

Veda Tech Labs, Inc.

August 4, 2025

Senate Banking Committee  
United States Senate  
Via Email to: [MarketStructure\\_RFI@banking.senate.gov](mailto:MarketStructure_RFI@banking.senate.gov)

***Re: Feedback on Senate Banking Committee Draft Market Structure Legislation***

Dear Members of the U.S. Senate Banking Committee:

Veda Tech Labs, Inc. (“Veda”) appreciates the opportunity to provide feedback on the recently published draft of the Responsible Financial Innovation Act of 2025 (“RFIA”). Veda is a crypto infrastructure company that builds vaults: programmable, non-custodial smart contracts that deploy DeFi strategies. We pioneered the BoringVault—the most widely used vault standard in DeFi—an open, modular framework for building secure vault systems that is deployed across multiple blockchain ecosystems, including Ethereum, Base, Arbitrum, and soon Solana, and currently supports over \$4 billion in total value locked (TVL), the total value of the assets currently deployed through our vault infrastructure.

**Ancillary Asset Classification & Self-Certification**

**Why It Matters to Veda:**

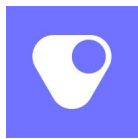
The proposed ancillary asset framework would allow token developers to self-certify that their assets do not represent a security, provided they meet certain disclosure and use limitations. For Veda, whose infrastructure supports protocols offering native yield through smart contract vaults, this provision is essential for enabling token-based protocols to launch and operate with legal clarity.

Native yield strategies often involve assets that do not carry profit rights or governance power (e.g., auto-compounding staking derivatives, vault tokens). These assets could fall under the ancillary asset classification if properly structured.

**Our Policy Recommendations:**

**1. Support the Self-Certification Framework**

- a. We strongly support the creation of a clear and objective process that allows developers to self-certify tokens as ancillary assets, subject to SEC review.



- b. The process offers much-needed regulatory certainty without stifling early-stage experimentation.

## **2. Clarify Eligibility for Infrastructure Tokens and Vault Receipts**

- a. The legislation should clarify that liquid staking tokens—representative tokens that users receive when they stake their crypto on a proof-of-stake blockchain through a liquid staking protocol—and vault tokens or staking receipts, which are used to represent shares in yield-bearing smart contracts, are eligible for ancillary status when:
  - i. They do not confer governance or profit-sharing rights.
  - ii. They are redeemable on-chain for their underlying asset.
  - iii. They follow transparent and deterministic programmed logic.

## **3. Permit Limited Automated Utility Without Disqualifying Status**

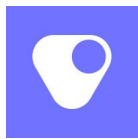
- a. Many DeFi assets interact with smart contracts via pre-programmed triggers (e.g., auto-rebalancing or rewards compounding).
- b. The legislation should clarify that automated functionality alone does not imply financial interest or transform a utility token into a security.

## **4. Request Discretionary Exemptions or Tiering Below \$75M Cap**

- a. For smaller or emerging protocols, especially those focused on narrow utility functions or yield facilitation (like vault wrappers), the \$75 million issuance threshold may be too high a bar.
- b. Recommend authorizing the SEC to adopt exemptions or graduated tiers based on token purpose, technical design, and user distribution.

### **Suggested Legislative Language:**

“In evaluating whether a digital asset qualifies as an ancillary asset, the Commission shall consider whether such asset represents a functional utility within a decentralized protocol that does not confer profit rights, governance authority, or financial claims on the issuer.”



## **Modernizing the “Investment Contract” Standard**

### **Why It Matters to Veda:**

The legislation directs the SEC to revisit and modernize the definition of an “investment contract.” For Veda, whose infrastructure supports smart contract-based products rather than investment schemes, the current ambiguity around *Howey* impedes clients’ ability to build with legal clarity, especially when designing non-custodial yield vaults or composable financial instruments.

Clarifying that protocol-level assets, especially where there is no identifiable issuer or profit-sharing mechanism, fall outside of the “investment contract” scope is key for unlocking compliant DeFi infrastructure at scale.

### **Our Policy Recommendations:**

#### **1. Mandate a Functional Approach to Digital Assets**

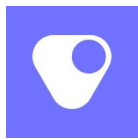
- a. Require the SEC to adopt a function-first test based on asset utility, decentralization, and non-financial features.
- b. This should include a safe harbor for assets that:
  - i. Are fully redeemable for on-chain collateral.
  - ii. Are controlled by immutable smart contracts or DAOs.
  - iii. Are used solely within a protocol’s operational mechanics (e.g., governance, access control, yield aggregation).

#### **2. Avoid Overreliance on “Expectations of Profits”**

- a. Many protocol tokens offer deterministic returns based on algorithmic logic, as opposed to managerial discretion or profit generation.
- b. Urge the SEC to distinguish between economic functionality and passive investment schemes.

#### **3. Require Stakeholder Participation in Rulemaking**

- a. The legislation should direct the SEC to solicit input from:
  - i. DeFi infrastructure providers.



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- ii. Independent developers.
  - iii. Protocol DAOs and foundations.
- b. This ensures that any new “investment contract” test reflects technical and market realities in a quickly-evolving space.

### **Suggested Legislative Language:**

“In undertaking rulemaking pursuant to this section, the Commission shall consider whether a digital asset is issued or maintained through automated, immutable protocol code, and whether such asset lacks managerial discretion, governance power, or profit rights indicative of a traditional investment contract.”

### **Digital Asset Intermediaries & Tiered Regulation**

#### **Why It Matters to Veda:**

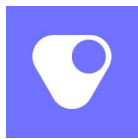
The legislation defines and regulates digital asset intermediaries, including exchanges, custodians, brokers, and clearing firms. Veda provides infrastructure to such intermediaries—without itself acting as a financial institution. Ensuring that infrastructure providers are not swept into overly burdensome registration regimes is essential for maintaining innovation and compliance modularity.

Additionally, as a provider of vault infrastructure, Veda enables its clients to engage in activities that may fall under custody, brokerage, or liquidity facilitation—but in some cases only indirectly and without discretionary control.

#### **Our Policy Recommendations:**

##### **1. Support Tiered Registration and Modular Compliance**

- a. Encourage the legislation to direct regulators to develop tiered or activity-based frameworks for digital asset service providers.
- b. Providers of infrastructure or non-custodial tooling (e.g., Veda’s vault platform) should not be subject to full intermediary registration if:
  - i. They do not custody assets.
  - ii. They do not have discretionary authority over client funds or execution.
  - iii. Their tools are made available as neutral protocols, APIs, or SDKs.



- c. For tooling such as vaults that do involve some degree of actively-managed strategy constituting securities investment advice (many yield-bearing strategies deployed by vaults do not involve assets or mechanisms that implicate the securities laws), recommend the SEC consider alternative forms of “advisor” registration that are fit for purpose, and whether certain compliance may be achieved by leveraging the transparent, auditable, and programmable nature of vaults.

## **2. Create Clear Carveouts for Infrastructure Providers**

- a. Recommend codifying that software developers, interface providers, and protocol infrastructure platforms are not regulated as intermediaries unless they:
  - i. Directly execute client trades or hold funds.
  - ii. Market products as investment opportunities.
  - iii. Collect fees based on AUM or yield performance.

## **3. Incentivize Intermediary Use of Compliant Protocol Tools**

- a. The legislation should promote the use of open-source, audit-ready infrastructure by regulated entities.
- b. Veda’s tools, for example, could be used by exchanges or custodians to meet vault custody, liquidity, or redemption requirements under a regulated framework.

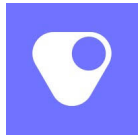
### **Suggested Legislative Language:**

“No person shall be deemed a digital asset intermediary solely by reason of developing or providing software tools, smart contract infrastructure, or technical protocols that are non-custodial, open-source, and not operated for discretionary profit.”

### **Anti-Money Laundering, Risk Management & Exam Readiness**

#### **Why It Matters to Veda:**

The legislation enhances AML expectations, including Treasury-led risk frameworks and potential digital asset-specific exam protocols. Veda’s infrastructure enables automated reporting, on-chain attestations, and vault-level controls that can help institutions comply with emerging AML requirements in a scalable way.



By integrating compliance into the design of vault products (e.g., whitelists, transaction monitoring, deterministic withdrawal flows), Veda offers a strong foundation for programmable compliance.

## **Our Policy Recommendations:**

### **1. Recognize the Role of On-Chain Controls in AML Compliance**

- a.** Request that regulators recognize on-chain compliance primitives—such as:
  - i.** Wallet screening.
  - ii.** Smart contract allowlists.
  - iii.** Vault design with bounded risk.
- b.** These can supplement or replace traditional “know your customer” (KYC) methods in decentralized environments.

### **2. Promote Risk-Based Examination for Protocol-Supported Products**

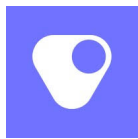
- a.** Suggest that regulators issue vault-specific AML guidance, including:
  - i.** Protocol-level risk assessments.
  - ii.** Monitoring tools for flow-of-funds analysis.
  - iii.** Real-time redemption risk exposure.

### **3. Encourage Voluntary “Audit-Ready” Certifications**

- a.** Recommend that the legislation empower Treasury or FinCEN to:
  - i.** Create a voluntary compliance certification program.
  - ii.** Encourage tools like Veda to be integrated into AML workflows.
  - iii.** Help institutional partners demonstrate “audit readiness” via standardized API hooks.

## **Suggested Legislative Language**

“The Secretary of the Treasury, in consultation with relevant regulatory agencies, shall consider the development of digital asset examination protocols that



incorporate the use of automated, on-chain compliance controls, and may recognize standardized technical certifications as satisfying relevant AML obligations.”

### **Self-Custody & Developer Liability Limitations**

#### **Why It Matters to Veda:**

The draft legislation includes important protections for non-custodial developers and self-custody rights. This is especially important for Veda, whose architecture enables users and institutions to retain custody of their assets—while still interacting with protocol-based yield strategies.

Clarifying that developers of vault infrastructure, smart contract SDKs, or interface layers are not financial institutions or custodians, absent control or discretion, is critical to protect innovation and open-source development. Even with control or discretion, a tiered approach as outlined above is sensible.

#### **Our Policy Recommendations:**

##### **1. Strengthen Safe Harbors for Non-Custodial Developers**

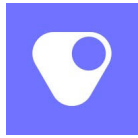
- a. Endorse the current safe harbor but recommend the bill:
  - i. Specify clear control thresholds (e.g., no unilateral upgradability or key-based control).
  - ii. Carve out multi-sig participants who do not have operational majority or control.

##### **2. Protect Self-Custody as a Foundational User Right**

- a. Reinforce that individuals and institutions must be able to directly interact with protocols and hold their own private keys, without triggering intermediary status.
- b. This is essential for users that seek direct vault access or on-chain composability.

##### **3. Limit Liability for Infrastructure Providers Offering Non-Custodial Tools**

- a. Developers of SDKs, APIs, and protocol wrappers (like Veda) should not be liable for downstream misuse if:
  - i. The tools are provided without discretion or AUM fees.



- ii. The provider does not market yield products directly.
- iii. All functionality is deterministic and on-chain.

### **Suggested Legislative Language**

“No person shall be deemed a digital asset intermediary, money services business, or custodian solely by reason of developing or providing open-source, non-custodial protocol infrastructure, including smart contracts, APIs, or SDKs, where such person does not hold or control digital assets on behalf of others.”

### **Bank Innovation Provisions**

#### **Why It Matters to Veda:**

Veda’s infrastructure is designed to support regulated institutions—including banks, custodians, and fintechs—in safely accessing native yield from on-chain protocols. The proposed legislation opens the door for bank holding companies to engage in digital asset services, but stops short of explicitly authorizing engagement with decentralized finance (DeFi).

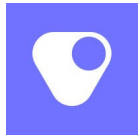
If banks are to provide meaningful digital asset services in the future beyond simple custody, stablecoin issuance, and staking, they must be permitted to interface directly or indirectly with smart contracts and permissionless protocols, in a controlled and compliant manner consistent with safety and soundness. This is critical for institutional access to vault strategies, tokenized credit, and other forms of native yield, core pillars of what infrastructure like Veda enables.

### **Our Policy Recommendations**

#### **1. Support Bank Participation in DeFi Through Defined Protocol Interfaces**

- a. Clarify that permissible bank activities include engaging with decentralized protocols, not just centralized venues or intermediated systems.
- b. Banks should be permitted to:
  - i. Provide infrastructure services (e.g., node operations, validators, data oracles).
  - ii. Interact with audited smart contracts for functions like staking, automated rebalancing, and tokenized lending.





- iii. Use whitelisted vaults or protocol frameworks with robust risk and compliance controls (e.g., smart contract audits, AML analytics, slashing protection, etc.).

## **2. Create a Supervisory Pathway for Protocol-Based Interactions**

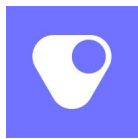
- a. Encourage the legislation to require banking regulators (e.g., OCC, Federal Reserve) to issue supervisory guidance or pilot frameworks that:
  - i. Define risk management expectations for interacting with on-chain protocols.
  - ii. Establish tiered engagement standards based on protocol characteristics (e.g., immutability, auditability, governance structure).
  - iii. Enable programmatic compliance tools (e.g., transaction screening, provenance analysis, slippage controls) to be recognized as risk mitigants.

## **3. Encourage Regulator–Industry Collaboration on Compliant Protocol Access**

- a. Direct agencies to collaborate with industry stakeholders (including infrastructure providers like Veda) to develop:
  - i. Standardized integration frameworks for banks to interact with DeFi vaults and smart contracts.
  - ii. Best practices for key risk areas, including smart contract risk, counterparty concentration, DAO governance, and oracle manipulation.

## **4. Allow Capital Recognition for Protocol-Generated Yield in Certain Cases**

- a. Where banks earn yield through low-risk, permissionless protocols (e.g., LST vaults or tokenized U.S. Treasury vaults), recommend that regulators:
  - i. Treat yield as qualifying income under capital adequacy and earnings calculations, subject to guardrails.
  - ii. Clarify when such yield may be recognized on-balance sheet and when it requires risk-weighting or capital reserve treatment.



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### **Suggested Legislative Language**

“Nothing in this Act shall prohibit a banking organization, subject to applicable risk management standards, from interacting directly with permissionless or decentralized protocols—whether for the purposes of staking, liquidity provision, tokenized asset management, or otherwise—provided that such engagement occurs pursuant to supervisory guidance established by the appropriate Federal banking agency in consultation with the Treasury Secretary and relevant stakeholders.”

### **How This Supports the Bill’s Broader Goals:**

- **Innovation & Competitiveness:** U.S. banks must be allowed to compete globally in programmable finance and yield-generating protocols.
- **Consumer Protection:** Regulated banks can offer DeFi exposure with institutional-grade controls, expanding safe access.
- **Regulatory Visibility:** Encouraging engagement under supervision offers better transparency than forcing activities offshore or into shadow markets.

We appreciate the Committee’s leadership on these issues and stand ready to support further dialogue or technical engagement as needed.

Respectfully submitted,

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General Counsel, Veda Tech Labs, Inc.

<https://veda.tech>