INDUSTRY AND PROPONENT RESPONSE

A COMPANION COMMENTARY TO THE MODEL CRYPTOCURRENCY RISK DISCLOSURE DOCUMENT

Presenting the Strongest Counter-Arguments Raised by Cryptocurrency Industry Participants and Proponents to Each Numbered Disclosure Item

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PURPOSE OF THIS DOCUMENT: *This companion document sets out, item by item, the principal arguments that cryptocurrency industry participants, developers, and proponents typically raise in response to the Model Investor Risk Disclosure Document specific model disclosures. It is intended to give the reader a fair account of the contested empirical and normative questions underlying each disclosure item, so that the disclosure document can be read alongside a fair statement of the case made in reply. Presenting these counter-arguments does not represent an endorsement of their persuasiveness, and does not alter the underlying risk disclosures themselves, which remain accurate statements of documented risk. Readers should weigh both documents together, and also review DMA's rejoinders, which are in a separate document.*

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1. NO REFERENCE TO ANY ASSET IN THE REAL ECONOMY

Disclosure Item:

The Disclosure Document states that most cryptocurrency has no reference to any commodity, security, artwork, collectible, or other real-economy asset.

Industry / Proponent Response:

Industry participants respond that this framing imports an equities-and-bonds model of valuation that does not fit every asset class. Gold itself is not a claim on earnings; its value rests on scarcity, durability, and broad acceptance as a store of value, and Bitcoin advocates argue its fixed, algorithmically enforced supply of 21 million units performs an analogous scarcity function without requiring a physical referent. Proponents further argue that a blockchain network's value can be tied to a real, if intangible, economic good: a decentralized settlement layer, a censorship-resistant payments rail, or a platform for smart-contract execution has utility value independent of any single issuer's balance sheet, in the same way that a piece of shared infrastructure (a toll road, a domain name, an electromagnetic spectrum license) can command a price without representing a claim on a specific company's earnings.

2. NO ASSURANCE THAT VALUE WILL BE RETAINED

Disclosure Item:

The Disclosure Document states there is no floor beneath which cryptocurrency prices cannot fall, and that past appreciation is no indication of future performance.

Industry / Proponent Response:

Proponents note that this statement, while true, is equally true of every unhedged asset class, including equities, real estate, and commodities, none of which carry a guaranteed floor either. They argue the relevant comparison is not "risk vs. no risk" but relative risk-adjusted return over a defined holding period, and that Bitcoin's multi-year compound returns have outperformed most conventional asset classes since inception, even after accounting for its drawdowns. Industry participants also point to the maturing market structure — spot ETF approval, custodial banking access, and institutional balance-sheet adoption — as evidence that price-support mechanisms are strengthening over time, analogous to the maturation of other historically volatile asset classes such as early public equities or emerging-market debt.

3. EXTREME PRICE VOLATILITY

Disclosure Item:

The Disclosure Document characterizes cryptocurrency volatility as materially greater than that of equities, investment-grade bonds, or diversified funds.

Industry / Proponent Response:

Industry participants generally do not dispute the historical volatility figures, but argue that volatility is a feature of any young, thinly capitalized asset class going through price discovery, not a permanent characteristic of the technology. They point to declining realized volatility in Bitcoin and Ether over multi-year windows as spot market depth, derivatives markets, and institutional participation have grown, and draw a parallel to the historically high volatility of early internet and biotechnology equities, which moderated as those sectors matured. They further argue that volatility, properly disclosed, is a risk factor to be sized and managed through position limits and diversification — as with any other high-volatility asset class — rather than a basis for excluding the asset class altogether.

4. UNIQUE CUSTODY RISKS

Disclosure Item:

The Disclosure Document states that loss of a private key is typically unrecoverable and that third-party platform failure can result in total loss.

Industry / Proponent Response:

Proponents reframe self-custody as a feature rather than a defect: the ability to hold an asset without dependence on a bank, broker, or government is described as a core value proposition ("financial sovereignty"), particularly for holders in jurisdictions with unstable banking systems or capital controls. They also note that custody solutions have matured substantially — multi-signature wallets, hardware security modules, qualified custodians chartered under state trust law (e.g., New York's limited-purpose trust charters), and insured institutional custodians now offer protections comparable in substance, if not in form, to traditional securities custody. They further note that custodial failures reflect the conduct of specific intermediaries, not an inherent defect of the underlying asset — just as the failure of a particular brokerage does not indict the equities markets generally.

5. PROBLEMS OF PROOF OF OWNERSHIP

Disclosure Item:

The Disclosure Document states that establishing legal title to cryptocurrency can be more difficult than for conventional securities or property, particularly in disputes, estates, or bankruptcy.

Industry / Proponent Response:

Industry participants argue that a public blockchain is, if anything, a more reliable record of transaction history than most conventional asset registries, since it is immutable, time-stamped, and independently verifiable by any party without requesting records from a custodian or transfer agent. They point to the Uniform Law Commission's 2022 amendments to UCC Article 12, which create a new category of "controllable electronic records" and specify rules for control and priority of competing claims in digital assets, as evidence that the legal infrastructure for resolving title disputes is actively developing and, in some respects, ahead of where equivalent frameworks for early physical-commodity or paper-instrument markets stood at a comparable stage. They further note that the difficulty lies in mapping on-chain control to real-world legal identity — a solvable evidentiary problem, not a structural defect in the asset.

6. ANONYMITY OF OWNERSHIP AND TRANSFER

Disclosure Item:

The Disclosure Document states that cryptocurrency can be acquired, held, and transferred anonymously, complicating proof of ownership and recovery from theft or fraud.

Industry / Proponent Response:

Proponents draw a sharp distinction between anonymity and pseudonymity: most public blockchains record every transaction permanently and publicly, and blockchain-analytics firms routinely trace the flow of funds across addresses, exchanges, and services — capabilities that have enabled law enforcement to recover stolen funds and unwind laundering schemes in numerous publicized cases. They argue this is materially more transparent than physical cash, which leaves no trace at all, and that the "anonymity" critique more accurately describes the gap between a wallet address and a verified real-world identity, a gap that regulated on-ramps and off-ramps (exchanges subject to Know-Your-Customer and Anti-Money-Laundering rules) are increasingly closing.

7. LIMITED REGULATORY PROTECTION

Disclosure Item:

The Disclosure Document states that cryptocurrency is not FDIC-insured, not SIPC-protected, and in most cases not actively supervised by a securities or commodities regulator.

Industry / Proponent Response:

Industry participants point to a rapidly developing regulatory framework as evidence that this gap is closing, not permanent: the SEC's and CFTC's March 2026 joint interpretive release established a formal token taxonomy and clarified how securities laws apply to crypto-asset transactions, and pending federal market-structure legislation (the House-passed Digital Asset Market Clarity Act and a parallel Senate Banking Committee draft) would impose tailored disclosure and ongoing reporting obligations on covered issuers. They also note that state money-transmitter licensing, state trust charters, and exchange-level compliance programs already impose meaningful obligations on many market participants, and that federal anti-fraud provisions apply regardless of a token's classification, providing a baseline of protection even absent a bespoke regulatory regime.

8. SHOULD NOT BE CONSIDERED A "STORE OF VALUE"

Disclosure Item:

The Disclosure Document argues that cryptocurrency's volatility disqualifies it from the "store of value" characterization sometimes used in its marketing.

Industry / Proponent Response:

Proponents note that gold itself experienced significant price volatility, including large drawdowns, in the years following the end of the Bretton Woods gold-convertibility system, before its store-of-value reputation solidified over subsequent decades, and argue Bitcoin is undergoing a comparable, if compressed, maturation. They point to Bitcoin's fixed and disinflationary issuance schedule — in contrast to fiat currencies subject to discretionary central-bank expansion — as the intended structural basis for a long-run store-of-value thesis, and argue that short-term volatility does not preclude an asset from serving a store-of-value function over a multi-year or multi-decade holding horizon, which they contend is the appropriate frame of reference rather than day-to-day price movement.

9. ASSOCIATION WITH ILLICIT ACTIVITY

Disclosure Item:

The Disclosure Document notes cryptocurrency's documented use in money laundering, sanctions evasion, and the financing of drug and human trafficking.

Industry / Proponent Response:

Industry participants do not dispute that illicit actors have used cryptocurrency, but argue the scale is frequently overstated relative to total volume: annual blockchain-analytics crime reports (e.g., from Chainalysis) have generally estimated illicit transaction volume at well under one percent of total on-chain activity in recent years, a figure proponents argue compares favorably to estimates of illicit finance moving through the conventional cash and banking system, where major global banks have paid multibillion-dollar penalties for laundering-related failures. They argue that blockchain's inherent transparency, discussed in Item 6 above, has made it a more tractable tool for law enforcement to trace illicit flows than cash, and that the existence of criminal misuse of a payment technology is not unique to cryptocurrency and has historically accompanied the adoption of cash, wire transfer, and correspondent banking as well.

10. VALUATION WITH REFERENCE TO GOVERNMENT-BACKED CURRENCY

Disclosure Item:

The Disclosure Document notes that, despite marketing as a stand-alone currency, cryptocurrency is priced, traded, and taxed with reference to government-backed currencies such as the U.S. dollar and euro.

Industry / Proponent Response:

Proponents respond that denominating an asset's price in dollars for quotation and tax-reporting convenience does not mean the asset's underlying value or monetary policy depends on any government. Gold, oil, and publicly traded equities are also quoted in dollars without being considered dependent on the dollar for their intrinsic worth. They argue the more meaningful comparison is monetary policy independence: a cryptocurrency like Bitcoin has a supply schedule fixed by open-source protocol rules rather than by a central bank's discretionary decisions, which they characterize as a structural difference from fiat currency regardless of the unit used to quote its price. They also note that a small number of jurisdictions have granted certain cryptocurrencies legal-tender or accepted-payment status, and that stablecoin arrangements — while explicitly dollar-referenced — are a distinct product category from the emission-capped cryptocurrencies primarily addressed by the store-of-value debate.

11. RESEMBLANCE TO GAMBLING RATHER THAN INVESTING

Disclosure Item:

The Disclosure Document argues that, absent reference to cash flows or productive use, cryptocurrency returns depend on the timing of entry and exit relative to other participants, resembling wagering more than investing.

Industry / Proponent Response:

Industry participants argue this “greater fool” critique has historically been leveled at other emerging asset classes — unimproved land speculation, early public equities, fine art, and gold itself — that are not generally classified as gambling today, and that the correct test is not whether price is sentiment-driven in the short run but whether the asset provides a mechanism for accruing value distinct from pure chance. They point to network fee revenue captured by certain protocols and distributed to token holders or stakers, governance rights that carry real economic weight over protocol treasuries, and productive uses such as decentralized lending and payment settlement, as evidence that many crypto assets increasingly resemble equity-like claims on network activity rather than a pure wager on an uncorrelated random event. They also note that the Howey test used in U.S. securities law — which turns on investment of money in a common enterprise with profits derived from the efforts of others — has been applied by courts and regulators to distinguish investment-contract crypto arrangements from gambling, reflecting a legal, not merely marketing, basis for treating at least some crypto arrangements as investments.

12. NO APPARENT ECONOMIC OR COMMERCIAL NEED FOR THE ASSET CLASS

Disclosure Item:

The Disclosure Document states that cryptocurrency's proponents have not established a broadly accepted economic or commercial need that the asset class uniquely fills, and that arguments to the contrary are frequently grounded in ideological objections to fiat currency rather than a tenable economic rationale, a gap that could undermine price stability during periods of economic stress.

Industry / Proponent Response:

Proponents respond, first, that a demonstrated "necessity" has not historically been a precondition for an asset class to be considered legitimate or investable: gold, fine art, and luxury collectibles are widely held and traded without satisfying a strict commercial-need test, yet are not for that reason considered unstable or illegitimate asset classes. Second, they argue the critique of fiat-currency debasement is a substantive economic position — associated with established schools of monetary thought — rather than a merely ideological preference, and that monetary competition (the ability of savers to choose among currencies and stores of value) is itself a coherent economic rationale rather than the absence of one. Third, they point to concrete, non-ideological commercial use cases said to be served by cryptocurrency and blockchain-based value transfer, including cross-border remittances at lower cost than traditional wire channels, financial access for populations without reliable banking infrastructure, and permissionless settlement for decentralized applications, arguing these constitute an identifiable commercial function independent of any anti-fiat worldview. They acknowledge, however, that the strength of this response varies considerably across the thousands of individual cryptocurrencies in circulation, and that it is far weaker as applied to tokens with no operational use case beyond speculative trading.

13. UTILITY OF BLOCKCHAIN TECHNOLOGY DOES NOT ESTABLISH THE VALUE OF CRYPTOCURRENCY

Disclosure Item:

The Disclosure Document states that the commercial utility of blockchain technology is a separate and distinct question from the value of any particular cryptocurrency, and that evidence of blockchain's usefulness in industries such as healthcare does not establish or guarantee cryptocurrency value.

Industry / Proponent Response:

Proponents generally accept this as accurate for permissioned or enterprise blockchain deployments that do not require a native, publicly traded token — a hospital records system built on blockchain, for example, need not create any tradable asset, and its usefulness says nothing about any cryptocurrency's price. They argue, however, that the separation is less complete for public, permissionless networks whose native token is structurally required to operate the network itself: in proof-of-stake systems the token is staked to secure the network and earn transaction-validation rewards, and in many networks transaction ("gas") fees are paid in, and in some cases partially destroyed ("burned") in, the native token, tying a portion of token demand directly to actual on-chain usage rather than to speculation alone. On this view, for a subset of tokens with such designed-in economic roles, growth in verified network usage can be argued to bear a more direct relationship to token demand than the Disclosure Document's framing suggests — while proponents concede this argument does not extend to the large number of cryptocurrencies that carry no functional role in any operating network.
