“Demolition by Design: The Atkins SEC's Abandonment of Its Investor-Protection Mission Under the False Flag of Innovation”

Prepared Written Testimony of John Reed Stark

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Ranking Member Blumenthal, and Senior Member Van Hollen: Thank you for the honor of appearing before you.

Imagine a Surgeon General who spends his weekends filming cigarette commercials. Or a fire marshal who tours the country selling kerosene and space heaters to families living in wooden houses. Or a lifeguard who charges swimmers admission to the riptide.

That is precisely what has happened at the U.S. Securities and Exchange Commission. Paul Atkins, the Chair of the agency created amid the wreckage of the Crash of 1929 to stand between the investing public and engineered euphoria, has become the loudest promoter of the most dangerous, most demonstrably worthless and most crime-enabling asset class in the history of American finance.

Just ask the question every analyst asks of every asset, including the mathematical blather of crypto: what am I buying? Crypto tokens have no cash flow, no yield, no earnings, no employees, no products, no balance sheet, and no claim on anything, a boundless data vacuum that makes genuine valuation impossible and leaves only one price support: the arrival of the next buyer. Valuation is a mash-up of empty-headed hype, social proof and FOMO – and, Atkins, our nation's chief investor-protection officer has made himself its fiercest pitchman.

When the head of the agency built to police Ponzi schemes personally tours conferences, television studios and social media promoting a so-called asset class whose returns depend entirely on recruiting later buyers, while gleefully abdicating his mission of investor protection, there is only one title that fits: "Chief Ponzi Officer."

And his next act is already in rehearsal. The SEC last week reshuffled its enforcement leadership, and the forecast is a shiny new era of retail-investor protection built on Regulation Best Interest, the rule that prohibits a financial professional from recommending an investment unless it is in the customer's best interest.

Yet, how could it ever be in a retail customer's best interest to buy an asset with no financial statements, no prospectus, no earnings, no federal audits, no insurance, no recourse when the private key disappears, and the worst loss record of any investment product in modern history? A broker who recommended a conventional security with that profile would be drafting the SEC's complaint against himself.

At the SEC, where the enforcement division's hobnail boots of yesteryear once stood, there is now an invisibility cloak. And the SEC abdication of its mission is sold by Atkins using one word: innovation. That is Atkins's signature ruse, his rhetorical staple. And it is absurd.

Atkins has bet the entire SEC on blockchain and tokenization, on Project Crypto and on a Fourth Industrial Revolution of on-chain finance. Yet, who is not making that bet? Amazon, Apple, Google, Meta, Microsoft, and Oracle. Their blockchain spending: zero. The "innovation" Atkins is selling is a technology America's actual innovators examined, tested, and buried.

Meanwhile, the CLARITY Act Atkins champions would transfer the bulk of crypto oversight from a 4,000-person expert agency to a 556-person CFTC that currently operates with a single confirmed commissioner, a chairman who previously served as counsel to Atkins himself. The Act would preempt state blue-sky enforcement, hand issuers a self-certification pathway, and consign DeFi to a supervisory black hole beyond both agencies. The CLARITY Act would be the first major financial legislation in American history enacted to answer darkness with less light, enabling a post-apocalyptic Walking Dead-like cesspool of greed, chicanery and grift.

Crypto's dire externalities are not abstractions, the carnage is not theoretical. Every retiree's savings drained through a crypto ATM, parked where the payday lenders used to be, is an externality. Every ransomware payment is an externality: the hospital diverted, the school district locked out of its own files – because but for crypto, especially bitcoin, ransomware would not exist. When I sat in a meeting at FBI headquarters with the government's senior cyber officials and asked how often the FBI recovers a ransomware payment once it is made, the answer came firmly, and in one word: "never."

Even worse, crypto has created a sanctions evasion super-highway, and now every sanctioned drone and missile program topped up in stablecoins is an externality. We're sanctioning Iran while deregulating the crypto they use to buy the drones and weapons that kill American soldiers. That's like stepping into the UFC octagon and handing your opponent brass knuckles between rounds.

The Stark Reality is this and it cannot be overstated: Paul Atkins tours the crypto circuit like a raving Big Crypto sycophant, force-feeding investors his Atkins Diet of crypto laissez-faire, all while reveling in his role as America's first Chief Ponzi Officer.

It's time to stop the hustle.