinct policy approaches that account for the unique characteristics of DeFi.
3. **Regulatory clarity for staking as a service** – Staking is a novel and fundamental part of securing proof-of-stake (PoS) blockchain networks. Staking protects consumers, allows them to maximize the economic potential of their digital assets, and strengthens blockchain networks generally. Without staking, many PoS networks would struggle to

attract validators, weakening security and limiting scalability, ultimately hindering broader adoption and innovation. It is critical that U.S. policymakers provide legal certainty for intermediaries that offer staking as a service given its indispensable role in supporting the growth of the digital asset economy. We encourage coordination with other major jurisdictions that have set a clear policy direction for staking service providers.

We commend the Trump Administration and new leadership at our U.S. regulatory agencies for taking swift and meaningful steps towards advancing effective policymaking in the U.S. This includes appointment of a Crypto and Artificial Intelligence Czar, establishment of the Crypto Council, and formation of the SEC Crypto Task Force. Following its early pioneering leadership in derivatives market policy for digital assets, the CFTC continues to lead initiatives on establishing a framework to regulate spot crypto markets in addition to driving new policy thinking around the role of digital assets in established derivatives markets.

With the Administration, independent federal agencies and Congress working together, there is a clear and critical opportunity for the U.S. to accelerate and finalize legislation this year.

### **III. Other major markets have advanced clear rules and regulations for centralized intermediaries in the digital asset markets.**

Policymakers in major markets we serve have already advanced clear rules for centralized intermediaries. These jurisdictions did not attempt to bluntly apply traditional securities rules to the rapidly evolving digital assets markets. Similar to the legislative approaches that have been introduced and advanced in the U.S. House and Senate, other jurisdictions have developed new categories of digital asset definitions and rules that can adapt to the fast pace of innovation in the digital asset ecosystem.

Congress must develop U.S. rules fit for the U.S. markets, but can also draw on the experience from other markets that have advanced rules for regulating centralized intermediaries. We note the following examples from other markets where Kraken has been actively engaged:

- **European Union (EU)** – The EU proposed the Markets in Crypto-Assets (MiCA) regulation in September 2020 and finalized it in 2022.<sup>7</sup> Over the past two years, policymakers have proposed and finalized a comprehensive set of regulations for centralized intermediaries. MiCA became effective on December 30, 2024.<sup>8</sup>

MiCA provides a unified and comprehensive regulatory framework for digital assets allowing firms - both stablecoin issuers and centralized intermediaries - to operate across the 27 EU member countries. While MiCA incorporates elements from traditional finance rulebooks, it is a tailor-made framework designed specifically for the unique nature of digital asset markets and the firms operating within them.

Kraken has held country-specific licences in Europe which developed prior to MiCA. With EU-level legislation and regulation now finalized, we are pursuing approval as a Crypto Asset Service Provider (CASP) to advance our EU operations across the entire market.

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<sup>7</sup> European Commission, “*Crypto-Assets*,” [https://finance.ec.europa.eu/digital-finance/crypto-assets\\_en](https://finance.ec.europa.eu/digital-finance/crypto-assets_en).

<sup>8</sup> ESMA, “*Markets in Crypto-Assets Regulation (MiCA)*,” <https://www.esma.europa.eu/esmas-activities/digital-finance-and-innovation/markets-crypto-assets-regulation-mica>.

- **United Kingdom (UK)** – In 2023, HM Treasury launched a consultation on a comprehensive framework for digital assets, which recognized digital assets as a distinct asset class and called for a bespoke regime for staking.<sup>9</sup> Over the next 18 months, the Financial Conduct Authority (FCA) will issue over a dozen consultations to develop and finalize regulations. These rules are expected to be finalized next year, allowing centralized intermediaries to be fully authorized within the FCA regulatory perimeter.

Similar to MiCA, traditional rules for centralized intermediaries were used as a starting point, but the UK framework has been tailored to account for the unique characteristics of digital assets. Kraken was one of the first digital asset firms to secure the digital asset registration with the FCA and will continue to support the development of the new framework through the rulemaking phase this year.

- **Canada** – Similar to traditional financial market regulation in Canada, individual provinces and territories have developed their own frameworks for digital asset regulation via new approaches and exemptions from traditional rules. Coordination is managed across provinces and territories through the Canadian Securities Administrators (CSA). The CSA finalized a regulatory framework for digital assets in 2023, which required centralized intermediaries to register with a provincial regulator in order to provide centralized products and services across Canada, such as exchange offerings and staking.<sup>10</sup>

Kraken has been operating with a Pre-Registration Undertaking (PRU) administered by the Ontario Securities Commission (OSC) while pursuing approval as a Crypto Trading Platform (CTP). We are continuing to engage and support the OSC and CSA as the Canadian regulatory framework evolves.

Many other jurisdictions have already moved forward with market structure frameworks for centralized intermediaries. For example, Switzerland, Japan, Hong Kong, the United Arab Emirates, Singapore, Brazil, Turkey, and Bermuda are among jurisdictions that have finalized regulatory frameworks for centralized intermediaries. Other jurisdictions such as Australia, Argentina and India are currently developing and advancing their frameworks.

After many years of legislative work, the time has come for Congress to pass market structure legislation to ensure the U.S remains at the forefront of innovation and the next era of the global financial markets. This will also support U.S. regulators with greater ability to engage their foreign counterparts in order to rationalize cross-border market access models and international standard setters, such as IOSCO, to drive harmonization in areas that are critical to supporting the global nature of the digital asset markets.

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<sup>9</sup> HM Treasury, “*Future financial services regulatory regime for cryptoassets*,” <https://www.gov.uk/government/consultations/future-financial-services-regulatory-regime-for-cryptoassets>.

<sup>10</sup> Canadian Securities Administrators, “*Staff Notice 21-332*,” [https://www.osc.ca/sites/default/files/2023-02/csa\\_20230222\\_21-332\\_crypto-trading-platforms-pre-reg-undertakings.pdf](https://www.osc.ca/sites/default/files/2023-02/csa_20230222_21-332_crypto-trading-platforms-pre-reg-undertakings.pdf).