



May 30, 2017

Hon. Jay Clayton
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Regulatory Sandbox for Digital Assets and Blockchain Technology

Dear Chairman Clayton,

Ouisa Capital, LLC ("Ouisa") is a financial technology ("FinTech") company and broker-dealer registered with the U.S Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA"). Ouisa is the operator of an alternative trading system ("ATS") that plans to use blockchain technology as part of the operation of the ATS. On March 13, 2017, Ouisa filed a petition for rulemaking with the SEC, encouraging the SEC to undertake formal rulemaking with respect to the regulation of digital assets and blockchain technology.¹ In this petition, Ouisa advocates for the adoption of a regulatory sandbox for financial technology ("FinTech") firms. We write today to underscore the utility of a regulatory sandbox as an option for the SEC's regulation of securities in FinTech, particularly the use of digital assets and blockchain technology.

As noted in our petition for rulemaking, the United States' FinTech industry has experienced a rapid rate of growth over the past several years, but regulatory frameworks have not kept pace with development. The nascent FinTech industry provides the SEC with a prime opportunity to fulfill its mandate to protect investors, maintain efficient markets, and facilitate capital formation. FinTech has the potential to revolutionize the financial services industry, in particular the issuance, purchase and sale of securities, and the SEC has the ability to regulate these changes in a way that both facilitates growth and protects consumers. Currently, however, the SEC has only provided a piecemeal regulatory framework. SEC enforcement actions such as *Securities and Exchange Commission v. Trendon T. Shavers, Bitcoin Savings and Trust* and *In the Matter of Erik T. Voorhees*, and *In the matter of Prosper Marketplace, Inc.*, all indicate that different FinTech product offerings, including investment schemes and peer-to-peer lending, may be considered securities by the SEC. Though such cases can provide actors in the FinTech industry with some guidance as to what offerings may be deemed a security, the guidance is incomplete and can impede growth as market entrants are forced to spend their finite resources on determining where they fit in the piecemeal framework. As a result, we have encouraged the SEC to engage in formal rulemaking with regard to the regulation of FinTech and digital assets to help provide clearer guidance to the industry.

Ouisa urges the SEC to develop a regulatory sandbox for its regulation of the issuance, purchase, and sale of securities in the FinTech industry. Like the frameworks used in Canada,²

¹ See Petition for Rulemaking (Mar. 13, 2017), available at: <https://www.sec.gov/rules/petitions/2017/petn4-710.pdf>.

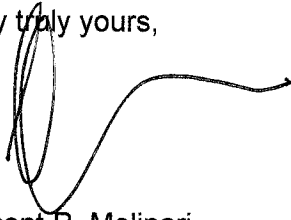
² OSC Launchpad, Ontario Securities Commission, available at: <http://www.osc.gov.on.ca/en/osclaunchpad.htm>.

Australia,³ Singapore, and the United Kingdom,⁴ a regulatory sandbox created by the SEC would benefit both emerging FinTech companies as well as the SEC as the regulating body. A regulatory sandbox is a construct in which firms are permitted to experiment and grow without excessive regulation so long as their operations remain within enumerated boundaries. A regulatory sandbox will allow the SEC to develop a supervisory model for these innovative forms of securities as the technology evolves. Such a system will also foster innovation by allowing early stage companies, the principal drivers behind technological advancement in FinTech, to grow without having to go through a full registration process.

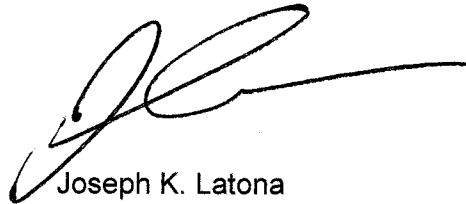
On May 17, 2017, the Commodity Futures Trading Commission (“CFTC”) announced the release of their LabCFTC, a FinTech initiative designed to promote innovation in a sandbox-like environment.⁵ The agency will provide a platform to facilitate collaboration between FinTech companies and the CFTC to help develop a regulatory framework that works with the FinTech industry to support responsible innovation. The CFTC notes that the goal of the initiative is to “promote FinTech innovation and fair competition by making the CFTC more accessible to FinTech innovators and serving as a platform to inform the CFTC’s understanding of new technologies.”⁶ The CFTC intends to participate in studies and other research aimed at facilitating innovation and to monitor industry trends to ensure that regulation suits FinTech innovation. Ouisa encourages the SEC to adopt a similar platform for developing its own framework for regulating securities in FinTech. A regulatory sandbox will not only help provide needed guidance to the industry, but also will provide for a collaborative environment that will help the SEC to develop regulations that both achieve its regulatory mandate and support responsible innovation in FinTech. The SEC will be able to work hand in hand with the entities it seeks to regulate to both guide them through the regulatory framework and learn more about industry needs.

We would be very interested in meeting with you to talk further about this matter. If Ouisa or I can be of any further assistance to you before then, please do not hesitate to contact us at the above address or at 646-595-1737 or our counsel Richard B. Levin at 202-772-8474.

Very truly yours,



Vincent R. Molinari
Chief Executive Officer



Joseph K. Latona

Cc: Hon. Michael S. Piwowar, Commissioner
Hon. Kara M. Stein, Commissioner
Robert W. Cook- Chief Executive Officer – FINRA
Robert L.D. Colby, Esq. – Chief Legal Officer - FINRA

³ Australia’s FinTech Priorities, Australian Government: The Treasury, available at: <https://fintech.treasury.gov.au/australias-fintech-priorities/>.

⁴ Richard B. Levin and Bobby Wenner, A Potentially Promising Approach to Regulation of FinTech or Should the U.S. Adopt a Regulatory Sandbox? (Jan. 2017), available at: <http://sftp.polsinelli.com/publications/fintech/resources/FinTechWhitePaper0117.pdf>.

⁵ See Press Release, U.S. Commodity Futures Trading Commission, CFTC Launches LabCFTC as Major FinTech Initiative (May 17, 2017), available at: <http://www.cftc.gov/PressRoom/PressReleases/pr7558-17>.

⁶ *Id.*