The Legal Tender Closure Gap Doctrine

Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification

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Peer Review Requested

To ensure analytical rigor, doctrinal accuracy, statutory coherence, and institutional applicability, this work is respectfully submitted for peer review across the following academic, policy, legal, financial, and governmental bodies. Each institution is selected for domain-specific expertise in constitutional monetary authority, legal-tender doctrine, digital-asset regulation, financial stability, public revenue, national security, and institutional governance.

I. Academic Legal Review

Harvard Law School — Constitutional Law, Financial Regulation, and Legal Theory
Yale Law School — Constitutional Studies; Information Society Project
Stanford Law School — Law & Technology; Securities and Financial Regulation
University of Chicago Law School — Public Law, Law and Economics, and Legal Theory

Purpose:
Evaluate doctrinal soundness, constitutional interpretation, statutory coherence, and the validity of distinguishing private crypto settlement from sovereign legal-tender closure.

II. Securities, Commodities, and Financial-Market Review

Securities and Exchange Commission — Office of Investor Education and Advocacy; Division of Corporation Finance; Division of Enforcement
Commodity Futures Trading Commission — Division of Market Oversight; Division of Enforcement
Financial Industry Regulatory Authority (FINRA)
National Futures Association

Purpose:
Assess the doctrine's treatment of securities posture, commodities-market posture, payment posture, market conduct, investment-contract analysis, and the limits of asset classification when digital assets are used directly as payment.

III. Treasury, Tax, AML/BSA, and Sanctions Review

U.S. Department of the Treasury
Internal Revenue Service
Financial Crimes Enforcement Network (FinCEN)
Office of Foreign Assets Control (OFAC)
Treasury Inspector General for Tax Administration

Purpose:
Evaluate implications for tax valuation, basis tracking, wage reporting, payroll-tax remittance, AML/BSA monitoring, sanctions screening, unhosted wallet risk, money-transmission treatment, public-revenue continuity, and Treasury cash-management closure.

IV. Central Banking, Payments, and Monetary-Policy Review

Board of Governors of the Federal Reserve System
Federal Reserve Banks
Federal Reserve Bank of New York — Markets Group
Bank for International Settlements — Committee on Payments and Market Infrastructures

Purpose:
Assess the doctrine's treatment of central-bank money, settlement anchors, stablecoin reserve dependency, payment-system substitution, monetary-policy transmission, deposit-channel migration, reserve-market feedback, and legal-tender finality.

V. Banking, Deposit, and Financial-Stability Review

Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency
National Credit Union Administration
Financial Stability Oversight Council
Conference of State Bank Supervisors

Purpose:
Evaluate banking substitution effects, deposit displacement, credit-intermediation risk, insured-depository confidence, stablecoin issuer concentration, custody exposure, liquidity supervision, and long-horizon financial-stability implications.

VI. Congressional and Policy Analysis

Congressional Research Service
Government Accountability Office
Congressional Budget Office
Brookings Institution — Economic Studies and Governance Studies
American Enterprise Institute — Financial Regulation, Constitutional Studies, and Economic Policy

Purpose:
Assess applicability for congressional education, legislative drafting, policymaker interpretation, public-revenue analysis, budgetary exposure, statutory design, and institutional communication clarity.

VII. Judicial and Constitutional Interpretation

United States Supreme Court
Federal Judicial Center
Administrative Office of the U.S. Courts
American Bar Association — Business Law, Constitutional Law, Taxation, and Banking Law Sections

Purpose:
Examine alignment with constitutional monetary authority, legal-tender jurisprudence, private-law discharge, statutory interpretation, commercial finality, administrative deference limits, and the distinction between regulatory recognition and sovereign monetary closure.

VIII. Commercial Law, Consumer Protection, and Private-Law Review

Uniform Law Commission
American Law Institute
Consumer Financial Protection Bureau
Federal Trade Commission
National Association of Attorneys General

Purpose:
Evaluate the doctrine's treatment of U.C.C. Article 12, controllable electronic records, contract discharge, accord and satisfaction, consumer remedies, chargebacks, refund disputes, failed transfers, custody loss, wallet access, and platform-dependent private-law fragmentation.

IX. National Security, Critical Infrastructure, and Continuity Review

U.S. Department of Homeland Security
Cybersecurity and Infrastructure Security Agency
U.S. Department of Defense — Office of Net Assessment
National Intelligence Council
National Security Council Staff

Purpose:
Assess the doctrine's relevance to sanctions visibility, illicit-finance disruption, cyber-payment continuity, financial critical infrastructure, crisis response, capital-flow stability, cross-border settlement substitution, and national economic security.

X. Systems, Complexity, and Institutional Architecture Review

RAND Corporation
Massachusetts Institute of Technology — Systems Engineering, Economics, and Political Science
Santa Fe Institute — Complex Systems
National Academies of Sciences, Engineering, and Medicine

Purpose:
Evaluate the doctrine as a systems-architecture model, including closure logic, phase simulation, substitution pathways, dependency formation, feedback loops, warning metrics, system-coupling risk, and institutional failure modes.

XI. International Monetary and Cross-Border Payment Review

International Monetary Fund
World Bank Group
Financial Stability Board
Bank for International Settlements
Atlantic Council GeoEconomics Center

Purpose:
Assess implications for dollar centrality, reserve currency function, cross-border settlement modernization, CBDC-linked payment rails, BRICS-aligned local-currency initiatives, correspondent banking, and alternative settlement infrastructures.

XII. Interdisciplinary and Public Discourse Review

Council on Foreign Relations
Aspen Institute
Pew Research Center
Knight Foundation — Media and Democracy
Academic and public-policy research centers focused on financial technology, governance, and institutional trust

Purpose:
Assess implications for public understanding, civic trust, financial literacy, digital-asset communication, policy explainability, and the broader public interpretation of monetary innovation.

Statement of Review Intent

This work is submitted for peer evaluation not as an anti-cryptocurrency argument and not as a prescriptive prohibition framework, but as a structural doctrine for understanding the legal gap between private digital settlement and sovereign monetary closure.

Review is sought to assess:

Doctrinal validity
Statutory and constitutional coherence
Regulatory boundary discipline
Institutional applicability
Financial-stability relevance
National-security implications
Systems-level integrity
Public-policy usability

across domains of law, monetary policy, tax administration, securities and commodities regulation, banking supervision, payments architecture, national security, commercial law, and complex systems analysis.

The central review question is whether the doctrine correctly identifies a distinct legal posture: cryptocurrency or stablecoin use as private payment may close the bargain between parties without necessarily closing the obligation within the sovereign monetary order.

Abstract

This paper introduces the Legal Tender Closure Gap Doctrine, a legal and constitutional framework for analyzing cryptocurrency payment use beyond conventional securities, commodities, property, and tax classifications. The doctrine argues that the central question in cryptocurrency law is not merely what a token is, but what legal function the transaction asks the token to perform. When cryptocurrency is sold as part of an investment arrangement, securities law may properly apply. When traded through market infrastructure, commodities and market-integrity frameworks may be implicated. When held, exchanged, or disposed of, property and tax law remain relevant. But when cryptocurrency or stablecoins are used directly as payment for goods, services, wages, invoices, private obligations, or commercial settlement, the transaction enters a distinct legal posture: private settlement without sovereign monetary closure.

The paper defines legal-tender closure as sovereign-recognized monetary finality: the point at which an obligation is discharged within the lawful monetary order rather than merely accepted, recorded, taxed, regulated, or privately settled. It argues that private parties may accept crypto payment, and law may recognize contract performance, tax consequences, compliance obligations, or commercial-law effects, without converting the payment instrument into legal tender or sovereign money. The doctrine therefore preserves four distinctions: accepted is not closed; transferred is not discharged; valued is not money; and settlement is not legal tender.

Building across constitutional monetary authority, federal legal-tender law, securities and commodities precedent, IRS digital-asset treatment, FinCEN and OFAC guidance, U.C.C. commercial-law developments, stablecoin policy, Federal Reserve settlement architecture, and long-horizon systemic-risk analysis, the paper shows how private payment functionality may create unresolved public consequences at scale. These consequences include payroll-tax residue, public-revenue friction, bank-deposit migration, monetary-policy transmission risk, stablecoin reserve fragility, sanctions and AML/BSA degradation, dollar-centrality pressure, government-continuity exposure, consumer and commercial-law fragmentation, and reactive sovereign-recognition pressure.

The doctrine is not anti-crypto. It is anti-conceptual collapse. It permits lawful innovation while insisting that private settlement, regulatory recognition, and sovereign monetary closure remain analytically distinct. Its concluding claim is that the greatest long-horizon risk is not that cryptocurrency fails as payment. It is that cryptocurrency succeeds as private payment while failing as sovereign closure. That gap — between private acceptance and legal-tender finality — is the legal architecture this doctrine names.

Declaration of Intent

This paper is submitted for the purpose of advancing legal clarity, institutional coherence, and public understanding within the evolving domain of cryptocurrency, stablecoin payment systems, and monetary architecture. It is not written to advocate for or against any specific technology, asset class, platform, or market participant. It is written to identify and resolve a structural gap in legal analysis: the distinction between private settlement and sovereign monetary closure.

The intent of this doctrine is analytical, not accusatory. It does not allege wrongdoing by private actors, innovators, employers, financial institutions, or users of digital assets. It recognizes that private payment innovation may be lawful, efficient, and economically valuable. At the same time, it affirms that lawful innovation does not eliminate the need for conceptual precision when private activity intersects with public obligations, constitutional authority, and sovereign monetary functions.

This paper is grounded in existing legal architecture, including constitutional monetary authority, federal legal-tender law, securities and commodities precedent, federal tax treatment, AML/BSA and sanctions frameworks, commercial law, and central banking structure. It does not propose to replace these systems. It seeks to clarify how they apply when cryptocurrency is used not as an investment or traded asset, but as a medium of payment.

The doctrine is offered as a framework to assist courts, regulators, policymakers, scholars, and institutional actors in distinguishing between classification and function, and between private agreement and public discharge. It aims to reduce analytical error, prevent jurisdictional overreach, and avoid conceptual collapse across regulatory domains.

The broader intent is to support continuity within the constitutional monetary system. A nation's monetary architecture is not merely a technical construct; it is a legal and institutional framework through which obligations are measured, discharged, enforced, and trusted. This paper proceeds with the understanding that clarity at the level of doctrine contributes to stability at the level of system.

Finally, this work is presented in good faith as part of an ongoing scholarly and public conversation. It invites examination, critique, refinement, and application. Its purpose is not to close inquiry, but to structure it.

Reader's Orientation and Methodology

This paper should be read as a legal-architecture doctrine rather than a market forecast, investment analysis, or technological critique. Its purpose is to clarify the legal posture created when cryptocurrency or stablecoins are used directly as payment and to distinguish that posture from securities offerings, commodities-market transactions, property dispositions, tax events, regulated payment activity, and sovereign legal-tender closure.

The reader should begin with the doctrine's central distinction: private settlement is not the same as sovereign monetary closure. A crypto transfer may move value. A merchant may accept it. A contract may recognize performance. A regulator may tax, supervise, or screen the transaction. Yet none of those facts alone establishes that the instrument has become legal tender or that the obligation has closed within the sovereign monetary order.

The methodology is functional rather than object-based. The paper does not ask only what the digital asset is. It asks what legal function the transaction asks the asset to perform. If the transaction asks the asset to raise capital, securities analysis may become relevant. If it asks the asset to trade through market infrastructure, commodities and market-regulation analysis may apply. If it asks the asset to be held, exchanged, or disposed of, property and tax analysis may control. If it asks the asset to satisfy an invoice, wage obligation, private debt, merchant payment, remittance, or public obligation, the payment-function question must be examined directly.

The paper proceeds through a layered doctrinal method. It first defines the relevant legal concepts: payment, settlement, discharge, monetary closure, private settlement instrument, payment posture, and the legal-tender closure gap. It then separates transactional postures to prevent category confusion. From there, it examines the securities, commodities, tax, Treasury, FinCEN, OFAC, commercial-law, Federal Reserve, stablecoin, contract, constitutional, and systemic-risk layers that may be implicated when private digital settlement scales.

This methodology is deliberately non-accusatory. The doctrine does not claim that crypto users, stablecoin issuers, exchanges, custodians, payment processors, payroll providers, merchants, employers, or innovators are acting unlawfully by participating in private digital payment systems. The concern is architectural: private payment systems may become useful, efficient, and widely adopted before public law has supplied sufficient closure architecture for taxation, payroll remittance, sanctions enforcement, bank intermediation, monetary-policy transmission, consumer remedy, crisis response, and public-obligation treatment.

The paper also uses tables and figures as evidentiary architecture. The tables define legal distinctions, risk categories, boundary tests, and operational metrics. The figures translate those claims into visual matrices and system maps. Together, they provide an inspectable structure for readers who wish to trace the doctrine from legal premise to systemic consequence.

The doctrine should therefore be evaluated by its precision, not by whether it favors or opposes cryptocurrency. It permits the possibility that private digital payment may be lawful and useful while still insisting that private acceptance, regulatory recognition, market valuation, and technical settlement do not automatically produce sovereign monetary closure.

The guiding methodological rule is simple: classify the function before assigning the legal lens, and distinguish private transaction completion from public monetary finality.

List of Figures

The figures included in *The Legal Tender Closure Gap Doctrine* serve as the visual and evidentiary spine of the doctrine. They are not decorative exhibits. They are structured legal, regulatory, fiscal, monetary, and policy matrices designed to translate the doctrine's central claims into inspectable analytical form. Each figure assists the reader in distinguishing among asset classification, transactional posture, private settlement, regulatory recognition, public obligation, and sovereign monetary closure.

For publication integrity and independent review, each figure has been uploaded separately to Mendeley Data in PDF format so that readers, reviewers, policymakers, legal scholars, and institutional analysts may access and print each visual artifact in full-page format. The manuscript provides the doctrinal context; the Mendeley-linked figure set provides the printable evidentiary record. This dual structure allows the reader to move from the chapter argument to the corresponding figure, then to the full-page version for closer examination, citation, teaching, briefing, or policy analysis.

The figures collectively perform three functions. First, they establish the doctrine's legal boundary architecture by showing why cryptocurrency payment use cannot be fully resolved through securities, commodities, property, or tax classification alone. Figures 1 through 4 provide the classification and boundary framework necessary to separate investment posture, market posture, tax posture, compliance posture, and payment posture.

Second, the figures demonstrate legal residue and non-closure. Figures 5 through 11 show how crypto or stablecoin payment may appear privately complete while leaving tax, valuation, accounting, payroll, reporting, enforcement, and public-revenue consequences unresolved. These figures support the doctrine's core proposition that private acceptance may settle a bargain without necessarily achieving legal-tender closure.

Third, the figures extend the doctrine into systemic architecture. Figures 12 through 23 examine banking substitution, monetary-policy transmission, inflation and purchasing-power baselines, fiscal pressure, dollar-centrality risk, crisis-response continuity, consumer and commercial-law fragmentation, reactive sovereign recognition, phase escalation, and operational warning metrics. These figures convert the doctrine from an abstract legal thesis into a reproducible policy framework capable of being examined across financial stability, national security, public revenue, Federal Reserve transmission, and government-continuity domains.

Taken together, the figures provide the reader with a disciplined visual progression: from classification error, to legal residue, to fiscal and monetary coupling, to systemic substitution, to warning metrics. This progression reinforces the doctrine's final claim: cryptocurrency may succeed as private payment while still failing as sovereign closure. The List of Figures therefore functions not merely as a navigation aid, but as an indexed map of the doctrine's evidentiary architecture. Each figure identifies a distinct part of the legal-tender closure gap and provides a printable, independently accessible artifact through Mendeley Data for further analysis, verification, and public-policy use.

Title	Description	Page Number	Mendeley Link
Figure 1. Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis	Illustrates how securities, commodities, tax, Treasury/ FinCEN, sanctions, commercial-law, and legal-tender frameworks may distort analysis when applied outside their proper transactional function.	95	Printable Version
Figure 2. SEC Boundary Guide: Distinguishing Investment Posture from Payment Posture	Distinguishes crypto transactions involving investment expectation, capital formation, issuer promotion, pooled proceeds, yield, or managerial reliance from transactions using crypto merely to satisfy an obligation.	103	Printable Version
Figure 3. CFTC Boundary Guide: Distinguishing Market Posture from Payment Posture	Clarifies when commodities or market-regulation analysis is appropriate and when a crypto transfer functions instead as private payment or obligation satisfaction.	113	Printable Version
Figure 4. Boundary Test for Crypto Transactions: Determining the Proper Legal Lens	Provides a decision framework for identifying whether a crypto transaction should be analyzed through securities, commodities, tax, Treasury/FinCEN, commercial-law, or legal-tender closure lenses.	125	Printable Version
Figure 5. Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure	Compares ordinary legal-tender spending with crypto payment to show how residual tax, valuation, basis, and reporting consequences evidence non-closure.	134	Printable Version
Figure 6. Legal Residue Categories: Downstream Evidence of Non-Closure	Identifies downstream legal residue categories that may remain after private crypto payment, including tax, accounting, reporting, enforcement, and commercial-law consequences.	144	Printable Version

Figure 7. U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions	Compares the sovereign closure functions of U.S. dollars with the private settlement functions of USDC across Treasury, accounting, compliance, and legal-tender dimensions.	150	Printable Version
Figure 8. Stablecoin Issuer Dependencies and Correlating Effects on Stability	Maps how stablecoin stability may depend on issuer governance, reserves, redemption capacity, custodial controls, banking relationships, and operational resilience.	190	Printable Version
Figure 9. Payroll-Tax and Public Revenue Continuity Risks Under Crypto Wage Settlement	Identifies risks that arise when wages are privately settled in crypto or stablecoins while payroll-tax withholding, reporting, deposit, and public-revenue closure remain dollar-denominated.	250	Printable Version
Figure 10. Dollar Unit-of-Account and Legal Residue Pressure Under Mainstream Crypto Payment	Shows how crypto payment may preserve dollar-measurement residue even where private parties treat the transaction as complete.	255	Printable Version
Figure 11. IRS Enforcement Frictions and Systemic Effects Under Mainstream Crypto Payment	Maps IRS reporting, valuation, identity, underreporting, audit, and enforcement frictions that may arise when crypto or stablecoin payment scales across private rails.	260	Printable Version
Figure 12. Banking Substitution Effects, U.S. National-Security Stability Implications, and Great Depression Institutional Memory	Identifies how payment-flow migration away from insured depository channels may affect deposits, credit intermediation, liquidity supervision, banking confidence, and financial stability.	266	Printable Version
Figure 13. Federal Reserve and Monetary-Policy Transmission Risks Under Private Crypto or Stablecoin Payment Rails	Maps risks to Federal Reserve monetary-policy transmission, including bank-rate sensitivity, deposit-channel shifts, central-bank settlement anchors, reserve effects, issuer dependency, settlement finality, and monetary-policy signal directness.	273	Printable Version

Figure 14. U.S. Consumer Price Inflation Since 1965 (FRED)	Presents long-run U.S. consumer price inflation data to establish the inflationary baseline into which private payment substitution would enter.	274	Printable Version
Figure 15. Decline in U.S. Dollar Purchasing Power (FRED)	Illustrates the long-run erosion of U.S. dollar purchasing power as part of the doctrine's monetary-pressure and public-confidence baseline.	276	Printable Version
Figure 16. U.S. Federal Deficit Trends (U.S. Treasury)	Shows federal deficit behavior over time to support analysis of fiscal pressure, public-revenue sensitivity, and system-coupling risk.	277	Printable Version
Figure 17. Fiscal Pressure and System-Coupling Risk in the United States, 1980–2025	Integrates federal debt, federal revenue, and annual deficit behavior into a shared temporal baseline for assessing how payment-architecture substitution may enter an already coupled fiscal system.	279	Printable Version
Figure 18. Strategic Settlement Substitution and Dollar-Centrality Pressure Risks	Identifies how private, foreign-aligned, BRICS-aligned, CBDC-linked, stablecoin, or local-currency payment rails may create functional pressure on dollar-clearing centrality.	295	Printable Version
Figure 19. Capital-Flow, Crisis-Response, and Government-Continuity Risks	Maps how private crypto or stablecoin settlement rails may create continuity risks across capital flows, emergency fiscal delivery, payroll relief, deposit support, cyber incidents, and ordinary commerce.	301	Printable Version
Figure 20. Consumer, Labor, and Commercial-Law Fragmentation Risks	Identifies how private crypto or stablecoin payment may create fragmented consumer, labor, refund, wage, custody, settlement-finality, pricing, and remedy consequences.	307	Printable Version

Figure 21. Political Pressure and Reactive Sovereign Recognition Risks	Shows how widespread private payment adoption may create political pressure for Congress and public institutions to recognize, accommodate, restrict, or integrate private instruments after market dependency forms.	311	Printable Version
Figure 22. Phase Simulation from Optional Use to Sovereign Response Point	Presents a five-phase escalation model showing how private settlement may move from novelty to commercial adoption, infrastructure reliance, systemic dependency, and sovereign response pressure.	316	Printable Version
Figure 23. Indicators and Warning Metrics for Private Settlement Substitution	Provides operational warning metrics for detecting whether private crypto or stablecoin settlement is beginning to substitute for sovereign monetary closure at scale.	322	Printable Version

List of Tables

The tables included in *The Legal Tender Closure Gap Doctrine* are designed to provide legal clarity where digital-asset analysis is most vulnerable to conceptual drift. They are not merely organizational aids. They function as boundary instruments: separating asset identity from transactional posture, private settlement from sovereign closure, regulatory recognition from monetary authority, and commercial acceptance from legal-tender finality. Their purpose is to reduce ambiguity before ambiguity becomes institutional error.

This function is especially important where multiple agencies may approach the same crypto transaction through different statutory mandates. The SEC may evaluate investment-contract posture; the CFTC may examine commodity-market posture; the IRS may treat digital assets as property for tax purposes; FinCEN may analyze money-transmission and AML/BSA obligations; OFAC may evaluate sanctions exposure; banking regulators may examine custody, liquidity, reserves, and payment stability; and the Federal Reserve may consider monetary-policy transmission and settlement architecture. Each lens is valid within its domain, but none should be allowed to migrate beyond its proper function without disciplined legal justification. The tables are therefore constructed to prevent agency drift by identifying which legal question belongs to which institutional frame.

The tables also interlock with the figures. Each table establishes the structured claim, risk category, legal distinction, or operational metric; the corresponding figure translates that table into a visual artifact that can be independently reviewed, printed, cited, and used in policy or scholarly analysis. In this way, the tables provide the doctrinal architecture, while the figures provide the evidentiary visualization. The two are not duplicative. They operate together: the table defines the analytic relationship, and the figure makes the relationship inspectable.

This structure supports the doctrine's broader evidentiary method. The tables are grounded in existing legal architecture, including constitutional monetary authority, statutory legal-tender law, securities and commodities precedent, IRS treatment of digital assets, FinCEN guidance, OFAC compliance frameworks, U.C.C. commercial-law developments, consumer-protection rules, banking precedent, fiscal data, and historical congressional responses to financial-system pressure. The doctrine therefore does not ask the reader to accept its claims as abstraction. It links each claim to an existing legal, regulatory, fiscal, or historical anchor.

Taken together, the tables form the doctrine's analytic spine. They move the reader from classification boundaries, to legal residue, to stablecoin dependency, to payroll and tax continuity, to banking substitution, to Federal Reserve transmission risk, to fiscal system coupling, to national-security enforcement, to consumer and commercial-law fragmentation, to phase simulation and warning metrics. This progression allows the doctrine to remain precise at the transactional level while still accounting for systemic consequences at scale.

The List of Tables should therefore be read as more than a navigation tool. It is an index of the doctrine's legal-control architecture. Each table identifies a point at which misclassification, overextension, under-classification, or agency drift could distort the analysis. Each corresponding figure then validates the table's claim through visual structure. Together, they preserve the doctrine's central legal distinction: cryptocurrency may function as private payment without thereby achieving sovereign monetary closure.

Title	Description	Page Number
Table 1. Proposed Monetary Closure Standard	Defines the proposed legal standard for distinguishing private settlement, regulatory recognition, and sovereign monetary closure within the doctrine.	63
Table 2. Four Core Transactional Postures of a Crypto Asset	Identifies the principal postures through which a crypto asset may move: investment, market, property/tax, and payment posture.	73
Table 3. Real-World Examples of the Four Core Transactional Postures	Provides practical examples showing how the same crypto asset may generate different legal consequences depending on transactional use.	74
Table 4. Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis	Shows how applying securities, commodities, tax, Treasury/FinCEN, sanctions, commercial-law, or legal-tender frameworks outside their proper domain may distort analysis.	92
Table 5. SEC Boundary Guide: Distinguishing Investment Posture from Payment Posture	Clarifies when crypto activity should be analyzed as investment posture rather than direct payment or private settlement posture.	101
Table 6. CFTC Boundary Guide: Distinguishing Market Posture from Payment Posture	Clarifies when crypto activity should be analyzed through commodity-market or derivatives-market frameworks rather than payment posture.	111
Table 7. The Crypto Transaction Boundary Test	Provides a structured boundary test for determining the proper legal lens based on the function the transaction asks the crypto asset to perform.	123
Table 8. Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure	Compares legal-tender spending with crypto payment to show how tax residue may indicate that private payment has not produced sovereign monetary closure.	132
Table 9. Legal Residue Categories: Downstream Evidence of Non-Closure	Identifies residual legal consequences that may remain after crypto payment, including tax, accounting, reporting, enforcement, and commercial-law residue.	142

Table 10. U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions	Compares U.S. dollars and USDC across Treasury treatment, accounting, compliance, redemption, and monetary-closure functions.	147
Table 11. Stablecoin Issuer Dependencies and Correlating Effects on Stability	Maps issuer-side dependencies affecting stablecoin reliability, including reserves, redemption, custody, banking relationships, governance, and operational continuity.	189
Table 12. Payroll-Tax and Public Revenue Continuity Risks Under Crypto Wage Settlement	Identifies risks that arise when crypto or stablecoin wage settlement interacts with payroll-tax withholding, reporting, remittance, and public-revenue continuity.	249
Table 13. Dollar Unit-of-Account and Legal Residue Pressure Under Mainstream Crypto Payment	Shows how mainstream crypto payment may preserve dollar-denominated valuation, accounting, tax, and reporting residue even where private parties treat the transaction as complete.	254
Table 14. IRS Enforcement Frictions and Systemic Effects Under Mainstream Crypto Payment	Identifies IRS-facing enforcement frictions arising from valuation, basis tracking, identity attribution, reporting delay, underreporting, and audit complexity.	259
Table 15. Banking Substitution Effects, U.S. National-Security Stability Implications, and Great Depression Institutional Memory	Examines how payment-flow migration away from insured depository institutions may affect deposits, credit intermediation, liquidity supervision, banking confidence, and real-economy continuity.	264
Table 16. Federal Reserve and Monetary-Policy Transmission Risks Under Private Crypto or Stablecoin Payment Rails	Maps risks to Federal Reserve monetary-policy transmission, including bank-rate sensitivity, deposit-channel shifts, settlement anchors, reserve allocation, issuer dependency, and signal fragmentation.	271
Table 17. Integrated U.S. Fiscal System Dataset (1980–2024)	Provides the integrated fiscal-system dataset used to compare federal debt, federal revenue, and deficit behavior within a shared temporal framework.	280

Table 18. Stablecoin Run, Reserve, and Treasury-Market Feedback Risks	Identifies how stablecoin runs, redemption pressure, reserve liquidation, Treasury-bill concentration, and issuer-solvency dependency may create reserve-system fragility.	287
Table 19. Sanctions, AML/BSA, and OFAC Enforcement Degradation Risks	Maps enforcement risks arising from unhosted wallets, DeFi routing, mixer and bridge use, ransomware pathways, sanctions-screening gaps, and after-the-fact attribution burdens.	291
Table 20. Strategic Settlement Substitution and Dollar-Centrality Pressure Risks	Identifies strategic pressures that may arise when private, foreign-aligned, BRICS-aligned, CBDC-linked, stablecoin, or local-currency rails reduce reliance on dollar-clearing channels.	295
Table 21. Capital-Flow, Crisis-Response, and Government-Continuity Risks	Examines how private payment rails may affect capital flows, emergency fiscal transfers, payroll relief, deposit-support coverage, cyber resilience, and crisis response.	301
Table 22. Consumer, Labor, and Commercial-Law Fragmentation Risks	Identifies private-law fragmentation risks affecting chargebacks, refunds, failed transfers, wage volatility, custody access, smart-contract execution, settlement finality, pricing, and remedies.	306
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Table 24. Phase Simulation from Optional Use to Sovereign Response Point	Presents the five-phase escalation model showing how private settlement may move from novelty to commercial adoption, infrastructure reliance, systemic dependency, and sovereign response pressure.	315
Table 25. Indicators and Warning Metrics for Private Settlement Substitution	Provides operational warning metrics for monitoring whether private crypto or stablecoin settlement is beginning to substitute for sovereign monetary closure at scale.	321

Table of Contents

The Table of Contents for *The Legal Tender Closure Gap Doctrine* is designed to do more than organize the manuscript. It provides a structural map of the doctrine's legal progression: from definitional clarity, to transactional posture, to regulatory boundary analysis, to tax and compliance residue, to Federal Reserve and stablecoin architecture, to contractual discharge, constitutional sovereignty, systemic substitution risk, and final doctrinal synthesis.

This structure reflects the central method of the paper. The doctrine does not begin by assuming that cryptocurrency is categorically outside existing law, nor does it assume that existing classifications fully resolve payment use. Instead, it proceeds step by step through the legal functions implicated by crypto payment: what the asset is, what the transaction asks the asset to do, which regulatory lens is properly triggered, what public obligations remain after private settlement, and whether legal-tender closure has occurred.

The organization is intentionally layered. Chapters I and II establish the foundational problem and define the difference among payment, settlement, discharge, monetary closure, private settlement instruments, payment posture, and the legal-tender closure gap. Chapter III introduces the transactional-posture framework, demonstrating why asset identity alone is insufficient. Chapter IV then applies that framework to securities and commodities boundaries, clarifying why investment posture and market posture should not be confused with payment posture or sovereign monetary closure.

Chapters V through VII examine the middle layers of the doctrine: tax treatment, Treasury and FinCEN compliance, stablecoin structure, Federal Reserve settlement architecture, derivative closure, private settlement, contractual discharge, and commercial-law recognition. These chapters demonstrate that a crypto payment may be recognized, taxed, regulated, or contractually effective while still failing to achieve sovereign monetary closure.

Chapters VIII and IX elevate the analysis from transaction-level doctrine to constitutional and systemic risk. They examine monetary sovereignty, democratic accountability, parallel closure systems, banking substitution, Federal Reserve transmission, fiscal system-coupling, sanctions and AML/BSA degradation, cross-border dollar-centrality pressure, crisis-response continuity, consumer and commercial-law fragmentation, reactive sovereign recognition, phase simulation, and warning metrics. This movement from legal distinction to systemic consequence is central to the paper's contribution.

Chapter X returns the doctrine to its governing distinction: accepted is not closed, transferred is not discharged, valued is not money, and settlement is not legal tender. The conclusion synthesizes the paper's core legal claim that the future of cryptocurrency law cannot be resolved by asset classification alone. The controlling question is what legal function the transaction asks the token to perform, and whether that function produces sovereign monetary closure.

Accordingly, the Table of Contents should be read as an architectural guide. Each chapter performs a distinct legal function within the doctrine, and each section advances the analysis from classification to closure. The structure is designed to assist scholars, courts, regulators, policymakers, and institutional readers in locating the precise point at which private crypto settlement diverges from sovereign monetary finality.

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Foreword

A hammer resting on a table is ordinarily understood as a tool. Its wooden handle, weighted head, and familiar design communicate a settled functional identity. It belongs to the world of labor, construction, repair, and force directed toward ordinary use. At that first level of recognition, the object appears simple. It is a hammer.

Yet law rarely stops at first recognition.

Place the same hammer in a criminal trial, and its meaning changes. The object does not cease to be a hammer. Its material identity remains stable. Its design remains unchanged. Its ordinary function remains intelligible. But the legal system no longer asks only what the object is. It asks what the object did, how it was used, where it was found, whose possession it entered, what marks it bears, whether it connects to an injury, whether it can be authenticated, whether a chain of custody exists, and whether it helps prove or disprove a legal claim.

In that setting, the hammer is not merely a construction tool. It may become evidence. It may become an alleged instrumentality. It may become a physical anchor for causation, intent, identity, or harm. Its object identity remains stable, but its legal meaning changes with context, use, and evidentiary posture.

This distinction is not rhetorical. It is jurisprudential.

The law routinely separates what a thing is from what a thing is legally doing in a particular setting. A knife may be a kitchen utensil, a collectible, a prohibited weapon, or evidence of assault. A vehicle may be personal property, a commercial instrument, a secured asset, a crime scene, or a means of regulated transportation. A signature may be a mark of assent, an authentication device, a forgery, or a jurisdictional trigger. The legal meaning of an object or act does not arise from identity alone. It arises from identity interpreted through use.

This Foreword begins there because cryptocurrency law often fails precisely at this point.

Much of the modern legal debate asks whether a crypto asset is a security, a commodity, property, currency, payment token, stablecoin, or some other legal category. Those questions are necessary. They are not sufficient. A crypto asset may retain a stable technological or market identity while occupying different legal postures depending on the transaction in which it appears. The same digital asset may be offered as part of an investment contract, traded through market infrastructure, held as property, pledged as collateral, used in a lending arrangement, transferred through an exchange, or accepted directly as payment for goods, services, wages, invoices, or private obligations.

Those postures are not the same.

The central claim of this doctrine is therefore not that cryptocurrency escapes existing law when used as payment. Nor is it that payment use erases securities, commodities, tax, anti-money-

laundering, sanctions, banking, or consumer-protection concerns. The claim is narrower, and more important:

The use of a crypto asset as payment is legally different from the sale of a crypto asset as an investment product.

That distinction does not resolve every question. It opens the correct question.

When cryptocurrency is sold to raise capital, promoted with profit expectations, tied to managerial effort, or structured through investment dependency, securities law may properly enter the analysis. When cryptocurrency is traded through derivatives, futures, swaps, leverage, margin, or exchange-mediated market infrastructure, commodities law and market-integrity regulation may properly enter the analysis. When cryptocurrency is held, disposed of, gifted, inherited, or exchanged, tax and property law may properly enter the analysis. When cryptocurrency moves through payment systems, hosted wallets, issuers, processors, or cross-border channels, Treasury, sanctions, banking, and payment-system concerns may properly enter the analysis.

But when cryptocurrency is used directly as payment, the legal system confronts a different posture. The asset is being asked to perform a monetary function without necessarily possessing monetary authority. It is being used to settle a private obligation, but private settlement is not the same as sovereign monetary closure.

That is the gap this doctrine names.

The Legal Tender Closure Gap Doctrine begins from the premise that accepted is not always closed. A merchant may accept Bitcoin. A contractor may accept stablecoins. A private party may agree to settle an obligation through a digital asset transfer. The parties may consider the bargain complete. The network may record the transaction. The asset may move irrevocably. The invoice may be marked paid.

Yet the legal system may still treat the event as a property disposition, taxable exchange, valuation event, contract performance issue, compliance event, or privately accepted settlement. It may require dollar valuation, basis calculation, income recognition, reporting, contractual interpretation, sanctions screening, or later conversion. The transaction may be recognized, regulated, taxed, or enforced without being monetarily closed in the legal-tender sense.

That distinction is the doctrine's constitutional and regulatory center.

Legal tender performs more than a convenience function. It provides closure within a sovereign monetary order. It supplies a recognized medium through which debts and obligations may be discharged according to law. Cryptocurrency may transfer value, but value transfer is not identical to discharge. Cryptocurrency may settle expectations between parties, but private settlement is not identical to legal-tender finality. Cryptocurrency may reference dollars, especially in stablecoin form, but dollar reference is not dollar issuance. Redemption is not legal tender. Reserve backing is not central bank money. Payment functionality is not sovereign closure unless law makes it so.

The hammer analogy prepares the reader to see this clearly.

A hammer remains a hammer whether it rests on a workbench or appears in a murder trial. But the law does not treat those contexts as equivalent. The object's identity remains stable; its legal meaning changes because the object has entered a different legal posture. Likewise, cryptocurrency remains a crypto asset whether held, traded, sold, pledged, or transferred as payment. But the law should not treat those uses as equivalent. The asset's identity may remain stable; its legal meaning changes because the transaction asks the asset to perform a different function.

This doctrine therefore rejects two errors at once.

The first error is classification rigidity: the assumption that once a crypto asset is labeled a security, commodity, property, or payment token, that label exhausts the legal analysis in every transactional setting.

The second error is functional overextension: the assumption that because parties use cryptocurrency as payment, the asset thereby becomes equivalent to legal tender.

Both errors collapse distinctions that law must preserve.

A mature legal framework must be able to say several things at the same time:

A crypto asset may remain subject to securities law where securities features are independently present.

A crypto asset may remain within commodities analysis where commodity-market features are independently present.

A crypto asset may remain property for tax purposes.

A crypto payment may trigger Treasury, sanctions, reporting, or banking concerns.

A stablecoin may function as a private payment instrument.

A private party may accept crypto in settlement of an obligation.

And yet none of those propositions necessarily means that cryptocurrency has achieved sovereign monetary closure.

This is the doctrinal opening.

The future of cryptocurrency law will not be resolved merely by asking what the asset is. It must also ask what the transaction is asking the asset to do. When cryptocurrency is used as payment, it enters a posture that existing securities and commodities frameworks only partially address. It may not be an investment-product sale. It may not be a commodity-market trade. It may not be legal tender. It may instead occupy a third legal space: private settlement without monetary closure.

That space matters because law is not concerned only with movement. It is concerned with finality. It is not concerned only with private agreement. It is concerned with public recognition. It is not concerned only with economic substitution. It is concerned with whether an obligation has been discharged within the lawful monetary order.

The doctrine that follows is therefore not an argument against cryptocurrency. It is an argument for legal precision. It seeks to preserve the boundary between asset classification, transactional use, regulatory recognition, and sovereign monetary closure.

The hammer teaches the point plainly:

What a thing is matters.

What a thing does also matters.

And what the law must do is distinguish between the two.

So too with cryptocurrency.

A crypto asset used as payment does not cease to be a crypto asset. But neither does it become legal tender merely because parties treat it as money. Between those two propositions lies the legal-tender closure gap — the space between private acceptance and sovereign finality.

That is the architecture this doctrine seeks to name.

§I. Introduction — The Misclassified Payment Problem

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§I.A. The Central Question

The contemporary legal debate surrounding cryptocurrency is often organized around classification. Courts, regulators, market participants, tax authorities, and financial institutions frequently ask whether a crypto asset should be understood as a security, commodity, property interest, payment token, stablecoin, digital commodity, or some other legal category.[1] That question is necessary, but incomplete.

The more precise legal question is not merely what the asset is, but what function the asset is performing in the transaction.

A crypto asset may be offered or sold as part of an investment arrangement, traded through digital asset market infrastructure, held as property, pledged as collateral, wrapped into a financial product, transferred through an exchange, used in decentralized finance, issued or received as a stablecoin, or sent directly as payment for goods, services, wages, invoices, private obligations, or contractual performance.[2] These uses are not legally identical.

The same underlying asset may therefore move through different legal postures depending on transactional context. When sold in a structure involving capital formation, profit expectation, managerial reliance, or investment-contract characteristics, securities analysis may become relevant.[3] When traded through market infrastructure, derivatives, futures, swaps, leverage, or commodity-linked activity, commodities and market-regulation concerns may arise.[4] When held, transferred, disposed of, or exchanged, tax law may treat the asset as property rather than currency.[5] When used through payment systems, hosted wallets, money transmitters, stablecoin issuers, or other intermediaries, Treasury, FinCEN, anti-money-laundering, sanctions, and payment-system concerns may enter the analysis.[6]

But when cryptocurrency is used directly as payment, the legal question changes again. The transaction is no longer concerned only with asset classification in the abstract. It asks whether a non-sovereign digital asset, accepted by private parties as a substitute medium of settlement, performs the legal function of money. More specifically, it asks whether private acceptance of cryptocurrency closes the bargain between parties while still failing to accomplish sovereign monetary closure.

That is the central question of this doctrine:

When cryptocurrency is used as payment, what actually closes?

For purposes of this doctrine, legal-tender closure means sovereign-recognized monetary finality: the point at which an obligation is discharged within the legal monetary order, rather than merely accepted, recorded, taxed, regulated, or privately settled.

The answer cannot be supplied by classification alone. A crypto asset may be recognized, regulated, taxed, transferred, or accepted without becoming legal tender. It may satisfy the expectations of the parties without possessing the sovereign authority necessary to discharge obligations in the monetary order. Thus, the legal analysis must distinguish among asset identity, transactional use, regulatory recognition, private settlement, and legal-tender closure. This distinction does not remove securities, commodities, tax, Treasury, FinCEN, or payment-system analysis where those regimes are independently triggered; it clarifies that none of those regimes, standing alone, answers the legal-tender closure question.

The central claim of this paper begins there: cryptocurrency payment use reveals a legal-tender closure gap. The use of a crypto asset as payment is different from the sale of a crypto asset as an investment product. It is also different from commodity-market trading, passive property holding, tax disposition, or stablecoin reserve architecture. Payment use asks the asset to perform a monetary function, but unless sovereign law supplies monetary finality, that function remains private, derivative, and incomplete.

Accordingly, the question is not simply whether cryptocurrency is a security, commodity, property interest, or payment token. The more precise question is whether the transaction asks the asset to perform investment, market, property, compliance, or payment functions — and whether any of those functions amount to legal-tender closure. Regulatory recognition may answer the first part of that question. It does not, by itself, answer the second.

Legal-tender closure requires more.

Footnote

[7] This doctrine uses "legal-tender closure" to distinguish sovereign monetary finality from private acceptance, contractual settlement, regulatory recognition, and commercial-law treatment. The constitutional anchor is U.S. Const. art. I, § 8, cl. 5, which vests Congress with authority to coin money and regulate the value thereof. The statutory anchor is 31 U.S.C. § 5103, which provides that United States coins and currency, including Federal Reserve notes and circulating notes of Federal Reserve banks and national banks, are legal tender for "all debts, public charges, taxes, and dues." That legal-tender status does not mean a private merchant must accept cash for every new transaction; rather, it confirms that lawful money occupies a distinct closure position with respect to debts and public obligations. Parties may privately agree to accept non-legal-tender instruments, including digital assets, as settlement, but private acceptance does not convert the instrument into sovereign money. FinCEN's virtual-currency guidance reinforces the distinction by distinguishing "real" currency from virtual currency for U.S. BSA purposes and explaining that virtual currency may operate like currency in some environments while lacking the attributes of real currency as defined in FinCEN's regulatory framework. See 31 U.S.C. § 5103; FinCEN, Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies, FIN-2013-G001 (Mar. 18, 2013); FinCEN, Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9, 2019). Commercial-law and contract doctrines likewise support the distinction between private-law recognition and sovereign monetary closure. U.C.C. Article 12 recognizes "controllable electronic records" as a commercial-law category for certain digital assets, while U.C.C. provisions addressing "money," "electronic money," and accord and satisfaction may help determine private-law consequences without making the asset legal tender. See U.C.C. §§ 1-201(b)(24), 3-311, 9-102(a)(31), 12-102(a)(1)

(model provisions; state enactments may vary). Similarly, substituted performance, substituted contract, and accord-and-satisfaction doctrines may discharge obligations by agreement, but contractual discharge remains distinct from legal-tender closure. See Restatement (Second) of Contracts §§ 278–281.

§I.B. The Core Thesis

This doctrine argues that cryptocurrency payment use exposes a legal-tender closure gap.[8] The gap arises because a crypto asset may be privately accepted as payment without acquiring the legal status or sovereign finality of United States legal tender. Under the constitutional monetary authority exercised by Congress through federal law, United States coins and currency, including Federal Reserve notes, are legal tender for debts, public charges, taxes, and dues.[9] Cryptocurrency, by contrast, may be transferred, accepted, valued, taxed, regulated, or contractually recognized without thereby becoming lawful money.

When a crypto asset is used directly as payment between parties, the transaction may not function as a securities offering. Securities-law analysis turns not merely on the existence of an asset, but on whether the relevant transaction or scheme bears the characteristics of an investment contract, including investment of money in a common enterprise with profits expected from the efforts of others.[10] A direct payment for goods, services, wages, invoices, or private obligations may therefore occupy a posture different from an offering or sale of a crypto asset as an investment product. That distinction does not immunize crypto transactions from securities law where investment-contract characteristics are independently present; it simply recognizes that payment use, standing alone, is not identical to investment-product sale.

Nor does direct payment use necessarily function as a commodities-market transaction. A crypto asset may be treated as a commodity or fall within commodity-related enforcement jurisdiction where fraud, derivatives, leveraged transactions, swaps, futures, or market infrastructure are involved.[11] But the fact that a digital asset may be subject to commodity classification does not mean every direct transfer of that asset performs the legal function of commodity-market trading. A wallet-to-wallet payment may involve a commodity-like digital asset while still presenting a different legal question: whether the asset's private acceptance as payment produces monetary closure.

Tax law further confirms the distinction. The Internal Revenue Service treats digital assets as property, not currency, for federal tax purposes.[12] Thus, when cryptocurrency is used as payment, the transaction may still require valuation, basis calculation, gain or loss recognition, income reporting, and other property-disposition analysis. These residual legal consequences indicate that private acceptance has occurred, but that the transaction has not necessarily been closed in the same manner as payment by legal tender.

The result is a distinct legal posture: private settlement without sovereign monetary closure.[13] In this posture, the parties may agree that the bargain is complete, and the legal system may recognize contract performance, tax consequences, compliance obligations, or property transfer. Yet the asset itself does not become legal tender merely because it has been used as payment. Nor does regulatory supervision, tax recognition, contractual discharge, sanctions review, or payment-system relevance convert the instrument into sovereign money. The transaction may

close expectations between parties, and may even discharge a private obligation by agreement, without closing the obligation through legal tender within the sovereign monetary order.

Accordingly, the core thesis of this doctrine is as follows:

Cryptocurrency payment use may settle a private bargain, but unless sovereign law grants the instrument monetary finality, private acceptance does not equal legal-tender closure.

§I.C. The Foundational Distinction

The doctrine rests on a critical distinction:

The use of a crypto asset as payment is different from the sale of a crypto asset as an investment product.

That distinction is not merely semantic. It reflects a deeper principle of legal classification: the law often evaluates not only the identity of the object or asset, but the function the transaction asks it to perform. In securities law, the relevant inquiry is not whether an object has intrinsic value, technological complexity, or market demand. The inquiry is whether the transaction or scheme involves an investment of money in a common enterprise with profits expected from the efforts of others.[14] Thus, an asset may retain the same technological identity while different transactions involving that asset generate different legal consequences.

This point is especially important in the cryptocurrency context. A crypto asset may be sold in a fundraising arrangement, promoted as part of an investment opportunity, traded on a platform, held as property, used as collateral, or transferred directly as payment. The asset may remain the same, but the legal posture may change. The securities-law question turns on the transaction, structure, representations, reliance, and expectations surrounding the transfer, not on the mere existence of a digital token.[15]

The distinction between payment use and investment-product sale therefore does not mean that cryptocurrency is categorically outside securities law. It means that the legal analysis must identify the function of the transaction before assigning the regulatory lens. Where a crypto transaction involves capital formation, profit expectation, managerial reliance, issuer promotion, pooled proceeds, or other investment-contract characteristics, securities law may properly apply.[16] But where a crypto asset is transferred directly to satisfy an invoice, purchase goods, compensate services, settle a private debt, or perform a contractual obligation, the transaction is not naturally operating as an investment-product sale. It is operating as a private settlement transfer. That characterization does not preclude securities, commodities, Treasury, FinCEN, tax, or payment-system analysis where the surrounding facts independently trigger those regimes.

Payment use also does not erase commodity status. A crypto asset may still be classified as a commodity or fall within commodity-related enforcement jurisdiction where fraud, derivatives, leverage, futures, swaps, or market infrastructure are involved.[17] But payment use changes the operative legal question. The question is no longer merely whether the asset may fall within a

securities or commodities category. The question becomes whether a privately accepted digital asset, used as a substitute medium of settlement, performs the legal function of money.

It does not necessarily do so.

Payment use does not erase asset identity. It changes transactional posture. A crypto asset used as payment remains a crypto asset, but it is being asked to perform a different legal function than when it is sold as an investment product or traded through market infrastructure. The transaction asks the asset to settle an obligation. Yet settlement between parties is not the same as legal-tender closure.

The foundational distinction may therefore be stated as follows:

A crypto asset may remain constant in identity while changing in legal posture. When sold as an investment product, it may trigger securities analysis. When traded through market infrastructure, it may trigger commodities or market-regulation analysis. When held or disposed of, it may trigger property and tax analysis. When used directly as payment, it enters a distinct posture of private settlement — but private settlement does not equal sovereign monetary closure.

§I.D. Clarification — This Is Not an Anti-Crypto Doctrine

This doctrine is not an argument against cryptocurrency, stablecoins, private digital settlement, blockchain networks, or lawful payment innovation. It is an argument for legal precision. The central concern is not whether digital assets may exist, circulate, be owned, be traded, be used in private settlement, or be integrated into lawful financial infrastructure. The concern is whether private payment functionality should be confused with legal-tender status, sovereign monetary finality, or statutory discharge authority.[18]

The doctrine therefore proceeds from a preservation principle: cryptocurrency may be lawfully recognized in multiple legal settings without being collapsed into a single universal category. A crypto asset may be analyzed as part of an investment contract where securities-law elements are independently present; it may be treated as a commodity or commodity-related asset where the Commodity Exchange Act and market-integrity concerns apply; it may be treated as property for tax purposes; it may trigger FinCEN, Bank Secrecy Act, sanctions, money-transmission, or payment-system concerns; and it may be accepted by private parties as consideration or settlement.[19] None of those recognitions, standing alone, converts the asset into legal tender.

This distinction is essential because legal recognition and monetary closure are not the same thing. A transaction can be recognized by regulators, taxed by the IRS, examined under securities or commodities law, reviewed for sanctions exposure, governed by private contract, or supervised through payment-system policy without thereby becoming sovereign money. Under Congress's constitutionally allocated monetary authority, federal law gives legal-tender status to United States coins and currency, including Federal Reserve notes, for debts, public charges, taxes, and dues.[20] Private digital assets may imitate payment functionality, but imitation is not

issuance of lawful money; acceptance is not legal tender; and settlement by agreement is not sovereign finality.

The doctrine accordingly seeks to preserve four distinctions.

First, asset identity is not the same as transactional posture. The same crypto asset may be held, traded, pledged, wrapped, sold, staked, transferred, or used as payment. The asset may remain technologically identical while the legal posture changes according to transaction structure, party expectations, regulatory setting, and legal function.[21]

Second, payment functionality is not the same as legal-tender status. A digital asset may move value, satisfy a merchant's invoice, or complete a private bargain, but those facts do not alone confer the sovereign status assigned to United States legal tender.[22]

Third, regulatory recognition is not the same as monetary closure. Securities law, commodities law, tax law, FinCEN regulation, sanctions compliance, and payment-system supervision may each recognize or regulate aspects of a crypto transaction. Yet regulation of a transaction does not necessarily make the payment instrument lawful money.[23]

Fourth, private settlement is not the same as sovereign finality. Parties may agree that a cryptocurrency transfer satisfies a private obligation, and private-law doctrines may recognize contractual settlement, substituted performance, substituted contract, or accord and satisfaction. But contractual discharge depends on agreement and governing law; legal-tender closure arises from sovereign monetary authority.[24]

Historically, legal classification was often assisted by physical and institutional separation. Cattle, grain, metals, and gold were commonly understood through commodity frameworks because their value, transfer, and market treatment were tied to tangible goods or recognized commodity markets.[25] Securities appeared through identifiable investment instruments, capital-raising arrangements, notes, stock, investment contracts, and regulated issuance structures.[26] Money appeared through sovereign coin, paper currency, Federal Reserve notes, and recognized banking or payment rails.[27] These categories were never perfectly simple, but the analog world often supplied visible boundaries between commodity, security, property, and money.

Digital assets disrupted that separation.

A single crypto asset may be held as property, traded as a commodity, sold as part of an investment arrangement, pledged as collateral, wrapped into another financial product, transmitted through payment infrastructure, or accepted as private settlement without changing its technological form.[28] The legal difficulty arises because the asset's identity may remain constant while its transactional posture changes. This is why the classification debate cannot be resolved by asking what the token is in isolation. The more precise question is what the transaction is asking the token to do.[29]

In the analog world, legal categories were often separated by form. In the digital world, legal categories are increasingly separated by function.

For that reason, this doctrine should not be read as opposing digital asset innovation. It should be read as opposing conceptual collapse. The objective is not prohibition, but classification integrity. Cryptocurrency can be useful, valuable, lawful, regulated, privately accepted, and technologically significant without being legal tender. Stablecoins can reference dollars without issuing dollars. Blockchain networks can move value without creating sovereign monetary closure. Private settlement can complete a bargain without converting the settlement instrument into lawful money.[30]

The doctrine therefore preserves space for innovation while insisting upon legal accuracy. It does not ask whether cryptocurrency should exist. It asks what legal function cryptocurrency is performing when used as payment — and whether that function achieves legal-tender closure.

It does not necessarily do so.[31]

§I.E. Relationship to the Doctrine of Monetary Source Confusion

The Legal Tender Closure Gap Doctrine proceeds from, and extends, the Doctrine of Monetary Source Confusion. For purposes of this paper, the Doctrine of Monetary Source Confusion is treated as a companion framework identifying the mistaken attribution of sovereign monetary authority to private or non-sovereign instruments. The Doctrine of Monetary Source Confusion identifies the upstream problem: private or non-sovereign instruments may be socially treated as though they carry the authority of lawful money.[32] That confusion may arise when a payment instrument moves value efficiently, references the dollar, trades in liquid markets, operates through digital rails, or becomes widely accepted by private parties. In such circumstances, public perception may begin to treat functional payment capacity as though it were equivalent to monetary authority.

That perception is legally unstable.

Lawful money does not derive its closure authority from convenience, speed, market acceptance, technological efficiency, or private willingness to transact. Legal-tender authority arises from sovereign recognition. The distinction begins not merely in statute, but in constitutional allocation. Article I, Section 8, Clause 5 vests Congress with authority to coin money and regulate the value thereof. Congress exercises that monetary authority through federal law, including the legal-tender framework under 31 U.S.C. § 5103, which gives United States coins and currency — including Federal Reserve notes — legal-tender status for debts, public charges, taxes, and dues. Federal Reserve notes are further authorized as obligations of the United States and are receivable for taxes, customs, and other public dues. Private instruments may imitate monetary function, but imitation does not create constitutional or statutory monetary authority. A payment system may transmit value without issuing lawful money. A token may reference dollars without being dollars. A network may settle between participants without closing obligations in the legal-tender sense.[33]

The Doctrine of Monetary Source Confusion therefore addresses the origin problem: *where does the instrument's monetary authority come from?* The Legal Tender Closure Gap Doctrine addresses the consequence problem: what happens when that instrument is used as though it closes an obligation?

The relationship between the two doctrines can be stated simply:

Once monetary source is confused, transactional closure is also confused.

This sequence matters because payment use often appears complete at the private level before the legal system has supplied sovereign closure. A merchant may accept a crypto asset. A customer may transfer it. A blockchain may record it. A platform may confirm it. A contract may treat the obligation as satisfied. Yet tax law may still treat the transaction as a property disposition, FinCEN may treat certain actors as subject to money-transmission obligations, securities law may apply if investment-contract features are independently present, commodities law may apply if commodity-market features are implicated, and private-law discharge may depend on agreement, valuation, and governing law.[34] In other words, the transaction may be recognized by law without being closed by legal tender.

The Legal Tender Closure Gap Doctrine therefore does not replace the Doctrine of Monetary Source Confusion. It operationalizes its consequences in the payment context. Source confusion asks whether a private instrument is being mistaken for sovereign money. Closure confusion asks whether the use of that private instrument is being mistaken for sovereign discharge.

That distinction clarifies the doctrine's central legal architecture:

Monetary source concerns authority.

Transactional closure concerns finality.

A crypto asset may be privately accepted as payment, but private acceptance does not answer whether the instrument possesses monetary authority. A crypto transfer may appear to settle a transaction, and may even discharge a private obligation by agreement, but private discharge does not answer whether the obligation has been closed through legal tender within the sovereign monetary order. The first error confuses source. The second error confuses closure.

This doctrine therefore identifies the downstream legal risk created when private settlement instruments are socially treated as though they possess legal-tender finality. The risk is not that cryptocurrency exists, circulates, or is accepted by willing parties. The risk is that private acceptance may be misread as sovereign monetary closure.[35]

The proper relationship between the doctrines is thus sequential:

Monetary Source Confusion identifies the mistaken attribution of monetary authority.

The Legal Tender Closure Gap Doctrine identifies the mistaken attribution of monetary finality.

Together, they preserve the distinction between what private systems can do and what sovereign monetary law alone can accomplish.

§I.F. Chapter Claim

This chapter introduces the central analytic framework of the Legal Tender Closure Gap Doctrine: cryptocurrency transactions should be evaluated according to use, posture, and legal function, not asset identity alone. A crypto asset may remain technologically unchanged while moving through different legal environments. It may be sold as part of an investment arrangement, traded through market infrastructure, held or disposed of as property, transmitted through regulated payment channels, or accepted directly as private settlement.[36] The legal significance of the transaction depends not merely on the asset's existence, but on what the transaction asks the asset to perform.

The chapter therefore argues that payment use should be analyzed separately from investment-product sale, commodities-market trading, and property holding. Where a crypto transaction involves capital formation, profit expectation, managerial reliance, issuer promotion, pooled proceeds, or similar investment-contract characteristics, securities law may properly supply the governing lens.[37] Where a crypto asset is traded through derivatives, futures, swaps, leverage, margin, exchange infrastructure, or fraud-related commodity activity, commodities law and market-integrity regulation may become relevant.[38] Where a crypto asset is held, disposed of, exchanged, gifted, inherited, or used in a taxable event, property and tax law may supply the controlling framework.[39]

But direct payment use presents a separate legal question. When cryptocurrency is transferred to satisfy an invoice, purchase goods or services, compensate labor, settle a private debt, or perform a contractual obligation, the transaction may not function as an investment-product sale or commodity-market trade. It functions instead as a private settlement transfer. That characterization does not remove Treasury, FinCEN, sanctions, tax, consumer-protection, or payment-system analysis where the actor, channel, instrument, or transaction structure independently triggers those regimes. Yet private settlement does not automatically become legal tender. Legal-tender authority rests on constitutional allocation and congressional implementation, not private acceptance, market adoption, technological function, or payment convenience.[40]

Accordingly, this chapter frames the doctrine's governing claim:

A crypto asset used as payment should be analyzed as entering payment posture — a distinct legal posture in which private settlement may occur without sovereign monetary closure.

The purpose of this chapter is not to resolve every downstream regulatory question. Rather, it establishes the threshold distinction necessary for the rest of the paper: classification alone is insufficient where transactional function changes legal posture. The question is not merely whether cryptocurrency is a security, commodity, property interest, payment token, or stablecoin. The question is whether the transaction asks the asset to perform an investment function, market

function, property function, compliance function, or payment function — and whether that payment function achieves legal-tender closure.

It does not necessarily do so.

§II. Definitions and Legal-Tender Closure Architecture

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§II.A. Why Definitions Matter

This doctrine depends on disciplined terminology. Without precise definitions, payment, settlement, discharge, and closure are easily collapsed into one another. That collapse is not merely linguistic. It changes the legal analysis by allowing private acceptance to be mistaken for legal satisfaction, commercial or party-level settlement to be mistaken for sovereign monetary finality, and regulatory recognition to be mistaken for lawful money.[41]

For purposes of this chapter, these definitions are not offered as replacements for statutory, regulatory, commercial-law, tax, or payment-system definitions. They are analytic distinctions used to prevent private settlement, legal discharge, regulatory recognition, and sovereign monetary closure from being treated as the same legal event.[42] The point is not to displace existing legal categories, but to clarify which legal function is being performed when cryptocurrency is used as payment.

The Legal Tender Closure Gap Doctrine begins from the premise that these terms perform different legal functions. Payment describes the transfer, tender, or delivery of money, value, property, rights, or an agreed substitute in response to an obligation. Settlement, as used here, refers to party-level or practical resolution of a transaction, not necessarily payment-system settlement, securities settlement, clearing finality, or central bank settlement. Discharge describes the legal satisfaction, substitution, release, or termination of an obligation under applicable law or agreement. Closure, as used in this doctrine, describes sovereign-recognized monetary finality — the point at which an obligation is resolved through lawful money or legal-tender authority within the sovereign monetary order, rather than merely accepted, recorded, taxed, regulated, contractually discharged, or privately settled.[43]

The distinction matters because cryptocurrency payment use often appears complete at one level while remaining legally incomplete at another. A buyer may transfer a crypto asset. A seller may accept it. A blockchain may record the transaction. A platform may confirm it. A contract may treat performance as satisfied. Tax law may recognize a property disposition. FinCEN or Treasury may analyze the transaction through money-transmission, Bank Secrecy Act, sanctions, or reporting frameworks. Securities or commodities law may also apply if the surrounding facts independently trigger those regimes. Yet none of those facts, standing alone, establishes that the payment instrument has become legal tender or that the obligation has closed through sovereign monetary authority.[44]

This is where the legal-tender closure gap arises. If payment is treated as settlement, settlement is treated as discharge, and discharge is treated as sovereign closure, then the analysis loses the distinction between private agreement and public monetary authority. A private party may accept

a non-legal-tender instrument. A contract may recognize that acceptance. Commercial law may determine private-law consequences. A regulator may supervise the transaction. But private-law recognition and regulatory supervision do not necessarily convert the instrument into lawful money, and contractual discharge does not necessarily create legal-tender finality.[45]

Precise terminology is therefore not ornamental. It is the architecture of the doctrine. The framework depends on maintaining boundaries among five related but distinct concepts:

payment as transfer;

settlement as party-level resolution;

discharge as legal satisfaction or release;

legal tender as sovereign monetary authority;

closure as monetary finality within the legal order.

When those concepts are separated, cryptocurrency payment use can be analyzed with precision. It may settle a private bargain without becoming legal tender. It may discharge a private obligation by agreement without creating sovereign monetary closure. It may trigger securities, commodities, tax, Treasury, FinCEN, sanctions, or payment-system analysis without becoming lawful money. The failure to preserve these distinctions is the source of the legal-tender closure gap.[46]

§II.B. Payment

For purposes of this doctrine, payment is the act of transferring, tendering, delivering, or otherwise providing money, value, property, rights, credits, services, digital assets, or another accepted medium from one party to another in satisfaction or attempted satisfaction of an obligation.[47] Payment is therefore an act of performance, but it is not always identical to legal discharge, settlement finality, or legal-tender closure. A party may attempt payment, tender payment, transmit value, or deliver an agreed substitute without necessarily producing the same legal consequence in every context.

In the broad functional sense used here, payment may be made or attempted through legal tender, foreign currency, goods, services, credits, setoff, negotiable instruments, electronic funds, digital assets, or other agreed instruments, subject to acceptance, governing law, and the terms of the obligation.[48] The legal effect of payment depends on the obligation being performed, the medium used, the parties' agreement, the governing law, and whether the payment medium carries statutory, contractual, commercial-law, regulatory, or sovereign monetary effect. Thus, payment is best understood as the act of value transfer or tender, not the automatic completion of all legal consequences arising from that act.

Foreign currency requires separate treatment. A foreign currency may not constitute United States legal tender under 31 U.S.C. § 5103, but it remains sovereign money where it is authorized or adopted by a foreign government. Commercial law recognizes this distinction by treating "money" as a medium of exchange authorized or adopted by a domestic or foreign government and by providing rules for instruments payable in foreign money. Thus, foreign currency may serve as an agreed payment medium without becoming United States legal tender, while still carrying foreign sovereign monetary authority. Cryptocurrency differs from foreign currency at this point: absent sovereign adoption, it may function as an accepted payment medium without carrying either United States legal-tender status or foreign sovereign monetary authority.[49]

This distinction is essential to the Legal Tender Closure Gap Doctrine. When payment is made in United States legal tender, federal law supplies a distinct sovereign monetary status because United States coins and currency, including Federal Reserve notes, are legal tender for debts, public charges, taxes, and dues.[50] When payment is made by another medium — such as goods, services, private credit, foreign currency, negotiable instrument, setoff, or digital asset — the transaction may still be recognized by contract, commercial law, tax law, or regulatory frameworks, but the medium does not become United States legal tender merely because it is accepted.[51]

Payment in cryptocurrency therefore must be analyzed carefully. A crypto transfer may function as payment if the parties agree to accept it for goods, services, wages, invoices, private obligations, or contractual performance. But the fact that a crypto asset is used as payment does not establish that it is lawful money, legal tender, foreign sovereign currency, or sovereign monetary closure. It establishes only that value has been transferred or tendered in a form the parties may treat as payment, subject to the legal consequences imposed by contract, tax, commercial law, securities law, commodities law, Treasury, FinCEN, sanctions, payment-system rules, and other applicable regimes.[52]

Payment is therefore the first step in the closure analysis, not the final step. The doctrine asks not only whether value moved, but what legal function that movement performed. Did the transfer constitute payment? Did the parties treat it as settlement? Did applicable law recognize discharge? Did the instrument carry legal-tender status or foreign sovereign monetary authority? Did sovereign monetary finality occur? Each question is distinct.

Accordingly, for purposes of this doctrine, payment means the transfer, tender, or delivery of value or an accepted medium toward satisfaction of an obligation. Payment may initiate satisfaction, support settlement, or contribute to discharge, but payment alone does not necessarily produce legal-tender closure.[53]

Doctrinal Clarification Footnote

[54] Foreign sovereign recognition should not be confused with United States legal-tender status. A medium of exchange may qualify as "money" for certain commercial-law purposes where it is authorized or adopted by a domestic or foreign government, but foreign sovereign monetary status does not make the instrument United States legal tender. See U.C.C. § 1-201(b)(24) (defining "money" as a medium of exchange currently authorized or adopted by a domestic or foreign government); U.C.C. § 3-107 (addressing instruments payable in foreign money) (model

provisions; state enactments may vary); 31 U.S.C. § 5103. El Salvador illustrates the distinction. El Salvador adopted Bitcoin as legal tender in 2021, but later amended its Bitcoin framework following an IMF-linked program, making private-sector acceptance voluntary and removing mandatory use for tax payments or public-sector acceptance. See Reuters, Lawmakers in El Salvador Rush New Bitcoin Reform After IMF Deal (Jan. 30, 2025); Reuters, El Salvador Announces More Bitcoin Purchases, Gives IMF Assurances (Mar. 5, 2025). The episode demonstrates that sovereign adoption may alter a digital asset's local monetary posture, but such recognition remains jurisdiction-specific and does not convert the instrument into United States legal tender absent U.S. law.

§II.C. Settlement

For purposes of this doctrine, settlement means the practical, commercial, or party-level resolution of a bargain between parties. Settlement may occur when the parties agree that performance has been received, that an obligation has been satisfied, or that a substitute medium has been accepted in place of the originally expected form of payment. In this sense, settlement is relational and transactional: it concerns whether the parties treat the bargain as resolved between themselves. This definition does not displace specialized uses of "settlement" in payment systems, securities settlement, commodities clearing, derivatives clearing, banking, or central bank operations; it isolates the party-level sense of settlement necessary to distinguish private bargain resolution from legal-tender closure.[55]

Settlement is not identical to legal tender. A party may accept goods, services, credits, setoff, negotiable instruments, foreign currency, digital assets, or another agreed medium as settlement without converting that medium into United States legal tender.[56] The legal system may recognize the parties' agreement, determine commercial-law consequences, measure tax effects, or assess regulatory obligations, but recognition of settlement does not necessarily transform the settlement instrument into lawful money.

This distinction is especially important in cryptocurrency transactions. If a merchant agrees to accept a crypto asset for goods or services, the parties may treat the exchange as settled at the private level. The buyer may have transferred the asset, the seller may have accepted it, and the bargain may be practically complete between them. But that party-level settlement does not answer the separate question whether the instrument used carried legal-tender status, sovereign monetary authority, or legal-tender closure.[57]

Settlement may therefore occur without sovereign monetary closure. Contract law and commercial law recognize that obligations may be resolved through agreement, substituted performance, substituted contract, accord and satisfaction, negotiable instruments, payment of instruments, tender, or other agreed mechanisms.[58] But those doctrines operate at the level of private obligation, commercial consequence, or legal discharge. They do not automatically supply the sovereign monetary status assigned to United States coins and currency under constitutional and federal legal-tender authority.[59]

The distinction may be stated simply:

Settlement answers whether the parties treated the bargain as resolved.

Legal-tender closure answers whether the obligation was resolved through sovereign monetary authority.

A cryptocurrency transfer may settle a transaction between private parties if accepted under the governing agreement. It may even contribute to legal discharge where applicable law recognizes the parties' arrangement. But private settlement, by itself, does not make the crypto asset legal tender, foreign sovereign currency, or lawful money.[60]

Accordingly, for purposes of this doctrine, settlement is the party-level resolution of a bargain. It may follow payment, accompany discharge, or support contractual satisfaction. But settlement remains distinct from legal-tender closure because the parties' acceptance of a medium does not itself create sovereign monetary finality.[61]

§II.D. Discharge

For purposes of this doctrine, discharge means the legal satisfaction, release, substitution, extinguishment, or termination of an obligation under applicable law, contract, or enforceable agreement. Discharge is different from payment and settlement. Payment concerns the transfer or tender of value. Settlement concerns the party-level resolution of a bargain. Discharge concerns whether the obligation has been legally satisfied, suspended, replaced, released, or terminated.[62]

Discharge may occur through performance, substituted performance, substituted contract, accord and satisfaction, release, cancellation or renunciation, acceptance of an instrument, payment of an instrument, tender, or another legally recognized mechanism.[63] In each case, the relevant question is not merely whether value moved, or whether the parties treated the bargain as resolved, but whether the governing legal framework recognizes the obligation as satisfied, replaced, suspended, discharged, extinguished, or otherwise terminated.

Discharge therefore depends on law, contract, creditor acceptance, valuation, enforceability, and governing legal framework.[64] A creditor may agree to accept a substitute medium in satisfaction of an obligation. A contract may permit payment in goods, services, foreign currency, credits, digital assets, or other agreed instruments. Commercial law may determine the effect of negotiable instruments, tender, payment, accord and satisfaction, cancellation, renunciation, or controllable electronic records. Tax law may recognize a disposition and require valuation. Treasury, FinCEN, securities, commodities, sanctions, or payment-system rules may impose additional consequences. But those legal consequences do not necessarily mean that discharge occurred through legal tender or that sovereign monetary closure has been achieved.[65]

This distinction is essential in cryptocurrency payment use. If a creditor agrees to accept cryptocurrency in satisfaction of a private obligation, discharge may occur at the level of contract or applicable private law. The parties may agree that the obligation has been satisfied, and a court may recognize that agreement depending on acceptance, enforceability, valuation, evidence, and governing law. Yet the crypto asset does not become legal tender merely because it was accepted in discharge of a private obligation.[66]

The wage context illustrates the distinction with particular clarity. If an employer compensates an employee in cryptocurrency, that transfer may satisfy the employer's private compensation obligation where permitted by the governing employment agreement and applicable law. But federal tax law still treats the fair market value of the digital assets paid as wages, measured in U.S. dollars at the date of receipt, and subjects that value to federal income tax withholding, FICA, FUTA, and Form W-2 reporting.[67] The employer's derivative public obligations — including withholding, Social Security, Medicare, unemployment tax, reporting, and federal remittance duties — are not discharged merely because cryptocurrency was transferred to the employee. Those obligations remain dollar-measured federal tax obligations and must be satisfied through accepted federal tax-payment systems, including Treasury's Electronic Federal Tax Payment System for federal income, employment, estimated, and excise tax payments.[68]

The point is not that cryptocurrency cannot discharge a private obligation. It may, if the parties agree and the governing legal framework recognizes the transaction. The point is that private discharge is not the same as legal-tender closure. Discharge resolves the obligation according to contract, commercial law, tax law, labor law, or other applicable legal doctrine. Legal-tender closure resolves the obligation through sovereign monetary authority.[69]

This distinction prevents the central definitional collapse. If discharge is treated as equivalent to legal-tender closure, then any privately accepted medium could be mistaken for lawful money merely because a creditor agreed to accept it. That would confuse the legal satisfaction of a private obligation with the monetary status of the instrument used. It would also confuse satisfaction of one obligation with satisfaction of derivative public obligations arising from the same transaction.[70]

Accordingly, for purposes of this doctrine, discharge is the legal satisfaction or termination of an obligation. Discharge may follow payment, confirm settlement, or arise through agreement, substitution, release, accord, satisfaction, cancellation, renunciation, tender, payment of an instrument, or operation of law. But discharge remains distinct from legal-tender closure because the legal termination of one obligation does not necessarily convert the instrument used into sovereign money, nor does it necessarily satisfy collateral public obligations imposed by tax, reporting, sanctions, or payment-system law.[71]

§II.E. Monetary Closure

For purposes of this doctrine, monetary closure means the sovereign-recognized finality of an obligation through lawful money, legal tender, or another monetary instrument granted equivalent closure status by competent legal authority.[72] Monetary closure is not merely the movement of value. It is not merely private acceptance. It is not merely party-level settlement, contractual discharge, tax recognition, regulatory supervision, or payment-system functionality. It is the legal endpoint at which an obligation is conclusively resolved within the sovereign monetary order.

For purposes of this doctrine, competent legal authority means the constitutional, statutory, or regulatory authority legally empowered to assign monetary status or closure effect within the relevant jurisdiction. Private agreement alone is not competent monetary authority. Parties may agree to accept a medium in settlement or discharge of a private obligation, but private acceptance does not by itself grant that medium sovereign monetary status.[73]

Closure is therefore more than practical completion. A transaction may appear complete because the buyer paid, the seller accepted, the network recorded the transfer, the invoice was marked satisfied, or the contract treated performance as complete. Those facts may establish payment, settlement, or even discharge under applicable private law. But they do not necessarily establish monetary closure unless the instrument used carries sovereign monetary authority, legal-tender status, or equivalent closure effect granted by competent legal authority.[74]

United States legal tender occupies a distinct closure position in the sovereign monetary order, even though private obligations may be satisfied or discharged by other agreed means under applicable law. Federal law gives United States coins and currency, including Federal Reserve notes, legal-tender status for debts, public charges, taxes, and dues. That authority rests on constitutional allocation and congressional implementation, not on convenience, market adoption, speed, technological efficiency, or private willingness to transact.[75] The legal system may allow parties to resolve obligations through other media, but those private arrangements do not transform the medium itself into lawful money.

This distinction is central to cryptocurrency payment use. A crypto asset may transfer value, settle expectations, satisfy a private bargain, or contribute to legal discharge where accepted and enforceable. Yet, absent sovereign adoption or equivalent legal recognition, the asset does not provide monetary closure in the legal-tender sense. It remains a privately accepted instrument whose legal consequences may be determined through contract, commercial law, tax law, securities law, commodities law, Treasury/FinCEN regulation, sanctions law, labor law, or payment-system rules.[76]

Monetary closure therefore asks a different question from payment, settlement, or discharge. Payment asks whether value was tendered or transferred. Settlement asks whether the parties treated the bargain as resolved. Discharge asks whether the obligation was legally satisfied or terminated. Monetary closure asks whether the obligation was resolved through a sovereign-recognized monetary medium within the legal order.[77]

The distinction may be stated simply:

Payment moves value.

Settlement resolves the bargain between parties.

Discharge satisfies or terminates the obligation under law.

Monetary closure resolves the obligation through sovereign-recognized money.

This does not mean that non-legal-tender instruments cannot be useful, valuable, enforceable, taxable, regulated, or privately accepted. They can be all of those things. It means only that their acceptance does not necessarily produce sovereign monetary finality. A privately accepted crypto payment may close the bargain between parties while leaving legal-tender closure absent.[78]

Accordingly, for purposes of this doctrine, monetary closure is the sovereign monetary endpoint of obligation-resolution. It occurs when the obligation is resolved through lawful money, legal tender, or an equivalent legally recognized monetary instrument. Without that sovereign monetary recognition, payment may occur, settlement may occur, discharge may occur, and regulation may occur — but legal-tender closure has not necessarily occurred.[79]

§II.F. Private Settlement Instrument

For purposes of this doctrine, a private settlement instrument is an instrument accepted by parties to resolve a transaction without itself carrying United States legal-tender authority or sovereign monetary-closure status in the relevant legal order. The category includes non-sovereign instruments and certain non-U.S.-legal-tender instruments when they are used by agreement to settle a private transaction rather than by operation of sovereign monetary law.[80]

The term identifies the legal posture of an instrument used by private parties as a substitute medium of settlement. It does not imply that the instrument is unlawful, valueless, unregulated, unenforceable, or commercially insignificant. It means only that the instrument's settlement effect arises from party agreement, contract, commercial law, private-law recognition, or regulatory treatment rather than from United States legal-tender authority.

Private settlement instruments may include goods, services, credits, setoff, negotiable instruments, foreign currency in a United States transaction, privately issued payment instruments, stablecoins, digital assets, or other agreed media.[81] These instruments may resolve a bargain between parties if accepted under the governing agreement and recognized by applicable law. They may also create tax consequences, reporting obligations, valuation requirements, commercial-law effects, sanctions concerns, money-transmission questions, or payment-system consequences. But those consequences do not necessarily convert the instrument into legal tender. Recognition is not closure. Acceptance is not sovereign monetary authority. Settlement is not lawful-money status.[82]

This distinction matters because private settlement instruments often perform some functions associated with money. They may move value. They may be denominated in dollars. They may be accepted by merchants. They may clear invoices. They may satisfy private expectations. They may be supported by platforms, networks, issuers, payment processors, payroll providers, or custodians. Yet functional monetary resemblance does not necessarily create monetary authority. A private settlement instrument may imitate the convenience of money without acquiring the legal status of money.[83]

Cryptocurrency payment use fits within this category unless and until law grants a particular instrument legal-tender status, lawful-money status, or equivalent monetary-closure effect by competent legal authority. A cryptocurrency transfer may settle a private transaction when the parties agree to accept it. It may discharge a private obligation if the governing legal framework recognizes the arrangement. It may also be taxed, regulated, screened, reported, valued, converted, withheld upon, or enforced against. But absent sovereign adoption or competent legal recognition assigning monetary-closure status, the instrument remains a private settlement instrument rather than United States legal tender.[84]

The same analysis applies, with important distinctions, to stablecoins. A stablecoin may reference the dollar, be redeemable for dollars, be backed by reserves, or circulate as a private payment instrument. Those features may make the instrument more useful, more stable, or more suitable for payment than a volatile cryptocurrency. But dollar reference is not dollar issuance. Reserve backing is not central bank money. Redemption rights are not legal-tender authority. Unless Congress or another competent monetary authority grants equivalent closure status, a stablecoin remains a private settlement instrument even if it functions efficiently in payment contexts.[85]

Foreign currency requires a separate but related distinction. Foreign currency may be sovereign money where authorized or adopted by a foreign government, and commercial law may recognize it as "money" for certain purposes. But foreign sovereign monetary status does not make the instrument United States legal tender.[86] Thus, foreign currency may serve as an agreed payment or settlement medium in a United States transaction without acquiring United States legal-tender status. Cryptocurrency generally differs from foreign currency because, absent sovereign adoption, it does not carry even foreign sovereign monetary authority. Where a foreign jurisdiction has adopted a digital asset as legal tender or lawful money, that recognition remains jurisdiction-specific and does not convert the instrument into United States legal tender absent United States law.[87]

The private settlement instrument category therefore protects both sides of the doctrine. It protects private autonomy by recognizing that parties may agree to settle obligations through media other than legal tender. It also protects sovereign monetary architecture by refusing to treat private acceptance as monetary closure. A private settlement instrument may resolve the bargain. It may support discharge. It may trigger tax, Treasury, FinCEN, securities, commodities, sanctions, labor, or payment-system consequences. But it does not become sovereign money merely because it was useful, accepted, regulated, or recorded.[88]

This category is especially important for policymakers. At small scale, private settlement instruments may appear as a matter of contractual freedom and payment convenience. At scale, however, widespread reliance on non-sovereign settlement instruments may create public-law consequences that extend beyond the private bargain. Payroll-tax remittance, sanctions enforcement, dollar liquidity, reporting, valuation, payment-system stability, bank intermediation, and monetary-policy transmission may all depend on whether private settlement remains connected to sovereign monetary closure.[89] The question is not only whether the private transaction closed. The question is whether widespread private closure through non-sovereign instruments begins to stress the public systems that depend on legal-tender finality.

Accordingly, for purposes of this doctrine, a private settlement instrument is an accepted medium of private transaction resolution that does not itself carry United States legal-tender authority. Cryptocurrency payment use falls within this category unless sovereign law grants the relevant instrument legal-tender status or equivalent monetary-closure effect. The instrument may close the bargain between parties, but private settlement alone does not close the obligation within the sovereign monetary order.[90]

§II.G. Payment Posture

For purposes of this doctrine, payment posture occurs when a crypto asset is used or tendered as a substitute medium of payment or settlement for goods, services, wages, debts, invoices, contractual performance, or other obligations, whether or not legal satisfaction ultimately occurs.[91] Payment posture does not describe the asset's technological identity in isolation. It describes the legal function the transaction asks the asset to perform. A crypto asset may remain technologically unchanged while moving from investment posture, market posture, property posture, custody posture, or collateral posture into payment posture depending on the structure, purpose, and legal function of the transaction.

Payment posture identifies the function attempted by the transaction; it does not by itself determine whether payment, settlement, discharge, or legal-tender closure has occurred. A transfer may be tendered as payment and still fail, be rejected, be disputed, be misvalued, trigger additional legal consequences, or remain incomplete under the governing agreement or applicable law. Thus, payment posture is the beginning of the legal inquiry, not the conclusion of it.[92]

Payment posture is therefore use-based. It arises when the parties employ a crypto asset to satisfy or attempt to satisfy an obligation through private acceptance. The transaction may involve a merchant invoice, wage arrangement, service contract, vendor payment, private debt, subscription obligation, settlement agreement, or other bargain in which the parties treat the crypto transfer as the medium through which performance is to occur. Where mixed facts exist, the posture analysis must identify the dominant legal function of the transaction and any independently triggered regulatory regimes.[93]

This posture is distinct from investment-product sale. Where a crypto asset is offered or sold in a transaction involving capital formation, profit expectation, managerial reliance, issuer promotion, pooled proceeds, yield, staking economics, or similar investment-contract characteristics, securities law may properly supply the governing lens.[94] But where the same or similar crypto asset is transferred directly to purchase goods, compensate services, pay an invoice, or satisfy a private obligation, the transaction is not naturally operating as an investment-product sale merely because a crypto asset is involved. The legal inquiry must therefore begin with what the transaction is asking the asset to do.

Payment posture is also distinct from commodity-market posture. A crypto asset may fall within commodity-related analysis where derivatives, swaps, futures, leverage, margin, exchange trading, market manipulation, fraud, or platform-based market infrastructure are involved.[95] Yet a direct payment transfer does not necessarily perform the same legal function as commodity-market trading. A wallet-to-wallet transfer for goods or services may involve a commodity-like digital asset while still presenting a different question: whether private acceptance of the asset settles the bargain without producing sovereign monetary closure.

Nor does payment posture erase property and tax treatment. When cryptocurrency is used as payment, the transaction may still be treated as a disposition of property for federal tax purposes. That means valuation, basis calculation, gain or loss recognition, income recognition, wage treatment, withholding obligations, reporting duties, and timing issues may remain.[96] Payment posture therefore does not mean the asset has become currency for tax purposes. It means the asset has been used in a transaction that attempts to perform a payment function while retaining other legal consequences.

Payment posture also does not remove Treasury, FinCEN, sanctions, labor, consumer-protection, or payment-system concerns. Depending on the actor, channel, custody model, intermediary, jurisdiction, counterparty, stablecoin issuer, payment processor, payroll provider, hosted wallet, or unhosted wallet, a crypto payment may trigger money-transmission, Bank Secrecy Act, AML, OFAC, reporting, employment-tax, or payment-system analysis.[97] Those regimes may regulate the risk environment surrounding payment posture, but they do not convert the crypto asset into United States legal tender.

The defining feature of payment posture is that the crypto asset is being asked to do something money-like without necessarily possessing monetary authority. It is being used to move value toward satisfaction of an obligation. It may settle expectations between parties. It may contribute to discharge if the governing legal framework recognizes the arrangement. But unless sovereign law grants the instrument legal-tender status or equivalent monetary-closure effect, payment posture remains a posture of private settlement rather than sovereign monetary closure.[98]

The wage context illustrates the point. If an employer compensates an employee in cryptocurrency, the crypto asset has entered payment posture because it is being used as the medium of compensation. The employee may receive value, and the employer's private compensation obligation may be treated as satisfied where permitted by contract and applicable law. But the resulting public obligations — including federal income tax withholding, Social Security, Medicare, unemployment tax, reporting, and remittance duties — remain dollar-

measured and must be satisfied through accepted federal tax-payment systems.[99] Thus, payment posture may complete one private layer while leaving derivative public-law obligations to be measured and closed separately.

Stablecoins provide another important example. A stablecoin may enter payment posture when used to satisfy an invoice, compensate services, settle trade, or transmit value between parties. But the stablecoin's payment functionality does not itself establish legal-tender status. Dollar reference, reserve backing, redemption rights, or payment efficiency may strengthen the instrument's private settlement usefulness, but they do not by themselves create central bank money, lawful money, or sovereign monetary closure.[100]

Accordingly, for purposes of this doctrine, payment posture identifies the transactional use or attempted use of a crypto asset as a substitute medium of payment or settlement. It is the posture in which cryptocurrency is used to pay, settle, compensate, or perform rather than to invest, trade, hold, or collateralize. Payment posture may produce private settlement and may support legal discharge under applicable law, but it does not itself produce legal-tender closure.[101]

§II.H. Legal-Tender Closure Gap

For purposes of this doctrine, the legal-tender closure gap is the legal space between private acceptance of a crypto payment and sovereign monetary closure of the obligation.[102] It arises when a crypto asset is accepted, transferred, recorded, taxed, regulated, valued, or treated by the parties as satisfying a transaction, while the instrument itself still lacks United States legal-tender authority or equivalent monetary-closure status within the sovereign monetary order.

The gap does not mean that no transaction occurred. Nor does it mean that the parties' agreement is necessarily invalid, unenforceable, or commercially meaningless. A buyer may transfer cryptocurrency. A seller may accept it. A merchant may mark an invoice as paid. An employer may compensate a worker. A creditor may agree that a private obligation has been satisfied. A court may recognize payment, settlement, accord and satisfaction, substituted performance, or discharge depending on the governing agreement and applicable law.[103] For purposes of this doctrine, however, the gap may remain even where private-law discharge occurs, because discharge under contract or commercial law does not necessarily mean the instrument used possessed sovereign monetary authority.

The gap exists because cryptocurrency may operate as a private settlement instrument without becoming lawful money. It may move value without carrying sovereign monetary authority. It may satisfy expectations between parties without supplying the monetary finality assigned to United States coins and currency under federal law.[104] Thus, the legal-tender closure gap is not a claim that cryptocurrency lacks utility. It is a claim that utility, acceptance, transfer, and private-law recognition do not themselves create sovereign monetary status.

This distinction is especially important where payment appears complete at the private level but leaves public-law consequences unresolved. A crypto transfer may generate tax consequences, fair-market-value determinations, basis calculations, gain or loss recognition, wage-reporting obligations, withholding duties, sanctions concerns, money-transmission questions, or payment-system consequences.[105] Those consequences show that the legal system may recognize and regulate the transaction while still translating it back into dollar-denominated legal, tax, or compliance terms. Recognition therefore does not eliminate the closure gap; in many cases, it reveals it.

The legal-tender closure gap also explains why payment posture must be separated from investment posture, market posture, and property posture. When cryptocurrency is sold in a transaction involving investment-contract characteristics, securities law may apply. When cryptocurrency is traded through derivatives, swaps, futures, leverage, margin, fraud, or exchange-mediated activity, commodities and market-integrity regulation may apply. When cryptocurrency is held, exchanged, disposed of, gifted, inherited, or used in a taxable event, property and tax law may apply. But when cryptocurrency is used directly as payment, the legal system must ask a separate question: whether private acceptance of the asset produces sovereign monetary closure.[106]

It does not necessarily do so.

The gap can be stated in four steps:

First, value may move.

Second, parties may accept.

Third, private law may recognize settlement or discharge.

Fourth, sovereign monetary closure may still be absent.

This sequence is the core architecture of the doctrine. It prevents the analysis from stopping too early. A blockchain confirmation may show that value moved. A receipt may show that the merchant accepted the transfer. Contract law may show that the parties intended satisfaction. Tax law may show that a property disposition occurred. But legal-tender closure asks whether the obligation was resolved through lawful money, legal tender, or an equivalent monetary instrument recognized by competent legal authority.[107]

The wage context illustrates the gap in operational form. An employer may pay an employee in cryptocurrency where permitted by agreement and applicable law, and the employee may receive compensation. Yet federal employment-tax obligations remain measured in U.S. dollars and subject to withholding, FICA, FUTA, Form W-2 reporting, and remittance through accepted federal tax-payment systems.[108] The private wage obligation may be satisfied at one layer while public payroll-tax obligations remain dollar-denominated and separately closed through Treasury-recognized channels. That is the legal-tender closure gap in fiscal form.

The same gap appears in stablecoin payments. A stablecoin may reference the dollar, be backed by reserves, or be redeemable for dollars. It may provide useful private payment functionality. But dollar reference is not dollar issuance, reserve backing is not central bank money, redemption is not legal tender, and payment efficiency is not sovereign monetary closure unless law grants equivalent status.[109]

Accordingly, the legal-tender closure gap identifies the point at which private settlement and sovereign closure diverge. It names the unresolved legal space between a transaction that parties treat as complete and an obligation that has been closed through lawful money within the sovereign monetary order. Cryptocurrency payment use may close the bargain between parties, and may even contribute to private-law discharge where the governing legal framework so provides, but unless sovereign law grants the instrument monetary finality, private acceptance does not equal legal-tender closure.[110]

§II.H.1. Historical Context — Monetary Non-Authority and the Confederation Lesson

The legal-tender closure gap is modern in technological form, but it is not modern in constitutional principle. American constitutional history contains an earlier warning about the consequences of monetary non-authority. Under the Articles of Confederation, the national government could incur obligations, request revenue from the states, borrow, and participate in public finance, but it lacked the enforceable fiscal and monetary powers necessary to stabilize value, compel uniform settlement, or provide national tender finality.[111] The result was not merely administrative inconvenience. It was structural incapacity: a governing system that could generate obligations but could not reliably close them under stress.

The Articles created a union capable of declaring independence and prosecuting war, but not capable of sustaining monetary coherence once the war's obligations matured. Congress could requisition funds from the states, but could not compel payment. It could borrow, but without an independent revenue base its credit remained dependent upon state compliance. It could participate in public finance, but it lacked the unified monetary authority necessary to bind the states into a single settlement order.[112] Money, credit, and obligation therefore operated across a fractured constitutional architecture. The Confederation could circulate promises, debts, and claims, but it lacked the public authority necessary to convert those claims into reliable closure.[113]

Following the Revolutionary War, this structural weakness became operational. The Confederation faced public debt, scarce specie, depreciated currency, weak national credit, fragmented state monetary policies, and inconsistent tender practices.[114] Money circulated unevenly, confidence deteriorated, and obligations became increasingly difficult to satisfy through a uniform national medium. State-level responses varied widely. Some states pursued paper-money experiments or debtor-relief measures; others enforced hard-money obligations and strict contract performance. The result was not orderly pluralism, but monetary fragmentation: obligations that could be treated differently across jurisdictions, contracts whose practical

meaning varied by state, and commerce strained by uncertainty over value, payment, and enforceability.[115]

In that environment, Americans often reverted to barter or petitioned legislatures to recognize commodities such as grain, cattle, produce, or other tangible goods as lawful tender. These appeals did not reflect a belief that commodities were superior money. They reflected the opposite: a recognition that existing money had failed to perform its closure function. Grain and livestock were not requested because they were ideal settlement instruments. They were requested because they existed when liquid money did not.[116] The demand for commodity tender therefore revealed a constitutional truth: when lawful money cannot terminate obligations reliably, society seeks substitute instruments of closure.

Those substitutes may be practical, necessary, or locally accepted, but they do not necessarily restore monetary coherence. Barter may move value. Commodity tender may satisfy local expectations. Private agreement may resolve particular disputes. But without sovereign monetary authority, obligation-resolution becomes fragmented, uneven, and jurisdictionally unstable.[117] A bushel of grain, a head of cattle, or a privately accepted substitute may resolve a bargain in a local setting, but it cannot by itself supply a uniform national unit of account, compel acceptance across jurisdictions, stabilize public credit, or provide final legal settlement for debts, taxes, and public obligations. The problem is not that substitutes cannot function. The problem is that they function without supplying sovereign closure.

Shays' Rebellion made this failure visible. The unrest in western Massachusetts was not merely a debtor uprising against law. It was a stress disclosure event produced by the convergence of debt saturation, liquidity scarcity, strict enforcement, foreclosure pressure, tax burdens, and the inability of existing monetary institutions to reconcile obligation with capacity.[118] Courts continued to enforce debts, but the monetary means necessary for widespread performance had contracted. The result was a legitimacy crisis: law remained formally operative, but enforcement increasingly appeared coercive because the system lacked a monetary mechanism capable of restoring settlement capacity. Your prior doctrine correctly frames the event in structural terms: the problem was not simply popular unrest, but the failure of monetary authority to coordinate obligation under stress.[119]

The Founding generation understood the lesson. The Articles had shown that a republic cannot depend on improvised settlement instruments alone when debt, taxation, commerce, public credit, and social order require monetary finality. The constitutional settlement that followed did not treat monetary authority as a mere administrative tool. It placed monetary power within Article I's architecture: taxation, borrowing, bankruptcy, coinage, regulation of value, and restrictions on state tender were organized to prevent the reemergence of fragmented closure regimes.[120] The Constitution's monetary design therefore answered a lived failure: the Confederation's inability to terminate obligation through coherent national authority.

This history helps explain why legal tender matters. Legal tender is not merely a convenience that allows parties to pay. It is part of the constitutional architecture that allows obligations to be closed through a recognized sovereign medium. The Founding generation learned that money must do more than circulate. It must support public credit, coordinate valuation, mediate loss,

and terminate obligation as a matter of law.[121] Where money cannot perform that function, exchange regresses, enforcement hardens, and social continuity begins to fracture.

The modern legal-tender closure gap should be understood against that background. Cryptocurrency is not grain, cattle, or barter. It is technologically different, more transferable, more programmable, and potentially far more scalable. But the constitutional question is structurally familiar: what happens when private instruments are used to settle obligations without carrying sovereign monetary closure? If private acceptance begins to substitute for lawful monetary finality at scale, the legal system must distinguish between value movement and obligation closure.

The Confederation lesson therefore does not condemn innovation. It clarifies the stakes. A payment system may be useful, efficient, and widely adopted while still failing to perform the sovereign function of monetary closure. The question for this doctrine is not whether private instruments can move value. They can. The question is whether they can close obligations within the legal monetary order without the authority that constitutional design assigns to sovereign money.

Accordingly, the legal-tender closure gap should be read not as a novel objection to digital payment, but as a modern expression of an old constitutional lesson: private or fragmented settlement can relieve immediate pressure, but only sovereign monetary authority can provide uniform closure across a republic.

§II.H.2. Consequences of Monetary Non-Authority — From Closure Failure to Social Stress

Where §II.H.1 provides the historical context for monetary non-authority under the Articles of Confederation, this subsection identifies the historical precedent of consequence. The purpose is not to analogize cryptocurrency simplistically to Founding-era barter, commodity tender, or paper-money disorder. The purpose is more precise: to show that American constitutional history has already demonstrated what occurs when obligations continue to exist, courts continue to enforce, commerce continues to demand settlement, but no coherent sovereign monetary authority exists to provide uniform closure under stress.[122]

The legal-tender closure gap is therefore not merely a theoretical distinction. When a monetary system cannot close obligations through coherent public authority, the consequences do not remain confined to payment inconvenience. They migrate outward into liquidity, credit, courts, commerce, public legitimacy, and social order. The Confederation period provides the clearest domestic precedent. Under the Articles of Confederation, the national government could incur obligations, request revenue, borrow, and participate in public finance, but it lacked the enforceable fiscal and monetary powers necessary to stabilize value, compel uniform settlement, or provide national tender finality. The result was a system capable of generating obligations but incapable of resolving them coherently under stress.[123]

The first consequence was liquidity contraction. As Continental currency collapsed, specie remained scarce, public credit weakened, and no national authority possessed the capacity to expand or stabilize settlement capacity, ordinary exchange became increasingly difficult. Transactions slowed. Debts matured without available means of payment. Productive assets were forced into distress sales. Scarcity became self-reinforcing because confidence deteriorated, hoarding increased, and the means of lawful settlement contracted further.[124] The problem was not merely that citizens lacked money in the ordinary commercial sense. It was that the legal system continued to enforce monetary obligations in an environment where the monetary means of performance had disappeared.

The second consequence was interstate fragmentation. Because each state retained substantial control over its own fiscal, monetary, and debtor-relief responses, a shared national economic crisis produced divergent legal regimes. Some states experimented with paper money or debtor relief; others enforced hard-money obligations and strict contract performance. This did not create healthy federal diversity. It produced monetary disintegration. Credit contracted across state lines, exchange rates fluctuated, payment expectations varied by jurisdiction, and legal obligations lost uniform meaning.[125] Merchants faced uncertainty not only about price, but about which state's law would determine whether an obligation had been satisfied. In practical terms, settlement itself became jurisdictionally unstable.

The third consequence was creditor–debtor asymmetry. Creditors holding specie, foreign-denominated claims, or stronger legal positions could demand strict enforcement, while debtors faced shrinking income and vanishing liquidity. Courts, operating within ordinary contract doctrine, continued to enforce obligations as written, but the economic environment no longer supplied the means of performance. Foreclosures, imprisonment for debt, forced land transfers, and concentrated economic power followed.[126] These outcomes were not simply the result of debtor irresponsibility or creditor severity. They reflected a deeper mismatch between legal obligation and monetary capacity.

This mismatch placed courts in an increasingly unstable position. Judicial institutions could decide discrete disputes, but they could not restore settlement capacity across an entire economy. If courts enforced obligations strictly, they risked accelerating dispossession and social resentment. If they refused enforcement, they risked undermining legal certainty and public credit. The problem was therefore not judicial error alone, but institutional limitation. Courts can adjudicate obligation; they cannot, by themselves, reconstitute the monetary architecture necessary for obligation to be performed.[127]

The fourth consequence was barter reversion. As money ceased to perform its coordinating function, Americans increasingly resorted to grain, cattle, produce, and other tangible goods in lieu of money. This was not evidence of innovation or preference. It was a diagnostic signal of institutional breakdown. Barter appeared because available legal money could no longer close obligations at sufficient scale. Grain and livestock could move value locally, but they could not provide uniform valuation, durable settlement, national public credit, or legal finality across jurisdictions.[128] Where money could not close obligations, society sought closure elsewhere.

The fifth consequence was popular demand for tender redefinition. Citizens did not merely barter privately; they petitioned legislatures to recognize commodities as lawful means of satisfying debts. These petitions matter because they show that early Americans understood the issue as legal, not merely commercial. They did not ask courts simply to enforce private exchange more efficiently. They asked public authority to redefine what could count as tender. That request reveals the constitutional point: when existing money cannot terminate obligations, citizens seek lawful substitutes capable of restoring closure.[129]

The sixth consequence was social stress made visible through Shays' Rebellion. Properly understood, Shays' Rebellion was not merely a populist uprising against lawful authority. It was a stress disclosure event. Debt saturation, liquidity collapse, tax pressure, foreclosure risk, imprisonment for debt, and rigid enforcement converged until citizens resisted court processes that continued to operate as though monetary capacity remained intact. The unrest exposed what had already become true: the monetary system could no longer support universal enforcement without producing social rupture.[130]

The significance of Shays' Rebellion lies not only in the resistance itself, but in what leading statesmen understood it to mean. Founding-era leaders recognized the episode as evidence of systemic inadequacy. Washington, Hamilton, Madison, and others understood that the Confederation lacked the authority necessary to manage monetary stress without courting disorder. The constitutional response was therefore not repression alone. It was reconsideration of the governing structure. Monetary authority could not remain dispersed, optional, or dependent upon state discretion when national obligation, public credit, private debt, and social peace required coherent settlement authority.[131]

The seventh consequence was cyclical instability risk. Suppressing a single rebellion could restore temporary order, but it could not resolve the monetary conditions that produced resistance. Without structural correction, the Republic risked oscillating between scarcity, enforcement, resistance, repression, and renewed unrest. That cycle would normalize coercion as a substitute for monetary governance. In constitutional terms, this was the deeper danger: a republic that relies on episodic force to manage monetary impossibility has already lost the stabilizing function that lawful monetary authority is supposed to provide.[132]

These consequences establish the historical precedent relevant to the Legal Tender Closure Gap Doctrine. Monetary non-authority does not produce only weak currency. It produces obligation without closure, enforcement without capacity, law without coordination, and social stress without a lawful mechanism of absorption. Under the Confederation, the absence of coherent monetary closure converted scarcity into coercion, commerce into fragmentation, courts into pressure points, and debt enforcement into constitutional stress.

The modern implication should be stated carefully. Cryptocurrency is not grain, cattle, barter, or Continental paper. It is technologically distinct, more transferable, more programmable, and potentially more scalable. But the structural question is familiar: what happens when private instruments are used to settle obligations without carrying sovereign monetary closure? The historical answer is that payment substitutes may resolve some local or private needs, but they do not necessarily preserve monetary coherence. If private settlement mechanisms scale without

sovereign closure architecture, the legal system may again confront the gap between value movement and obligation finality.

This subsection therefore does not invoke history as analogy for alarm. It invokes history as constitutional memory. The United States has already experienced the consequences of monetary closure failure. The lesson was not that private exchange is illegitimate. The lesson was that a republic cannot depend upon fragmented substitutes when debt, taxation, commerce, public credit, and social continuity require lawful finality. Monetary authority became constitutional architecture because closure failure had already produced social stress.

Accordingly, the legal-tender closure gap should be understood not only as a definitional problem, but as a historical warning. Where private settlement outruns sovereign monetary closure, unresolved obligations do not disappear. They migrate. They reappear as valuation disputes, enforcement burdens, jurisdictional conflict, public-credit strain, social resentment, and legitimacy risk. That was the Confederation lesson. It remains the reason legal tender must be understood as closure architecture rather than mere payment convenience.

§II.I. Legal Tender as Closure Architecture

Legal tender is not merely a payment convenience. It performs a closure function within the monetary system by providing a sovereign-recognized medium through which monetary obligations may be resolved within the legal order.[133] For purposes of this doctrine, legal tender should therefore be understood not only as something capable of being used in payment, but as part of the legal architecture by which sovereign law determines when a monetary obligation has been satisfied through a recognized monetary medium.

This distinction is essential because many instruments may move value, facilitate exchange, or satisfy private expectations without carrying United States legal-tender status. A check may function as a payment instrument. A negotiable instrument may suspend, satisfy, or discharge an obligation depending on commercial-law rules. A foreign currency may be sovereign money in its issuing jurisdiction. A controllable electronic record may be recognized under commercial law. A cryptocurrency or stablecoin may be privately accepted as settlement. But none of those facts alone establishes that the instrument is United States legal tender.[134]

Legal tender performs at least four closure functions.

First, legal tender performs a sovereign monetary discharge function. It supplies a federally recognized medium through which debts, public charges, taxes, and dues may be satisfied within the legal monetary order.[135] This does not mean private parties can never agree to accept other media. They can. Contract law and commercial law may recognize substituted performance, substituted contracts, accord and satisfaction, payment of instruments, tender, cancellation, renunciation, or other forms of private-law discharge. But those private-law mechanisms are not the same as legal-tender closure. Legal tender supplies sovereign monetary discharge by virtue of public monetary authority, not merely by virtue of private agreement.[136]

Second, legal tender supports the unit-of-account architecture of the monetary system. United States money is expressed in dollars, and the United States legal order frequently measures tax, wage, income, basis, reporting, accounting, valuation, and remittance consequences in dollar terms, even where private parties use a non-legal-tender instrument to transfer value.[137] This dollar-measurement layer shows that private payment functionality does not necessarily displace sovereign valuation architecture. A crypto transfer may move value, but the legal consequences of that transfer often remain measured in dollars.

Third, legal tender performs a public authority function. Its monetary status does not arise from market popularity, technological efficiency, payment speed, merchant acceptance, network adoption, or private willingness to transact. It arises from constitutional allocation, congressional implementation, and sovereign recognition. Article I, Section 8, Clause 5 vests Congress with authority to coin money and regulate the value thereof, and Congress has implemented legal-tender status through federal law.[138] Federal Reserve notes are further authorized as obligations of the United States and are receivable for taxes, customs, and other public dues. Thus, legal tender expresses public monetary authority rather than merely private transactional preference.[139]

Fourth, legal tender performs a sovereign finality function. It provides the recognized monetary endpoint for obligation-resolution within the legal order where legal-tender status applies.[140] A private settlement instrument may complete the bargain between parties, and a contract may treat an obligation as satisfied. But legal-tender closure asks a different question: whether the obligation has been resolved through a monetary medium carrying sovereign-recognized closure authority. Without that authority, payment, settlement, discharge, recognition, regulation, or taxation may occur while monetary closure remains analytically distinct.

These four functions explain why legal tender cannot be reduced to mere payment convenience. If legal tender were only a convenient medium of payment, then any efficient substitute could be treated as its equivalent. But legal tender does more than facilitate exchange. It supplies the public legal architecture for sovereign monetary discharge, dollar-denominated valuation, public monetary authority, and monetary finality.[141] That architecture is what private settlement instruments lack unless competent legal authority grants equivalent monetary-closure status.

This distinction is especially important in cryptocurrency payment use. A crypto asset may be accepted by private parties, transferred through a blockchain, recognized by contract, valued for tax purposes, regulated by FinCEN, analyzed under securities or commodities law, or processed through payment infrastructure. Yet none of those recognitions necessarily gives the asset the four closure functions of legal tender.[142] It may move value without anchoring valuation in the legal unit of account. It may settle expectations without carrying public authority. It may support private discharge without creating sovereign finality.

Stablecoins illustrate the same point in sharper form. A stablecoin may reference the dollar, seek price stability, maintain reserves, provide redemption rights, or circulate in payment contexts. But dollar reference does not equal dollar issuance; reserve backing does not equal central bank money; redemption rights do not equal legal-tender status; and payment efficiency does not equal sovereign monetary closure. Payment stablecoins may reduce certain transaction frictions and may have implications for liquid-asset markets, bank balance sheets, and monetary-policy

implementation; those implications make the closure distinction more important, not less. Unless law grants equivalent closure status, the stablecoin remains a private settlement instrument, not legal tender.[143]

Accordingly, legal tender should be understood as closure architecture. It is the sovereign legal mechanism through which monetary obligations are resolved within the public monetary order. The Legal Tender Closure Gap Doctrine therefore does not ask only whether cryptocurrency can function as payment. It asks whether cryptocurrency performs the legal-tender functions of sovereign monetary discharge, unit-of-account support, public authority, and sovereign finality. Unless sovereign law supplies those functions, private crypto payment may settle a bargain, and may even support private-law discharge, but it does not necessarily produce legal-tender closure.[144]

§II.J. Closure Versus Value Transfer

A system may transfer value without providing legal-tender closure. That distinction is central to the Legal Tender Closure Gap Doctrine because cryptocurrency networks are capable of moving value, recording transfers, and confirming asset movement, but those technical facts do not by themselves determine the legal effect of the transfer within the sovereign monetary order.[145]

Value transfer describes movement. Legal-tender closure describes sovereign monetary finality. A blockchain may record that a crypto asset moved from one address to another. A wallet may show receipt. A merchant may mark an invoice as paid. A platform may issue a confirmation. The parties may understand the transaction as complete between themselves. Yet none of those facts alone establishes that the instrument used carried United States legal-tender authority, lawful-money status, or sovereign monetary finality.[146] Proof of transfer may be evidence that performance was attempted or completed at the technical layer, but it does not, by itself, establish the legal consequence of that performance.

This distinction does not deny the reality of the transfer. A cryptocurrency transfer may be technologically valid, economically meaningful, commercially accepted, and legally relevant. It may support contract performance, private settlement, tax recognition, accounting treatment, or even discharge of a private obligation where the governing agreement and applicable law so provide.[147] But legal relevance is not the same as legal-tender closure. A transfer may be real without being sovereign money. It may move value without closing the obligation through lawful money.

The difference can be stated simply:

Value transfer asks whether something moved.

Legal-tender closure asks whether the obligation was conclusively resolved through sovereign-recognized monetary authority.

That distinction matters because legal systems do not treat every transfer of value as equivalent. A check may be delivered before final payment occurs. A negotiable instrument may suspend or discharge an obligation depending on commercial-law rules. Goods may be accepted in satisfaction of a debt through agreement. Foreign currency may operate as sovereign money in its issuing jurisdiction without becoming United States legal tender. A controllable electronic record may be recognized as a commercial-law asset without carrying legal-tender status.[148] In each case, value may move or a substitute may be accepted, but the legal consequence depends on the applicable rule of law.

Cryptocurrency belongs within this same analytic discipline. A crypto asset can move across a network with speed, cryptographic verification, and technical finality to the extent supplied by the relevant network architecture and confirmation assumptions. But technical finality is not identical to legal-tender finality. Network confirmation may establish that a transfer occurred; it does not answer whether the transfer satisfied the debt, whether the creditor accepted the asset as full satisfaction, whether the valuation was correct, whether tax obligations were triggered, whether sanctions or reporting duties apply, or whether the transfer produced sovereign monetary closure.[149]

This is especially important where the obligation is denominated in dollars. If a debtor owes $10,000 and tenders cryptocurrency, the transfer may raise several distinct questions. Did the creditor agree to accept that asset? At what valuation? At what time? On what network? Upon what confirmation threshold? Who bears volatility risk? Does discharge occur upon transmission, receipt, confirmation, conversion, or express acceptance? If the creditor accepts the transfer, has the private obligation been discharged, or has only a conditional payment been made? These questions arise because cryptocurrency can transfer value without supplying the default closure architecture that legal tender provides by law.[150]

Tax law reinforces the distinction. Federal tax treatment may recognize a crypto payment as a property disposition, require fair-market-value determination, impose gain or loss recognition, measure wages or income in U.S. dollars, or create reporting obligations.[151] These consequences do not mean the transfer was legally irrelevant. They mean the opposite: the law recognizes that something happened. But the need to translate the event into dollar-denominated tax consequences confirms that the transfer's legal effect remains distinct from payment in lawful money.

Treasury and FinCEN treatment likewise confirms the point. A crypto transfer may implicate money-transmission analysis, Bank Secrecy Act obligations, sanctions screening, reporting duties, hosted-wallet responsibilities, payment-processor obligations, or other compliance concerns depending on the actor and transaction structure.[152] These regimes may regulate the movement of value, but regulation of movement does not convert the instrument into legal tender. Compliance supervision is not monetary closure.

Securities and commodities law also preserve this distinction. A crypto asset may be involved in an investment-contract transaction where securities law applies, or in commodity-related conduct where derivatives, fraud, leverage, swaps, futures, or market infrastructure are implicated.[153] But those classifications address particular regulatory risks and transaction structures. They do not

establish that every movement of the asset performs the legal function of money, nor do they resolve whether a direct payment transfer closes an obligation through sovereign monetary authority.

The distinction between closure and value transfer therefore protects legal precision. It allows the law to recognize that cryptocurrency can move value, settle expectations, trigger tax consequences, implicate compliance duties, and support private-law discharge without collapsing those effects into legal-tender finality.[154] A crypto transfer may be valid as a transfer, effective as private settlement, reportable as a taxable event, and relevant to regulatory analysis. But unless sovereign law grants the instrument monetary finality, the transfer does not carry the same legal effect as payment in lawful money.

Accordingly, the Legal Tender Closure Gap Doctrine treats value transfer as necessary but not sufficient. A payment system may move value efficiently. It may record transactions securely. It may reduce friction. It may satisfy private expectations. But legal-tender closure requires more than movement. It requires sovereign-recognized monetary authority capable of resolving obligations within the legal monetary order.[155]

The doctrinal rule is therefore this:

Cryptocurrency can transfer value across a network, but value transfer alone does not establish legal-tender closure, sovereign monetary finality, or discharge of every obligation connected to the transaction.

§II.K. Proposed Closure Standard

For purposes of this doctrine, a payment instrument achieves monetary closure only when, as a matter of sovereign monetary law, it carries legal authority sufficient to resolve a monetary obligation within the legal order. The proposed closure standard is not intended to displace existing statutory definitions, commercial-law doctrines, tax rules, securities analysis, commodities regulation, Treasury supervision, FinCEN obligations, payment-system rules, or private-law discharge principles. Rather, it provides an analytic test for determining whether a payment instrument does more than transfer value, settle expectations, or satisfy a private bargain. It asks whether the instrument supplies sovereign-recognized monetary finality.[156]

A payment instrument achieves monetary closure when it satisfies five conditions.

First, the instrument must discharge an obligation through a sovereign-recognized monetary medium. Legal tender satisfies this requirement because federal law assigns United States coins and currency, including Federal Reserve notes, legal-tender status for debts, public charges, taxes, and dues.[157] Other instruments may be accepted by private agreement and may support contractual discharge, substituted performance, substituted contract, accord and satisfaction, tender, payment of an instrument, cancellation, renunciation, or other private-law consequences. But private agreement does not itself confer sovereign monetary authority. The closure question therefore asks whether the instrument resolves the obligation through legally recognized money, not merely whether the parties accepted something of value.[158]

Second, the instrument must not depend on separate valuation as a non-money asset to establish its final monetary effect. Where a payment instrument must be independently valued as property, commodity-like value, digital asset, investment asset, private settlement medium, or other non-money asset before its legal effect can be determined, the instrument does not perform the same closure function as lawful money.[159] A cryptocurrency payment may require fair-market-value determination, basis analysis, income recognition, gain or loss calculation, wage measurement, withholding treatment, or reporting analysis. Those valuation requirements indicate that the transfer may be legally relevant, but they also show that the instrument's effect is being translated through the legal unit of account rather than operating as sovereign monetary closure itself.[160]

Third, the instrument must not require conversion, redemption, or liquidation into lawful money in order to establish final monetary value or public-obligation closure. This condition does not refer to ordinary payment processing, banking settlement, clearing mechanics, or operational movement through recognized dollar payment systems. Rather, it addresses instruments whose final monetary effect depends on later conversion into lawful money before taxes, wages, public charges, remittance obligations, or dollar-denominated legal consequences can be conclusively measured or satisfied.[161] Stablecoins illustrate this distinction. A stablecoin may reference the dollar, maintain reserves, promise redemption, reduce volatility, or improve payment efficiency. But dollar reference is not dollar issuance; reserve backing is not central bank money; redemption is not legal tender; and conversion access is not sovereign monetary finality. If the instrument must point back to lawful money to determine final public monetary effect, the instrument may assist private settlement but does not independently provide monetary closure.[162]

Fourth, the instrument must not rely solely on private acceptance for monetary legitimacy. Private parties may accept goods, services, credits, setoff, foreign currency, negotiable instruments, controllable electronic records, cryptocurrency, stablecoins, or other agreed media in satisfaction of a bargain.[163] Such acceptance may be commercially meaningful and legally enforceable. It may support settlement or discharge under contract and commercial law. But private acceptance does not transform the accepted medium into legal tender. Monetary legitimacy, for purposes of sovereign closure, must arise from sovereign recognition or competent legal authority, not merely from market use, network adoption, merchant willingness, private consent, or transactional convenience.[164]

Fifth, the instrument must carry recognized authority against monetary obligations within the legal order. The relevant question is whether the instrument is accepted by law as a monetary endpoint for debts, public charges, taxes, dues, or equivalent monetary obligations.[165] An instrument may be useful, transferable, programmable, liquid, widely adopted, regulated, dollar-referenced, or privately accepted and still lack that authority. It may move value without satisfying public monetary obligations; it may settle a private transaction without closing public-law consequences; it may be recognized by regulators without becoming lawful money.[166]

These five conditions create a disciplined separation between value movement and monetary closure. A payment instrument may be technologically efficient, commercially useful, contractually accepted, taxable, regulated, and even sufficient to discharge a private obligation under applicable law. But unless it satisfies the closure standard, it remains outside legal-tender finality.[167]

The following table converts the proposed closure standard into a practical diagnostic test. Its purpose is to make the doctrine operational for courts, policymakers, regulators, financial institutions, merchants, and the public. Each condition asks whether the instrument performs a sovereign monetary function, rather than merely a private payment function. If an instrument fails one or more conditions, it may still be useful, lawful, valuable, accepted, taxable, regulated, or enforceable by agreement. But it should not be mistaken for a monetary instrument that supplies legal-tender closure. Table 1 therefore provides a structured method for distinguishing private value transfer from sovereign monetary finality.

Table 1. Proposed Monetary Closure Standard

Closure Condition	Legal Question	Example	Layman's Explanation	If the Answer Is "No"
1. Sovereign-Recognized Monetary Medium	Does the instrument discharge an obligation through money recognized by sovereign law?	U.S. coins and currency, including Federal Reserve notes, are legal tender for debts, public charges, taxes, and dues.[157]	The government has legally recognized this money as capable of closing obligations.	The instrument may still be accepted privately, and private-law doctrines may recognize settlement or discharge, but private acceptance does not make it sovereign money.[158]
2. No Separate Non-Money Asset Valuation Required	Does the instrument avoid separate valuation as property, a digital asset, commodity-like asset, investment asset, or other non-money asset before its final legal effect can be determined?	Paying with cryptocurrency may require fair-market-value calculation, basis analysis, gain/loss recognition, income recognition, wage measurement, withholding treatment, or reporting analysis.[159] [160]	If the law has to stop and ask, "What was this asset worth in dollars?" then the instrument is not operating like lawful money.	The transfer may be legally relevant, but it is being translated into the legal unit of account rather than acting as monetary closure itself.[160]

3. No Conversion, Redemption, or Liquidation Required for Final Public Monetary Effect	Can the instrument close the obligation without needing conversion, redemption, or liquidation into lawful money to establish final value or satisfy public obligations?	A stablecoin may reference the dollar, maintain reserves, promise redemption, or reduce volatility, but redemption is not legal tender, reserve backing is not central bank money, and conversion access is not sovereign monetary finality.[161] [162]	If the instrument must point back to dollars to finish the legal job, it has not replaced the dollar's closure role.	The instrument may assist private settlement, but it does not independently provide sovereign monetary closure.[162]
4. Monetary Legitimacy Does Not Depend Solely on Private Acceptance	Does the instrument's monetary status arise from sovereign recognition rather than merely from private agreement, market use, merchant acceptance, network adoption, or transactional convenience?	Parties may agree to accept goods, services, credits, setoff, foreign currency, negotiable instruments, digital assets, stablecoins, or other agreed media in satisfaction of a bargain.[163]	People can agree to accept many things, but agreement alone does not turn those things into legal tender.	The instrument may settle a private bargain, but it does not gain sovereign monetary legitimacy by popularity, convenience, contract, or private acceptance alone.[164]
5. Recognized Authority Against Monetary Obligations	Is the instrument accepted by law as a monetary endpoint for debts, public charges, taxes, dues, or equivalent monetary obligations within the legal order?	Legal tender has recognized authority against debts, public charges, taxes, and dues.[165]	Can this instrument close what the law itself treats as a money obligation?	The instrument may move value, settle privately, be taxed, or be regulated, but it does not close public-law monetary obligations as lawful money unless competent legal authority grants that closure status.[166]

Policymaker formulation: A payment instrument achieves monetary closure only when it resolves an obligation through sovereign-recognized money, does not require separate non-money asset valuation, does not depend on conversion into lawful money for final public monetary effect, does not rely solely on private acceptance for monetary legitimacy, and carries recognized authority against monetary obligations within the legal order.

Source Notation: This formulation synthesizes the legal-tender authority of United States coins and currency, including Federal Reserve notes, with the private-law distinction between contractual discharge and sovereign monetary closure. Federal law assigns legal-tender status to United States coins and currency for debts, public charges, taxes, and dues, while commercial-law and contract doctrines recognize that parties may privately accept substitute media without converting those media into sovereign money. Federal tax authorities separately treat digital assets as property rather than currency, requiring valuation, income, basis, withholding, and reporting analysis where applicable. Stablecoin materials likewise confirm that dollar reference, reserve backing, redemption, and payment functionality may support private settlement but do not themselves create legal-tender status or central bank money.[157]–[165]

The proposed closure standard therefore prevents three errors.

First, it prevents **technical-function error**: the assumption that because a network can move value, the transfer necessarily closes an obligation in the legal-tender sense.

Second, it prevents **private-acceptance error**: the assumption that because parties agree to accept an instrument, the instrument thereby becomes sovereign money.

Third, it prevents **regulatory-recognition error**: the assumption that because a transaction is taxed, regulated, screened, supervised, or analyzed by a public authority, the instrument used has achieved monetary status.[168]

Applied to cryptocurrency, the standard clarifies the doctrine's central claim. A crypto asset may be transferred as payment. It may be accepted by a merchant. It may settle expectations between parties. It may produce tax consequences. It may trigger FinCEN, Treasury, securities, commodities, sanctions, banking, labor, consumer-protection, or payment-system analysis. It may even contribute to private-law discharge where the parties clearly agree and applicable law recognizes the arrangement. But unless the instrument itself satisfies the proposed closure standard, the transaction remains a form of private settlement without sovereign monetary closure.[169]

Accordingly, the proposed closure standard may be stated as follows:

A payment instrument achieves monetary closure only when it resolves an obligation through sovereign-recognized monetary authority, without depending on separate valuation as a non-money asset, conversion into lawful money for final public monetary effect, private acceptance alone, or derivative regulatory recognition to establish its final monetary status.

This standard is intentionally narrow. It does not deny private autonomy. It does not prohibit alternative payment instruments. It does not prevent cryptocurrency, stablecoins, foreign currency, goods, services, credits, negotiable instruments, setoff, or other media from being accepted by agreement. It simply preserves the constitutional and legal distinction between a medium that may settle a private bargain and a monetary instrument that carries sovereign-recognized closure authority within the legal order.[170]

§II.L. Doctrinal Claim

The doctrinal claim of this chapter is straightforward: cryptocurrency can transfer value, but value transfer is not the same as legal-tender closure. [171] A blockchain may record movement. A wallet may receive an asset. A merchant may accept a transfer. A platform may confirm completion. A contract may treat the bargain as satisfied. Tax law may recognize a disposition. Treasury, FinCEN, securities, commodities, sanctions, banking, labor, consumer-protection, or payment-system frameworks may regulate the transaction. Yet none of those facts, standing alone, establishes that the instrument used has achieved sovereign monetary finality.[172]

This distinction preserves the architecture of the doctrine. Payment describes the act of tendering or transferring value. Settlement describes the practical or party-level resolution of a bargain. Discharge describes legal satisfaction, release, substitution, suspension, cancellation, or termination of an obligation under applicable law. Monetary closure describes sovereign-recognized finality through lawful money, legal tender, or an equivalent monetary instrument recognized by competent legal authority.[173] These events may overlap in a particular transaction, but they are not identical.

Cryptocurrency payment use often appears complete because the private layer has resolved. The parties may believe the bargain is finished. The asset may have moved. The invoice may be marked paid. The transfer may be irreversible, or practically final, at the network layer depending on the relevant protocol and confirmation assumptions. But legal-tender closure asks a different question: whether the obligation was resolved through a sovereign-recognized monetary medium carrying authority within the legal monetary order.[174] A private settlement instrument may perform some money-like functions without occupying the legal office of money itself.

The doctrine therefore rejects two opposing errors. The first error is to treat cryptocurrency payment as legally irrelevant merely because it is not legal tender. That is incorrect. Cryptocurrency may be valuable, transferable, taxable, regulated, contractually accepted, and capable of supporting private-law discharge where the governing agreement and applicable law so provide.[175] The second error is to treat cryptocurrency payment as equivalent to lawful money merely because parties accept it, because a network confirms transfer, or because a regulator recognizes some legal consequence arising from the transaction. That is also incorrect. Private acceptance, technological confirmation, tax recognition, or regulatory supervision does not itself create legal-tender status.[176]

The proper rule lies between those errors:

Cryptocurrency may close a private bargain without closing the obligation through legal tender.

This distinction does not deny private-law discharge; it denies only that private-law discharge automatically supplies sovereign monetary finality. A creditor may agree to accept cryptocurrency in satisfaction of a private obligation, and applicable law may recognize that agreement. But the monetary status of the instrument remains a separate question. The legal effect of an agreed discharge does not transform the accepted medium into lawful money, just as regulation of a transfer does not convert the transfer instrument into sovereign currency.[177]

This is the legal-tender closure gap. It is the space between what private parties can accomplish through agreement and what sovereign monetary law alone can accomplish through recognized monetary authority. A crypto payment may satisfy expectations between parties, but it may still leave dollar valuation, tax recognition, employment withholding, sanctions screening, reporting obligations, custody treatment, accounting classification, conversion dependency, public-obligation remittance, or payment-system consequences unresolved. Those residual consequences do not make the transaction meaningless; they show that value transfer and monetary closure are different legal events.[178]

The chapter's proposed closure standard therefore supplies the necessary test. A payment instrument achieves monetary closure only when it resolves an obligation through sovereign-recognized monetary authority, without depending on separate valuation as a non-money asset, conversion into lawful money for final public monetary effect, private acceptance alone, or derivative regulatory recognition to establish its final monetary status.[179] If a payment instrument cannot satisfy that standard, it may still operate as a private settlement instrument, and it may still have legal consequences. But it should not be mistaken for legal tender.

Accordingly, the doctrinal claim may be stated in final form:

Cryptocurrency can transfer value, settle private expectations, and support contractual discharge where applicable law allows; but unless sovereign law grants the instrument monetary finality, value transfer does not equal legal-tender closure.[180]

§III. The Transactional Posture Framework

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§III.A. Asset Identity Is Not Enough

Asset identity is not enough to resolve the legal treatment of cryptocurrency payment use. The same crypto asset may occupy different legal postures depending on how it is used, who uses it, what transaction structure surrounds it, what expectations are created, what legal obligations are being performed, and what regulatory regime is independently triggered.[181] A crypto asset may remain technologically unchanged while moving through securities posture, commodities-market posture, property posture, custody posture, collateral posture, payment posture, or compliance posture.

The question is therefore not only:

What is the asset?

The better question is:

What is the transaction asking the asset to do?

This use-based inquiry supplements rather than replaces asset classification. The asset's legal category remains relevant, but it does not exhaust the legal analysis where transactional function changes posture. A token may be analyzed under one legal framework when sold as part of an investment arrangement, another when traded through market infrastructure, another when held or disposed of as property, and another when accepted as payment for goods, services, wages, invoices, debts, or contractual performance.[182]

That question is necessary because law often assigns meaning by function rather than object identity alone. A thing may retain its physical, technological, or formal identity while its legal significance changes according to use. A crypto asset sold to raise capital may raise securities-law questions. A crypto asset traded through derivatives, swaps, futures, leverage, margin, fraud, or exchange-mediated market infrastructure may raise commodities or market-integrity questions. A crypto asset held, disposed of, exchanged, gifted, inherited, or used to purchase goods or services may raise property and tax questions. A crypto asset transmitted through hosted wallets, exchanges, payment processors, stablecoin issuers, or cross-border channels may raise Treasury, FinCEN, sanctions, banking, or payment-system questions.[183]

Payment use presents a different posture. When a crypto asset is transferred to satisfy an invoice, compensate services, settle a private debt, purchase goods, pay wages, or perform a contractual obligation, the asset is being asked to perform a payment function. That does not mean securities, commodities, tax, Treasury, FinCEN, sanctions, labor, consumer-protection, or payment-system

law disappear. Those regimes may still apply where their triggering facts are independently present. But payment posture cannot be reduced to asset identity alone, because the transaction is asking the asset to do something different from investment sale, market trading, passive holding, or collateralization.[184]

This distinction is already familiar in securities law. The relevant inquiry under the investment-contract framework is not merely whether an object, instrument, or asset exists, but whether the transaction or scheme involves investment of money in a common enterprise with profits expected from the efforts of others.[185] Securities doctrine has long recognized that substance, economic reality, context, and function matter more than labels alone. Thus, the same underlying asset may be involved in one transaction that raises securities concerns and another transaction that does not, depending on structure, promotion, reliance, expectations, and economic reality. Crypto analysis therefore cannot stop at the token's identity. It must examine the transaction in which the token appears.[186]

The same principle applies outside securities law. Commodity classification may matter where commodity-market conduct, derivatives, fraud, leverage, swaps, futures, or market infrastructure are involved. But commodity classification does not automatically answer whether a direct transfer of the asset for goods or services produces legal-tender closure. Property classification may matter for tax purposes. But property treatment does not answer whether the asset has become lawful money. FinCEN or Treasury treatment may regulate the movement of value. But compliance supervision does not convert the instrument into legal tender.[187]

Asset identity therefore supplies only the first layer of analysis. It may identify the thing transferred, but not necessarily the legal function performed. The legal posture depends on the relationship between the asset, the transaction, the parties, the surrounding facts, and the legal consequence being claimed. If a crypto asset is sold with profit expectations and managerial reliance, the legal system may ask whether the transaction is an investment contract. If the same asset is transferred to pay an invoice, the legal system must ask whether the transfer constitutes payment, settlement, discharge, private acceptance, or legal-tender closure. Those are different questions.[188]

This is why classification rigidity is insufficient. A rigid classification approach assumes that once a crypto asset is labeled a security, commodity, property interest, digital asset, payment token, or stablecoin, that label resolves the transaction. But legal posture is not exhausted by category. A crypto asset may be one thing in technological identity and several things in legal function. The doctrine therefore requires a use-based inquiry: what is the asset being asked to accomplish in this transaction?[189]

The answer matters most in payment contexts. A payment transaction asks the crypto asset to perform a money-like function. It asks the asset to move value toward satisfaction of an obligation. It may settle expectations between parties. It may contribute to private-law discharge if the governing legal framework recognizes the agreement. But unless the instrument satisfies the proposed monetary-closure standard, payment use does not transform the asset into lawful money or create legal-tender finality.[190]

Accordingly, this chapter begins with the following premise:

A crypto asset may remain constant in identity while changing in legal posture. The legal question is not merely what the asset is, but what the transaction asks the asset to do.

That premise governs the analysis that follows. It explains why payment posture must be separated from investment-product sale, commodities-market trading, property disposition, custody treatment, and compliance regulation. It also explains why cryptocurrency payment use can be real, useful, taxable, regulated, and privately effective while still failing to produce legal-tender closure.[191]

§III.B. Four Core Transactional Postures

For purposes of this doctrine, a crypto asset may occupy at least four core transactional postures: **investment posture, market posture, property posture, and payment posture**. These postures are not defined by the asset's technological identity alone. They are defined by the legal function the transaction asks the asset to perform.[192] A crypto asset may remain the same asset at the code, ledger, network, or market level while entering different legal environments depending on whether it is being sold for investment, traded through market infrastructure, held or disposed of as property, or transferred directly as payment.

These four postures are not exhaustive. Other postures may arise, including custody posture, collateral posture, governance posture, lending posture, staking posture, payment-processing posture, or compliance posture. This doctrine isolates investment, market, property, and payment posture because those are the four recurring categories most likely to be confused with one another when cryptocurrency is used as payment. The categories may also stack: a single crypto transaction may involve payment posture while simultaneously producing property-tax consequences, custody obligations, sanctions exposure, reporting duties, or market-infrastructure concerns.[193]

These postures are therefore analytic categories, not rigid silos. A single transaction may implicate more than one posture. For example, a crypto asset used as payment may still produce property-tax consequences. A stablecoin payment may still implicate Treasury, FinCEN, sanctions, custody, reserve, or payment-system concerns. A token sold to purchasers with profit expectations may implicate securities analysis even if the same token later circulates in payment contexts. The posture framework therefore does not eliminate existing legal categories. It organizes them by function.[194]

1. Investment Posture

A crypto asset enters investment posture when it is offered, sold, distributed, marketed, or structured in a transaction involving capital formation, investment expectation, reliance on managerial or entrepreneurial efforts, pooling, yield, staking economics, issuer promotion, or similar investment-contract characteristics.[195] In this posture, the legal question is not merely

whether the asset exists or has market value. The question is whether the surrounding transaction or scheme creates an investment relationship that falls within securities-law analysis.

Investment posture is transaction-specific. The same underlying crypto asset may enter investment posture if it is sold in a fundraising arrangement, promoted with expected appreciation, tied to the efforts of an issuer or managerial group, bundled into a yield program, pooled with other purchaser funds, structured around staking economics, or otherwise positioned so that purchasers reasonably expect profits from the efforts of others.[196] The asset's technological form does not control the inquiry. Substance, economic reality, promotion, reliance, expectations, and transaction structure matter.

This posture is important because the Legal Tender Closure Gap Doctrine does not argue that payment use immunizes crypto assets from securities law. Where investment-contract characteristics are independently present, securities analysis remains relevant. The doctrine's claim is narrower: payment use should not be automatically collapsed into investment posture merely because a crypto asset is involved. A transfer to purchase goods, compensate services, or satisfy an invoice is analytically different from a capital-raising sale, yield arrangement, or investment scheme.[197]

2. Market Posture

A crypto asset enters market posture when it is traded, exchanged, leveraged, margined, paired, cleared, routed, or custodied as part of market infrastructure, especially where derivatives, swaps, futures, leverage, margin, fraud, manipulation, exchange-mediated activity, clearing mechanisms, or trading-platform infrastructure are involved.[198] In this posture, the relevant legal concerns often involve market integrity, trading conduct, counterparty risk, platform supervision, custody within trading infrastructure, leverage exposure, derivatives exposure, fraud prevention, liquidity, and systemic market effects.

Market posture is distinct from payment posture because the transaction is asking the asset to function as a traded, exchange-mediated, or market-infrastructure asset rather than as a direct substitute medium of settlement. A crypto asset traded on an exchange, used in a futures contract, paired against another asset, routed through leveraged infrastructure, or custodied as part of trading activity presents different legal questions from a wallet-to-wallet payment made to satisfy a private obligation.[199]

This distinction does not mean the asset loses commodity relevance when used as payment. A digital asset may still fall within commodity-related analysis where fraud, derivatives, swaps, futures, leverage, margin, or market infrastructure are implicated. But commodity or market classification does not by itself answer whether a direct payment transfer produces legal-tender closure. Market posture asks how the asset functions in trading and market infrastructure. Payment posture asks whether the asset is being used to satisfy an obligation. Those questions may overlap, but they are not identical.[200]

3. Property Posture

A crypto asset enters property posture when it is held, transferred, inherited, gifted, pledged, accounted for, disposed of, exchanged, valued, or taxed as property, where the relevant legal issue concerns ownership, valuation, accounting, tax, inheritance, gift, collateral, or property treatment.[201] In this posture, the legal system treats the asset as an object of ownership, disposition, accounting, valuation, or tax measurement rather than as lawful money. Property posture may arise when a taxpayer sells cryptocurrency, exchanges it, uses it to purchase goods or services, receives it as income, gifts it, inherits it, pledges it as collateral, records it on a balance sheet, or otherwise changes ownership or value position.

Property posture is central to the closure analysis because federal tax treatment may require the transaction to be translated back into dollar-denominated consequences. A crypto payment may require fair-market-value determination, basis calculation, gain or loss recognition, income recognition, wage measurement, withholding treatment, information reporting, or accounting treatment.[202] These consequences confirm that the transfer may be legally significant, but they also show that the instrument's legal effect is being measured through the dollar unit of account rather than operating as sovereign monetary closure.

This posture does not prevent cryptocurrency from being used as payment. It clarifies that payment use does not erase property treatment. A crypto asset can be used to settle a private bargain while still being treated as property for tax purposes. That dual posture is one reason the doctrine distinguishes value transfer, private settlement, discharge, and legal-tender closure.[203]

4. Payment Posture

A crypto asset enters payment posture when it is transferred, tendered, or accepted directly to satisfy an invoice, purchase, wage obligation, service agreement, vendor account, private debt, contractual duty, remittance, settlement agreement, or other obligation.[204] In this posture, the asset is being asked to perform a money-like function: it is being used to move value toward satisfaction of an obligation.

Payment posture is distinct because the transaction is not naturally operating as an investment-product sale, commodities-market trade, or passive property holding. The asset may still be subject to securities, commodities, tax, Treasury, FinCEN, sanctions, labor, consumer-protection, banking, accounting, custody, or payment-system analysis where those regimes are independently triggered. But the immediate legal function is payment: the parties are using the asset as a substitute medium of settlement.[205]

Payment posture therefore raises the central question of this doctrine: when cryptocurrency is used as payment, what actually closes? The private bargain may close. The parties may accept the transfer. The invoice may be marked paid. The obligation may even be discharged under applicable private law if the agreement and legal framework support that result. But unless the instrument satisfies the proposed monetary-closure standard, payment posture does not create legal-tender closure.[206]

The four-posture framework may therefore be summarized through two complementary tables. **Table 2** provides the legal translation layer: it identifies each posture, the core function performed by the asset, and the primary legal question that follows from that function. **Table 3** then applies the same framework through real-world examples and plain-language explanation, showing how the same crypto asset may change legal posture when the transaction changes what the asset is being asked to do.

Table 2. Four Core Transactional Postures of a Crypto Asset

Transactional Posture	Core Function	Primary Legal Question
Investment Posture	Capital formation, profit expectation, reliance on managerial or entrepreneurial efforts, pooling, yield, staking economics, issuer promotion, or issuer-driven value.[209]	Does the transaction implicate securities-law analysis because the asset is being offered, sold, marketed, or structured as part of an investment relationship?[210]
Market Posture	Trading, exchange activity, leverage, margin, derivatives, swaps, futures, clearing, custody within market infrastructure, paired trading, routing, market manipulation risk, or platform-mediated activity.[211]	Does the transaction implicate commodities, derivatives, market-integrity, trading, clearing, custody, or exchange-infrastructure regulation?[212]
Property Posture	Holding, disposition, valuation, tax treatment, accounting treatment, inheritance, gift, pledge, collateralization, ownership transfer, or balance-sheet recognition.[213]	Does the transaction produce property, tax, valuation, accounting, ownership, basis, gain/loss, income-recognition, or collateral consequences?[214]
Payment Posture	Direct transfer, tender, or acceptance of a crypto asset to satisfy goods, services, wages, invoices, vendor accounts, private debts, remittances, settlement agreements, or contractual obligations.[215]	Does the transfer produce private settlement, contractual discharge, public-law consequences, or legal-tender closure?[216]

Doctrinal Note
These postures are analytic categories, not mutually exclusive silos. A single transaction may involve more than one posture. For example, a crypto payment may enter payment posture while simultaneously producing property-tax consequences, FinCEN or sanctions exposure, custody duties, or reporting obligations. The purpose of the posture framework is therefore not to replace existing classification regimes, but to identify the legal function the transaction asks the crypto asset to perform.[217]

The posture question is simple:

Is the asset being used to raise investment value, trade through markets, hold or dispose of property, or pay an obligation?

The asset may be the same in each setting. The legal posture changes because the transaction changes what the asset is being asked to do.

Table 2 provides the legal question. Table 3 provides the practical application. The next table translates the same posture framework into ordinary commercial examples so that policymakers, courts, institutions, and the public can see why the legal posture changes even when the asset remains technologically the same.

Table 3. Real-World Examples of the Four Core Transactional Postures

Transactional Posture	Real-World Example	What the Asset Is Being Asked To Do	Layman's Explanation
Investment Posture	A crypto project sells tokens to raise funds for building a platform and markets the token by emphasizing future growth, issuer development, staking rewards, yield, pooling, appreciation, or profit potential tied to the work of the project team.[218]	The asset is being used to raise capital or create investment exposure based on the efforts of others.[219]	The buyer is not merely using the token. The buyer is putting money into a project and expecting the team's work, promotion, or management to increase value. That is why securities-law questions may arise.
Market Posture	A trader uses a crypto asset on an exchange, margin platform, derivatives venue, futures market, swap arrangement, leveraged account, paired-trading market, clearing system, or custodial trading platform.[220]	The asset is being used as a traded market asset within financial or exchange infrastructure.[221]	The token is not being used to buy groceries, pay wages, or settle an invoice. It is being used inside a market structure where trading, leverage, fraud, manipulation, derivatives, custody, or exchange activity may matter.
Property Posture	A person buys Bitcoin, Ether, or another digital asset, holds it in a wallet, later sells it, exchanges it, gifts it, inherits it, pledges it as collateral, accounts for it on a balance sheet, or uses it to buy goods or services.[222]	The asset is being treated as owned property subject to valuation, disposition, tax, accounting, basis, gain/loss, income, or collateral consequences.[223]	The law asks: What was the asset worth? Was there income? Was there gain or loss? What was the basis? How should it be reported? Even if the asset is used to pay for something, tax law may still treat the event as a property disposition.
Payment Posture	A contractor accepts Bitcoin or USDC to satisfy an invoice; a merchant accepts crypto for goods; an employer pays wages in crypto where permitted; or a private debtor transfers crypto to settle a debt.[224]	The asset is being used as a substitute payment or settlement medium to satisfy an obligation.[225]	The parties may treat the bargain as paid or settled, but that does not automatically make the crypto legal tender. The private transaction may close while tax, payroll, sanctions, reporting, accounting, or legal-tender closure questions remain.

Doctrinal Note
Table 3 translates the four-posture framework into real-world examples. The purpose is not to create rigid or mutually exclusive categories. A single transaction may involve more than one posture. For example, a crypto payment may enter payment posture while also creating property-tax consequences, reporting duties, sanctions exposure, or custody obligations. The table's purpose is to show that the same crypto asset may trigger different legal questions depending on whether the transaction asks it to raise investment capital, trade through market infrastructure, function as owned property, or satisfy an obligation.[226]

Together, Tables 2 and 3 make the posture framework operational. Table 2 tells the reader what law must ask. Table 3 shows why the answer changes in ordinary commercial life. The asset may remain the same, but the legal question changes because the transaction changes what the asset is being asked to do.

This framework preserves classification integrity. It allows the same crypto asset to be analyzed according to the legal function it performs in a particular transaction. It also prevents the central error this doctrine seeks to avoid: treating every use of a crypto asset as though asset identity alone resolves legal posture. Asset identity matters, but posture determines the operative legal question.[207]

[208] **Doctrinal Clarification — Non-Fungible Tokens, Digital Collectibles, and Capital-Raising Structures.** This doctrine does not use "cryptocurrency" to refer generally to non-fungible tokens, digital collectibles, or unique tokenized media assets when those instruments function primarily as non-fungible records, collectibles, artwork, access rights, membership tokens, game items, fan assets, or media-linked identifiers rather than generalized payment media. NFTs are ordinarily distinct from cryptocurrency payment instruments because they are not designed to serve as fungible settlement media across transactions. However, the NFT label does not control the legal analysis. Where NFTs are structured, fractionalized, pooled, marketed, sold, or deployed to raise capital, finance a project, create investment expectations, distribute revenue, provide yield, route funds through DeFi structures, or rely on managerial or entrepreneurial efforts, the relevant transaction may enter investment posture or market posture notwithstanding the non-fungible form. Likewise, where an NFT is used as collateral, custody object, payment instrument, or compliance-relevant asset, other legal postures may be independently triggered. The distinction is therefore functional rather than formal: ordinary NFT collectibility is outside the core scope of this doctrine, but NFT-based capital formation, pooled finance, fractionalization, DeFi fundraising, market trading, collateralization, or payment use is not exempt from legal analysis merely because the instrument is labeled "non-fungible." See SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 852–53 (1975); Reves v. Ernst & Young, 494 U.S. 56 (1990); Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Securities and Exchange Commission, Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets, Securities Act Release No. 11412, Exchange Act Release No. 105020 (Mar. 17, 2026); Commodity Futures Trading Commission, CFTC Joins SEC to Clarify the Application of Federal Securities Laws to Crypto Assets, Release No. 9198-26 (Mar. 17, 2026); In re Impact Theory, LLC, Securities Act Release No. 11226 (Aug. 28, 2023); In re Stoner Cats 2, LLC, Securities Act Release No. 11233 (Sept. 13, 2023); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1.

§III.C. The Payment Posture Is Distinct

Payment posture is not naturally reducible to securities offering, commodities-market trading, or passive property holding. It is a private settlement use with possible public-law consequences.[227]

When cryptocurrency is transferred directly to satisfy an invoice, purchase goods, compensate services, pay wages, settle a private debt, perform a contractual duty, transmit a remittance, or complete another obligation, the transaction is asking the asset to perform a payment function rather than an investment, market-trading, or passive holding function. The asset may remain the same at the technological level, but the legal posture changes because the transaction changes what the asset is being asked to do.

Payment posture is therefore functionally distinct, not legally immune. The transaction may still trigger securities, commodities, tax, Treasury, FinCEN, sanctions, labor, consumer-protection, banking, accounting, custody, or payment-system consequences where the facts independently support those regimes.[228] Payment posture is distinct not because it escapes law, but because the legal question it presents is different. The question is no longer merely whether the asset was sold as an investment product, traded through market infrastructure, or held and disposed of as property. The question becomes whether a privately accepted crypto transfer constitutes payment, produces settlement, supports legal discharge, leaves residual public obligations, or achieves legal-tender closure.

Securities law illustrates the point. A crypto asset may enter investment posture when the relevant transaction or scheme involves investment of money, common enterprise, expectation of profits, and reliance on the efforts of others.[229] Capital formation, issuer promotion, managerial dependence, yield structures, staking economics, pooling, or similar investment-contract features may properly trigger securities analysis where they are independently present.[230] But those features are not inherent in every direct payment transfer. A customer who transfers cryptocurrency to buy a product, a merchant who accepts a stablecoin for an invoice, or a contractor who receives crypto for completed services is not, by that payment fact alone, entering the same legal relationship as a purchaser in a capital-raising transaction. Payment posture does not defeat securities analysis where investment-contract facts are independently present; it prevents payment use from being automatically collapsed into securities posture merely because a crypto asset is involved.

Commodities and market regulation similarly illustrate the distinction. A crypto asset may enter market posture when it is traded through exchanges, derivatives, swaps, futures, leverage, margin, fraud, manipulation, clearing, custody, or other market infrastructure.[231] In that posture, the law may focus on market integrity, trading conduct, derivatives exposure, platform supervision, counterparty risk, liquidity, custody within trading infrastructure, and manipulation prevention. But a direct crypto transfer used to satisfy a private obligation does not naturally perform the same legal function as a futures trade, leveraged exchange position, swap transaction, or market-manipulation event. Market classification may remain relevant where market conduct is independently present, but it does not answer whether a direct payment transfer produces private settlement, discharge, public-law residue, or legal-tender closure.[232]

Property and tax treatment also preserve the distinction. Federal tax authorities treat digital assets as property, not currency, for U.S. tax purposes, and a crypto payment may require dollar-denominated fair-market-value measurement, basis analysis, gain or loss recognition, income treatment, wage measurement, withholding treatment, or reporting analysis.[233] These consequences show that payment use does not erase property posture. But property posture likewise does not exhaust payment posture. A crypto asset can be used to settle a private bargain while still being treated as property for tax purposes. That dual treatment is precisely why payment posture must be analyzed separately from passive holding or ordinary asset disposition.[234]

The private-law dimension is equally important. Parties may agree to accept goods, services, setoff, foreign currency, negotiable instruments, controllable electronic records, cryptocurrency, stablecoins, or other substitute media in satisfaction of a private obligation. Contract and commercial law may recognize substituted performance, substituted contract, accord and satisfaction, payment or discharge of instruments, tender, cancellation, renunciation, or other private-law consequences.[235] But private-law recognition does not convert the accepted instrument into legal tender. The creditor's willingness to accept cryptocurrency may close the bargain between the parties, and may even discharge the private obligation where applicable law supports that result, but it does not itself grant the crypto asset sovereign monetary authority.[236]

This is the defining feature of payment posture. It asks a crypto asset to perform a money-like function without necessarily possessing the legal office of money. The asset is used as a substitute medium of settlement. It moves value toward satisfaction of an obligation. It may resolve expectations between parties. It may generate legally significant consequences. But unless sovereign law grants legal-tender status or equivalent monetary-closure authority, the payment remains private settlement rather than sovereign monetary closure.[237]

The distinction may be stated simply:

Investment posture asks whether the transaction uses the asset to raise capital or create an expectation of profit, yield, appreciation, or financial return based, in whole or substantial part, on the managerial, entrepreneurial, or third-party efforts of others.

Market posture asks whether the asset is being used as a traded or exchange-mediated instrument in a transaction involving market infrastructure, leverage, derivatives, clearing, custody, fraud, manipulation, or commodity-market conduct.

Property posture asks whether the asset is being owned, valued in U.S. dollars, received, exchanged, disposed of, accounted for, or taxed in a way that produces basis, gain/loss, income, withholding, reporting, or other property-law consequences.

Payment posture asks whether the asset is being used as a substitute payment or settlement medium to satisfy an obligation, and whether that use produces private settlement without sovereign monetary closure.

Accordingly, payment posture should be treated as a distinct legal posture. Cryptocurrency and digital assets compress distinctions that traditional markets often separated by physical form,

institutional channel, or instrument type. In earlier market architecture, securities, commodities, money, negotiable instruments, and property often appeared through different instruments, custodial systems, documents, markets, or physical media. Digital formation alters that visibility. The same crypto asset may retain an identical technological form while moving across investment posture, market posture, property posture, custody posture, collateral posture, compliance posture, or payment posture depending on how it is used. For that reason, legal analysis cannot stop at asset identity. It must ask what function the transaction assigns to the asset. Payment posture is not an automatic securities offering merely because a crypto asset is involved. It is not automatically commodities-market trading merely because a digital asset may be commodity-like. It is not merely passive property holding because the asset is being actively tendered toward performance. It is private settlement use with possible public-law consequences — and must be evaluated through payment, settlement, discharge, residual public obligations, and legal-tender closure rather than through asset classification alone. Where physical markets once helped separate legal categories by form, digital assets require law to separate those categories by function.[238]

§III.C.1. The Contestability Problem in Crypto Payment Posture

Payment posture is distinct because it operates through private settlement rather than sovereign monetary closure. That distinction becomes most visible when the parties later disagree about whether a cryptocurrency transfer actually satisfied the obligation.[239] The legal issue is not whether cryptocurrency can ever be accepted as payment. It can. Parties may agree to accept a crypto asset for goods, services, wages, invoices, private debts, contractual performance, remittances, or other obligations.[240] The harder question is whether the parties clearly established the conditions under which the crypto transfer would count as payment, settlement, discharge, or full satisfaction of the obligation.

Legal tender reduces contestability because sovereign law supplies closure status. If an obligation is payable in dollars and is satisfied through United States legal tender, the monetary status of the payment medium is not ordinarily the central dispute. Federal law assigns United States coins and currency, including Federal Reserve notes, legal-tender status for debts, public charges, taxes, and dues.[241] In that setting, law supplies the closure architecture. By contrast, cryptocurrency does not carry the same default sovereign closure authority. Its legal effect may depend on the parties' agreement, governing law, transaction terms, asset selected, network used, timing of receipt, valuation method, confirmation standard, and allocation of risk.[242]

This makes crypto payment posture inherently more contestable unless the parties define the closure mechanics in advance.

The problem can be illustrated simply. Suppose a small business hires a contractor to complete a technical project for $25,000. After the work is completed, the contractor agrees by text message to "take crypto" as payment. The business sends cryptocurrency the business believes to be equivalent to $25,000 based on the quoted market price at the time of transmission. The transaction is broadcast to the blockchain. Several confirmations occur. The business marks the invoice paid.

Two days later, the value of the crypto asset falls sharply. The contractor argues that the obligation was not discharged because the agreement did not specify whether the debt was denominated in dollars or crypto units, did not define the valuation time, did not identify whether transmission, wallet receipt, blockchain confirmation, conversion, or express acceptance would constitute final satisfaction, and did not allocate volatility risk. The contractor claims the invoice remains payable in dollars. The business responds that the contractor agreed to accept crypto, received the transfer, and therefore the obligation was satisfied.

At that point, the dispute is no longer about whether cryptocurrency exists, whether the asset moved, or whether the blockchain recorded the transfer. Those facts may be clear. The dispute is about legal effect.[243] A blockchain record may help prove that a transfer occurred, but proof of transfer does not, by itself, establish whether legal discharge occurred, whether the creditor accepted the asset as full satisfaction, or whether legal-tender closure was supplied.

A court may therefore have to ask several questions:

Was there mutual assent to crypto payment?

Was the agreement sufficiently definite?

Was there a reasonably certain basis for determining breach or remedy?

Was the debt denominated in dollars or in units of the crypto asset?

Which asset was accepted?

Which network was authorized?

When did payment legally occur?

Was the transfer conditional or final?

Did discharge occur upon transmission, wallet receipt, blockchain confirmation, conversion into dollars, or express acceptance?

Who bore the risk of price movement between transmission and conversion?

What happens if the wrong chain was used, the wrong wallet address was supplied, or the transaction failed?

Was the creditor accepting cryptocurrency as full satisfaction, or merely accepting a payment method subject to later valuation?

Did either party act inconsistently with good faith in performance or enforcement?

This is the contestability problem.

This contestability is not merely theoretical. A disputed crypto payment would present an attractive test case for capable counsel because the argument need not challenge cryptocurrency as a whole. The argument need only assert that the specific transfer did not discharge the specific obligation because the parties failed to define the closure terms. In that posture, the case becomes a narrow private-law dispute with broad public implications. A single well-litigated decision could reshape merchant terms, payroll agreements, payment-processor standards, contractor invoices, stablecoin-payment documentation, and commercial expectations across the digital-asset payment market.[244]

In a legal-tender payment, much of the closure authority is supplied by law. In a crypto payment, the parties often must supply the closure architecture by contract.[245] Without clear terms, the payment may be vulnerable to later dispute even if value moved, even if the network confirmed transfer, and even if the parties initially behaved as though the transaction was complete.

A single contested case could therefore become highly significant. A court would not need to hold that cryptocurrency can never serve as payment. It would only need to hold that, under the facts before it, the crypto transfer did not discharge the obligation because the parties failed to define the necessary closure terms, or because the agreement lacked sufficient definiteness to determine whether discharge occurred. Such a decision would not invalidate cryptocurrency as a payment medium. It would clarify that crypto payment depends on private-law architecture because it does not carry legal-tender closure by default.[246]

The downstream effect would be substantial. Merchants, employers, creditors, payroll providers, payment processors, contractors, and commercial platforms would need more precise crypto payment terms. Those terms would need to specify the accepted asset, authorized network, valuation method, conversion source, confirmation threshold, timing of discharge, refund treatment, transaction-fee allocation, failed-transfer rules, mistaken-address responsibility, tax responsibility, sanctions compliance, good-faith performance obligations, and volatility-risk allocation.[247]

The practical rule is therefore straightforward:

Crypto can be used as payment, but absent legal-tender closure, the parties must contract for the closure mechanics that sovereign money otherwise supplies by law.

This does not make cryptocurrency unusable. It makes it legally dependent on precision. A crypto payment may be commercially efficient, technologically confirmed, and privately accepted while still remaining legally contestable if the parties fail to define when and how the obligation is satisfied.[248]

That contestability confirms why payment posture must remain distinct from securities posture, commodities posture, property posture, and legal-tender closure. When cryptocurrency is used as payment, the asset is not necessarily being sold as an investment product or traded through commodity-market infrastructure. It is being used as a private settlement instrument. But because it lacks sovereign monetary closure, its legal effect may depend on contract terms that ordinary parties often do not supply.[249]

The doctrinal conclusion is therefore this:

Payment posture identifies the attempted use of a crypto asset as payment. It does not, by itself, establish that payment succeeded, settlement occurred, discharge was achieved, or sovereign monetary closure was supplied.

That is why cryptocurrency payment posture is distinct. It may operate at the private-law layer, but private-law closure must be constructed. Legal-tender closure is supplied by sovereign authority.[250]

§III.C.2. Processor-Facilitated Contestability and the Payment Architecture Gap

The contestability problem does not arise only when parties send cryptocurrency directly from one wallet to another. It may also arise when crypto payment occurs through a payment processor, merchant gateway, checkout platform, wallet provider, stablecoin infrastructure provider, payroll intermediary, or other software-mediated payment architecture.[251] In that setting, the transfer may appear more orderly because software supplies an invoice, payment address, exchange-rate quote, confirmation screen, compliance screen, conversion pathway, settlement instruction, or merchant-payout process. But software that facilitates value movement does not necessarily supply the legal closure terms that determine when and how the underlying obligation is discharged.

This produces a distinct payment architecture gap. Crypto payment software may solve the transfer problem while leaving the closure problem under-specified. A processor may generate a payment invoice, lock an exchange rate for a limited period, validate a blockchain transaction, convert crypto into fiat, route settlement to a merchant account, or state that a crypto payment is irreversible.[252] Those operational features may reduce commercial friction. They may help prove that value moved. They may also help define processor-to-merchant obligations under the platform's own terms. But they do not necessarily answer the separate private-law question between buyer and seller: whether the crypto transfer satisfied the underlying obligation, at what moment, at what valuation, subject to what risk allocation, and with what residual public-law consequences.[253]

The distinction is important because payment processors often describe themselves, formally or functionally, as intermediaries, processors, settlement-service providers, wallet providers, infrastructure providers, or facilitators rather than as parties to the underlying sale. That distinction may be legally meaningful. A processor is not necessarily the seller, buyer, employer, contractor, creditor, or debtor. The doctrine therefore does not assume that a payment processor becomes a party to the underlying sale merely by enabling payment. The buyer–seller, employer–employee, merchant–customer, or debtor–creditor relationship remains governed by its own agreement and applicable law.[254]

The narrower point is architectural. Where a platform supplies the payment interface, invoice logic, confirmation rules, conversion pathway, refund mechanism, settlement timing, or compliance-screening process, it may shape the evidentiary and operational conditions under which the parties understand payment to be complete. A crypto payment processor may therefore be a third party to the underlying sale, but it is not necessarily a third party to the payment architecture.[255]

That distinction matters for contestability. If the platform controls the payment pathway but does not clearly define the discharge pathway, uncertainty may migrate from the buyer and seller into the software architecture itself. The buyer may believe the obligation closed when the blockchain transfer occurred. The merchant may believe the obligation closed when fiat settlement arrived. The processor may treat the transaction as complete when its internal confirmation standard is satisfied. The governing law may ask a different question: whether the creditor accepted the crypto transfer as full satisfaction, whether the contract terms were definite, whether payment was conditional, whether the valuation method was agreed, and whether discharge occurred under applicable private law.[256]

This does not mean that payment processors are automatically liable for every disputed crypto payment. Nor does it mean that crypto payment platforms are inherently defective. The narrower claim is that software-mediated crypto payment can create foreseeable legal ambiguity where the platform enables payment functionality without clearly allocating closure mechanics. The relevant exposure would depend on the platform's representations, terms of service, merchant agreement, checkout language, consumer disclosures, refund rules, custody model, conversion role, sanctions controls, and degree of control over the payment flow.[257]

This exposure is best understood as reliance architecture, not automatic liability. Third-party liability does not arise merely because a processor routes crypto value. It may arise where the processor's software architecture, confirmation language, settlement representations, refund rules, or disclosures materially shape the parties' understanding of payment completion while failing to distinguish technical transfer, platform confirmation, merchant payout, private-law discharge, and legal-tender closure. Stated simply: a processor may be outside the sale contract, but inside the reliance chain.[258]

Clear platform terms, merchant agreements, and consumer disclosures may reduce contestability. But where those terms are silent, inconsistent, incomplete, or displaced by the checkout flow's practical representations, uncertainty may remain. A platform may disclaim responsibility for the underlying bargain while still supplying the user-facing language, interface design, confirmation event, or settlement logic that a buyer, merchant, contractor, or creditor later relies upon to determine whether payment occurred.[259]

Several forms of contestability may follow.

First, customer–merchant contestability may arise where the customer believes the obligation was satisfied upon transmission or network confirmation, while the merchant believes satisfaction occurs only upon conversion, fiat settlement, or express acceptance. The issue is not whether a transaction occurred. The issue is which event legally closed the obligation.[260]

Second, merchant–processor contestability may arise where the merchant believes the processor assumed responsibility for conversion, confirmation, payout, refund, failed-transfer risk, mistaken-address risk, or settlement timing, while the processor's terms disclaim or limit that role. In that case, the dispute may turn on the merchant agreement, processor terms, risk allocation, good-faith performance, the parties' course of dealing, and the distinction between operational settlement and legal discharge.[261]

Third, representation-based contestability may arise if payment software, checkout language, confirmation screens, or marketing materials describe crypto payment as "final," "instant," "settled," "irreversible," "chargeback-free," or "complete" without clearly distinguishing the layer at which that statement is true. A transaction may be technically irreversible at one layer and still legally contestable at another. A statement may be accurate as to blockchain transfer yet incomplete as to private-law discharge, merchant settlement, refund rights, public-law residue, or legal-tender closure.[262]

Fourth, public-law residue contestability may arise where the platform confirms payment while tax reporting, wage withholding, sanctions screening, AML/BSA duties, accounting classification, or public-obligation remittance remains unresolved. In that posture, the platform may have facilitated a completed private transaction while the sovereign layer still requires valuation, reporting, screening, or dollar-denominated closure.[263]

The payment architecture gap therefore does not rest on hostility toward payment innovation. It rests on the difference between transfer architecture and closure architecture. Transfer architecture answers how value moves. Closure architecture answers when the obligation is satisfied, who bears risk, what legal consequence follows, what public obligations remain, and whether sovereign monetary finality has occurred.[264] Crypto payment platforms may provide the first layer with increasing efficiency. The legal question is whether they also provide the second layer with sufficient clarity.

This distinction becomes especially important in stablecoin payment systems. Stablecoins may reduce price volatility and improve payment usability, but they do not eliminate the need to define settlement terms, redemption dependency, issuer risk, custody responsibility, network selection, confirmation standards, refund treatment, conversion responsibility, and the moment of discharge. A stablecoin may reference dollars, but dollar reference does not itself answer whether the customer's obligation was discharged upon transfer, receipt, conversion, merchant payout, or express acceptance.[265]

A well-designed crypto payment architecture should therefore make several points explicit. It should identify the accepted asset. It should identify the authorized network. It should define the exchange-rate source and valuation time. It should state whether the obligation is denominated in dollars or crypto units. It should define when payment is deemed received. It should state when discharge occurs. It should allocate volatility risk, failed-transfer risk, mistaken-address risk, transaction-fee responsibility, refund treatment, tax responsibility, sanctions-screening responsibility, conversion responsibility, and good-faith performance obligations. It should also distinguish blockchain confirmation, processor confirmation, merchant settlement, evidentiary proof of transfer, and legal discharge.[266]

Without those terms, a platform may reduce technical uncertainty while increasing legal ambiguity. The payment may be faster, but the closure question may be less clear. The transaction may be confirmed, but the legal consequence may be disputed. The merchant may be paid, but the buyer's obligation may remain contestable if the governing terms do not define when satisfaction occurs. The processor may insist it only facilitated the transfer, while the parties may argue that the platform's architecture shaped the legal meaning of the payment.[267]

The practical rule is therefore this:

Crypto payment software should not merely route value; it should define the closure pathway.

This does not require payment processors to become guarantors of every underlying commercial bargain. It requires clarity about the legal function their software performs. If a platform enables a crypto asset to be used as a substitute payment medium, the architecture should make clear whether the platform is facilitating transmission, confirming receipt, converting value, settling the merchant, evidencing payment, screening compliance risk, or defining the moment of discharge. Those are different legal functions.[268]

The doctrinal conclusion is narrow but significant. Processor-facilitated crypto payment may reduce friction at the transfer layer while leaving the closure layer underdefined. Where the software architecture defines how payment moves but not when legal satisfaction occurs, the platform may become part of the contestability problem. That does not establish automatic liability. It establishes a legally significant risk: payment infrastructure that enables private settlement may need to clarify, allocate, or evidence the closure architecture that cryptocurrency does not supply by default.[269]

Internal Statement — Systems Balancing Purpose

This section is not drafted as an accusation against payment processors, software companies, wallet providers, merchant platforms, stablecoin infrastructure providers, or digital-asset innovators. It is a systems-balancing statement. Its purpose is to identify a foreseeable architectural gap between value-transfer functionality and legal-closure functionality before that gap becomes litigated, systemic, or publicly harmful.

The author approaches this issue with direct systems-design familiarity, having previously architected cryptocurrency payment and asset-exchange infrastructure in pursuit of regulator-readable, compliance-anchored digital-asset systems.[270] That background informs the section's posture: the concern is not whether digital-asset

infrastructure can be useful, efficient, or lawfully designed. It can. The concern is whether payment architecture clearly defines the closure pathway when a crypto asset is used as a substitute payment or settlement medium.

The section provides software companies notice of a foreseeable architecture risk without condemnation. It permits platforms to review their internal standards, user-facing language, merchant agreements, checkout flows, refund logic, confirmation screens, settlement terms, and compliance architecture against a neutral legal question: does the software merely route value, or does it also define the closure pathway?

Properly understood, the section is protective rather than adversarial. It allows responsible companies to strengthen disclosures, clarify risk allocation, reduce user confusion, and harden payment architecture before courts, regulators, merchants, consumers, employers, or public agencies are forced to resolve the ambiguity after harm occurs.

The doctrine therefore does not accuse innovation. It gives innovation a clearer standard by which to remain lawful, legible, and durable.

§III.D. Use Determines Regulatory Lens

The doctrine's use-based framework can be stated as follows:

Use determines the transaction's operative posture.

Posture determines the governing regulatory lens.

The regulatory lens determines whether the law is analyzing investment activity, market conduct, property disposition, payment substitution, or a claim of monetary closure.

This framework follows from the central premise of Chapter III: a crypto asset's legal meaning cannot be determined by asset identity alone. The same digital asset may remain technologically unchanged while its legal posture changes according to the transaction's function. When the asset is offered or sold in a capital-raising arrangement, the law may see investment posture. When it is traded through market infrastructure, the law may see market posture. When it is held, exchanged, gifted, pledged, inherited, accounted for, or disposed of, the law may see property posture. When it is tendered to satisfy an invoice, wage obligation, debt, service agreement, remittance, or contractual duty, the law may see payment posture. When the claim is that an obligation was conclusively resolved through sovereign-recognized monetary authority, the law must ask whether monetary closure occurred.[271]

This use-based framework does not override existing law. It organizes the inquiry. Securities law already looks beyond labels and asks whether the transaction or scheme involves investment of money, a common enterprise, expectation of profits, and reliance on the managerial or entrepreneurial efforts of others.[272] Commodity and market regulation likewise does not depend solely on what an asset is called; it asks whether the transaction implicates commodity interests, derivatives, swaps, futures, leverage, fraud, manipulation, or market infrastructure.[273] Tax law similarly does not treat the asset's use as irrelevant: federal tax authorities have treated convertible virtual currency and digital assets as property for U.S. tax purposes, requiring dollar-denominated valuation, income recognition, basis analysis, gain or loss calculation, withholding treatment, and reporting where applicable.[274] Treasury and FinCEN analysis also turns on

function, asking—depending on actor, activity, and business model—who is administering, exchanging, transmitting, accepting, routing, or otherwise facilitating convertible virtual currency activity.[275]

The doctrine therefore does not ask regulators, courts, merchants, employers, platforms, taxpayers, or financial institutions to ignore asset classification. Asset classification remains important. The doctrine asks them not to stop there. The more precise question is not merely:

What is the asset?

The better question is:

What legal function is the transaction assigning to the asset?

That function determines the operative posture; the posture determines the governing regulatory lens; and the lens determines which legal question becomes controlling.[276]

This distinction is especially important because digital formation compresses categories that traditional market architecture often helped separate by form, channel, custody, or instrument type. In prior market settings, securities, commodities, money, negotiable instruments, and property often appeared through different documents, custodial systems, payment rails, exchanges, physical media, or statutory instruments. In the digital-asset environment, the same tokenized object may move across functions without changing form. It may be promoted as an investment, traded as a market asset, held as property, posted as collateral, custodied by a platform, routed through compliance systems, or used as payment. Use therefore becomes the organizing question.[277]

The framework can be summarized in five steps.

First, investment use draws the securities lens. If the transaction uses the asset to raise capital or create an expectation of profit, yield, appreciation, or financial return based, in whole or substantial part, on the managerial, entrepreneurial, or third-party efforts of others, the relevant legal lens is investment-contract analysis.[278]

Second, market use draws the commodities and market-integrity lens. If the asset is used as a traded or exchange-mediated instrument in a transaction involving market infrastructure, leverage, derivatives, clearing, custody, fraud, manipulation, or commodity-market conduct, the relevant legal lens is market regulation.[279]

Third, property use draws the tax, accounting, ownership, collateral, and disposition lens. If the asset is owned, valued in U.S. dollars, received, exchanged, disposed of, accounted for, gifted, inherited, pledged, or taxed in a way that produces basis, gain or loss, income, withholding, reporting, or other property-law consequences, the relevant legal lens is property treatment.[280]

Fourth, payment use draws the private-settlement and public-law residue lens. If the asset is used as a substitute payment or settlement medium to satisfy an obligation, the relevant legal lens asks whether the transfer produced payment, settlement, discharge, tax consequences, sanctions

exposure, reporting duties, payroll-remittance consequences, or other residual public obligations.[281]

Fifth, a monetary-closure claim draws the sovereign monetary lens. If the claim is not merely that value moved, but that a monetary obligation was conclusively resolved within the legal order, the relevant legal lens asks whether the instrument carried legal-tender status, lawful-money authority, or equivalent sovereign-recognized monetary finality.[282]

The framework therefore prevents categorical error. It prevents investment posture from swallowing every crypto payment. It prevents market posture from resolving every private-settlement question. It prevents property posture from exhausting the legal meaning of a payment transaction. It prevents private payment posture from being mistaken for legal-tender closure. And it prevents regulatory recognition from being confused with sovereign monetary authority.[283]

Accordingly, the doctrine's rule is this:

Use determines the transaction's operative posture; posture determines the governing regulatory lens; and the regulatory lens determines whether the law is analyzing investment activity, market conduct, property disposition, payment substitution, or a claim of monetary closure.

This rule preserves legal discipline without denying technological reality. Cryptocurrency and stablecoins can move value, support private settlement, generate tax consequences, trigger compliance duties, and function across digital payment architecture. But each legal question must be asked through the correct lens. A transaction should not be treated as monetary closure merely because value moved. A payment should not be treated as securities issuance merely because a crypto asset was involved. A tax disposition should not be treated as legal tender merely because the parties accepted the asset. The law must ask what the transaction is asking the asset to do.[284]

§III.E. Doctrinal Claim

The doctrinal claim of this chapter is that the law should distinguish crypto payment use from crypto investment sale without assuming that payment use converts the asset into lawful money.
[285] This claim preserves two principles at the same time. First, a crypto asset used in a capital-raising, yield-generating, pooled, promoted, or reliance-based transaction may properly trigger investment-posture analysis. Second, the same asset used to satisfy an invoice, purchase goods, compensate services, pay wages, settle a private debt, transmit a remittance, or perform a contractual obligation should be analyzed as payment posture rather than automatically treated as an investment sale.[286]

This distinction does not create a safe harbor from law. Payment posture may still produce tax consequences, reporting obligations, sanctions exposure, AML/BSA concerns, consumer-protection questions, wage-treatment issues, custody questions, accounting treatment, payment-system consequences, or private-law discharge disputes.[287] The point is narrower: the legal question changes when the transaction changes what the asset is being asked to do. A crypto asset sold to raise capital is not performing the same legal function as a crypto asset tendered to satisfy an invoice. A crypto asset traded through market infrastructure is not performing the same legal function as a stablecoin accepted for services. A crypto asset held as property is not performing the same legal function as an asset actively tendered toward performance of an obligation.

The three tables supply the analytical architecture for this claim.

Table 1 — Proposed Monetary Closure Standard, located in §II.K. Proposed Closure Standard, establishes that legal-tender closure requires more than value transfer. A payment instrument achieves monetary closure only when it resolves an obligation through sovereign-recognized monetary authority, without depending on separate valuation as a non-money asset, conversion into lawful money for final public monetary effect, private acceptance alone, or derivative regulatory recognition to establish final monetary status.[288] Table 1 therefore prevents the opposite error: assuming that because cryptocurrency can be accepted as payment, it becomes lawful money. It may settle a private bargain, but unless it satisfies the closure standard, it remains outside legal-tender finality.

Table 2 — Four Core Transactional Postures of a Crypto Asset establishes that the same crypto asset may enter different legal postures depending on transactional function. Investment posture asks whether the transaction uses the asset to raise capital or create an expectation of profit, yield, appreciation, or financial return based, in whole or substantial part, on the managerial, entrepreneurial, or third-party efforts of others. Market posture asks whether the asset is being used as a traded or exchange-mediated instrument in a transaction involving market infrastructure, leverage, derivatives, clearing, custody, fraud, manipulation, or commodity-market conduct. Property posture asks whether the asset is being owned, valued in U.S. dollars, received, exchanged, disposed of, accounted for, or taxed in a way that produces basis, gain or loss, income, withholding, reporting, or other property-law consequences. Payment posture asks whether the asset is being used as a substitute payment or settlement medium to satisfy an obligation, and whether that use produces private settlement without sovereign monetary closure.[289] Table 2 therefore prevents classification rigidity: asset identity matters, but posture determines the operative legal question.

Table 3 — Real-World Examples of the Four Core Transactional Postures translates the same framework into practical commercial settings. It shows that a token sold to finance a platform, a crypto asset traded on a leveraged exchange, a digital asset held or disposed of as property, and a stablecoin or cryptocurrency transferred to satisfy an invoice are not legally identical events merely because each involves a digital asset.[290] Table 3 therefore supplies the public-facing application: the asset may remain technologically similar, but the legal question changes because the transaction changes the asset's function.

Taken together, Table 1, Table 2, and Table 3 establish the central architecture of Chapter III. Table 1 distinguishes value transfer from monetary closure. Table 2 distinguishes asset identity from transactional posture. Table 3 distinguishes abstract legal categories from real-world use cases. The combined effect is a disciplined use-based framework: crypto payment use should not be collapsed into investment sale merely because a crypto asset is involved, and it should not be elevated into lawful money merely because private parties accept it.[291]

This doctrine therefore rejects two errors.

The first error is investment-overclassification: treating payment use as an investment sale merely because the payment instrument is a crypto asset. That approach risks confusing payment function with capital-formation function. Securities analysis remains proper where the transaction or scheme includes investment-contract characteristics. But where the facts show a direct transfer to satisfy an obligation, the payment function must be recognized as distinct.[292]

The second error is monetary-overclassification: treating crypto payment as legal-tender closure merely because the parties accepted the asset or because the network confirmed transfer. That approach risks confusing private settlement with sovereign monetary finality. A crypto transfer may be technologically final, commercially useful, contractually accepted, taxable, and regulated while still failing to carry legal-tender authority.[293]

The proper rule lies between those errors:

Crypto payment use should be distinguished from crypto investment sale, but that distinction does not make cryptocurrency lawful money.

This rule protects classification integrity. It allows securities law to operate where investment facts are present. It allows commodities and market regulation to operate where market facts are present. It allows tax law to operate where property disposition or income consequences are present. It allows Treasury, FinCEN, sanctions, banking, consumer-protection, accounting, and payment-system law to operate where value movement creates public-law consequences. And it preserves legal-tender doctrine where the question is whether sovereign monetary closure has occurred.[294]

Accordingly, the doctrinal claim may be stated in final form:

The law should distinguish crypto payment use from crypto investment sale without assuming that payment use converts the asset into lawful money. Payment posture identifies the attempted use of a crypto asset as a substitute settlement medium; it does not automatically create investment posture, and it does not independently supply legal-tender closure.[295]

§IV. Securities and Commodities Boundaries

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§IV.A. Why Securities and Commodities Boundaries Matter

Chapter III established the doctrine's operative framework: asset identity is not enough. A crypto asset may remain technologically unchanged while entering different legal postures depending on use, transaction structure, party expectations, regulatory context, and the legal function assigned to the asset. Use determines posture; posture determines the governing regulatory lens; and the regulatory lens determines whether the law is analyzing investment activity, market conduct, property disposition, payment substitution, or a claim of monetary closure.[296]

Chapter IV applies that framework to two of the dominant regulatory categories in cryptocurrency law: securities and commodities. These categories matter because they remain essential to lawful digital-asset analysis. Securities law supplies the governing framework where a transaction or scheme involves investment-contract characteristics, including investment of money, common enterprise, expectation of profits, and reliance on the managerial or entrepreneurial efforts of others.[297] Commodities law and market regulation supply the governing framework where a transaction involves commodity interests, derivatives, swaps, futures, leverage, fraud, manipulation, exchange-mediated activity, clearing, custody, or other market-infrastructure concerns.[298]

But those frameworks do not exhaust the legal analysis. Modern cryptocurrency debate often treats the securities-versus-commodities question as though it resolves the entire legal status of a digital asset. That approach is incomplete. A crypto asset may be analyzed as part of an investment relationship in one transaction, as a commodity or commodity-related asset in another, as property for tax purposes in another, and as a private settlement instrument when tendered directly as payment.[299] The same asset may remain technologically identical across those settings, but the legal question changes because the transaction changes what the asset is being asked to do.

This distinction is not a weakness in securities or commodities law. It is a boundary principle. Securities law is designed to regulate investment relationships, capital formation, issuer promotion, managerial reliance, disclosure obligations, fraud, and investor protection. Commodities and market regulation are designed to address market conduct, derivatives activity, trading integrity, manipulation, fraud, leverage, clearing, exchange infrastructure, and related market risks.[300] Those domains are necessary. They are not interchangeable with monetary law. They do not, standing alone, determine whether a crypto payment has discharged an obligation through sovereign-recognized money, legal tender, or equivalent monetary-closure authority.

The boundary matters because payment posture asks a different question. When a crypto asset is transferred to satisfy an invoice, pay wages, compensate services, settle a private debt, perform a contractual duty, transmit a remittance, or complete another obligation, the legal inquiry is not only whether the asset may be classified as a security or commodity in some other setting. The inquiry is whether the transfer produced payment, settlement, discharge, residual public-law obligations, or sovereign monetary closure.[301] Securities and commodities analysis may still apply where independently triggered. But neither framework alone answers the legal-tender closure question.

The same point applies to regulatory recognition. A crypto transaction may be examined under securities law, pursued under commodities or market-integrity authority, treated as property for federal tax purposes, analyzed by FinCEN under Bank Secrecy Act principles, screened for sanctions exposure, or governed by commercial-law rules.[302] Yet none of those recognitions, by itself, converts the payment instrument into lawful money. Regulation is not monetization. Tax treatment is not legal-tender status. Market supervision is not sovereign monetary finality. A transaction may be regulated precisely because it moves value outside ordinary sovereign money channels; that regulation does not necessarily close the gap between private settlement and legal-tender closure.

The risk of boundary collapse is twofold. First, if payment use is automatically treated as securities posture merely because a crypto asset is involved, the analysis may confuse private settlement with capital formation. A customer paying an invoice with a crypto asset is not, by that fact alone, entering the same legal relationship as a purchaser investing in a token sale promoted through expected appreciation, issuer development, pooled proceeds, yield, or managerial reliance.[303] Second, if payment use is automatically treated as market posture merely because a crypto asset may be commodity-like or tradeable, the analysis may confuse direct settlement with market conduct. A wallet-to-wallet payment for services is not, by that fact alone, the same legal event as a derivatives trade, leveraged exchange position, futures contract, swap, or market-manipulation scheme.

The opposite error must also be avoided. Distinguishing payment posture from securities or commodities posture does not create a safe harbor. A payment transaction may still involve investment facts, market facts, tax consequences, custody duties, sanctions exposure, consumer-protection questions, employment-tax obligations, reporting duties, or payment-system risks.[304] The doctrine therefore does not weaken existing regulatory regimes. It disciplines their application by asking which legal question the transaction actually presents.

That discipline is especially necessary because digital assets compress categories that traditional legal and market architecture often separated by form. In the analog environment, securities, commodities, money, negotiable instruments, and property often appeared through different documents, markets, custodial systems, payment rails, physical media, or statutory instruments. In the digital-asset environment, a single tokenized object may be sold for investment, traded through market infrastructure, held as property, pledged as collateral, custodied by a platform, routed through compliance systems, or tendered as payment without changing technological form.[305] Because the asset may look the same while the legal function changes, law must separate categories by use rather than relying solely on identity.

This chapter therefore preserves the boundary between regulatory classification and monetary closure. Securities law may determine whether investment posture exists. Commodities law may determine whether market posture exists. Tax law may determine whether property consequences arise. Treasury, FinCEN, sanctions, banking, and payment-system frameworks may determine whether value movement creates public-law consequences. But legal-tender closure asks whether the obligation was resolved through sovereign-recognized monetary authority.[306] That question requires its own analysis.

Accordingly, and as illustrated in **Table 4**, the purpose of this chapter is not to weaken securities or commodities law, but to preserve the boundary discipline necessary to prevent securities or commodities frameworks from being asked to answer a legal-tender question they were not designed to resolve.[307]

Table 4. Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis

Framework / Lens	Proper Question It Answers	Boundary-Collapse Error	Confusion Created in Other Frameworks When Overextended	What It Does Not Answer
Securities Law	Does the **transaction or scheme** involve investment-contract facts, capital formation, profit expectation, issuer promotion, pooling, yield, or reliance on managerial or entrepreneurial efforts?[308]	Treating every crypto payment as an investment sale merely because a crypto asset is involved.[309]	**Commodities / Market Regulation:** blurs investment activity with market conduct. **Tax / Property Law:** obscures valuation, basis, gain/loss, income, and disposition consequences. **Treasury / FinCEN / Sanctions:** misframes value-transmission, AML/BSA, and sanctions questions as securities questions. **Commercial / Contract Law:** risks treating private settlement as investment participation. **Legal-Tender Closure:** leaves sovereign monetary finality unanswered.[310]	Whether a payment transfer produced legal-tender closure, sovereign monetary finality, or lawful-money status.[311]

Commodities / Market Regulation	Does the transaction involve commodity interests, spot-market fraud or manipulation, trading, derivatives, leverage, swaps, futures, clearing, custody, fraud, manipulation, or exchange-mediated market infrastructure? [312]	Treating every crypto payment as market conduct merely because the asset is tradable, commodity-like, or capable of exchange-market activity.[313]	**Securities Law:** may obscure investment-contract facts where issuer reliance, pooling, profit expectation, or capital formation exists. **Tax / Property Law:** may understate valuation and property-disposition consequences. **Treasury / FinCEN / Sanctions:** may confuse market supervision with payment-compliance duties. **Commercial / Contract Law:** may overlook private settlement and discharge terms. **Legal-Tender Closure:** does not resolve whether the instrument closed the obligation through sovereign money.[314]	Whether a direct payment satisfied an obligation through legal tender, lawful money, or sovereign-recognized monetary authority.[315]
Tax / Property Law	Did the transaction create property, valuation, basis, gain/loss, income, wage, withholding, accounting, information-reporting, or disposition consequences? [316]	Treating tax recognition or dollar valuation as proof that the instrument functions as lawful money.[317]	**Securities Law:** tax treatment does not determine investment-contract status. **Commodities / Market Regulation:** property disposition does not resolve market-conduct, derivatives, leverage, fraud, or manipulation questions. **Treasury / FinCEN / Sanctions:** tax reporting does not satisfy AML/BSA, sanctions, or money-transmission duties. **Commercial / Contract Law:** tax recognition does not establish private-law discharge. **Legal-Tender Closure:** dollar valuation confirms measurement, not sovereign monetary closure.[318]	Whether the payment instrument has legal-tender status, lawful-money authority, or equivalent monetary-closure effect.[319]

Treasury / FinCEN / Sanctions	Does the transaction create value-transmission, AML/BSA, sanctions, reporting, hosted-wallet, intermediary, money-transmission, payment-processing, or compliance obligations?[320]	Treating compliance supervision, sanctions screening, or money-transmission regulation as monetary authority.[321]	**Securities Law:** AML/BSA supervision does not determine investment-contract status. **Commodities / Market Regulation:** compliance screening does not resolve market-conduct classification. **Tax / Property Law:** sanctions or BSA review does not determine basis, income, gain/loss, wage, or reporting treatment. **Commercial / Contract Law:** compliance clearance does not establish contractual discharge. **Legal-Tender Closure:** supervision of value movement is not sovereign monetary finality.[322]	Whether the instrument supplies legal-tender closure or becomes lawful money by virtue of regulatory supervision.[323]
Commercial / Contract Law	Did the parties agree to payment, settlement, substituted performance, substituted contract, accord and satisfaction, tender, release, cancellation, renunciation, discharge, or another private-law consequence?[324]	Treating private-law settlement or discharge as lawful-money status.[325]	**Securities Law:** private acceptance does not eliminate investment-contract facts. **Commodities / Market Regulation:** contract settlement does not eliminate market-conduct concerns. **Tax / Property Law:** discharge may still produce valuation, income, gain/loss, wage, or reporting consequences. **Treasury / FinCEN / Sanctions:** private agreement does not erase AML/BSA, sanctions, or reporting duties. **Legal-Tender Closure:** contractual closure is not sovereign monetary closure.[326]	Whether the accepted medium is legal tender, lawful money, or a sovereign-recognized monetary instrument.[327]

Legal-Tender Closure	Was the obligation resolved through sovereign-recognized monetary authority, legal tender, lawful money, or an equivalent monetary instrument granted closure status by competent legal authority?[328]	Treating monetary-closure analysis as if it replaces securities, commodities, tax, Treasury, FinCEN, sanctions, payment-system, or contract analysis.[329]	**Securities Law:** closure analysis does not decide investment-contract status. **Commodities / Market Regulation:** closure analysis does not decide market-conduct, derivatives, fraud, or manipulation issues. **Tax / Property Law:** legal-tender analysis does not eliminate tax reporting, income, basis, or accounting questions. **Treasury / FinCEN / Sanctions:** monetary closure does not erase compliance obligations. **Commercial / Contract Law:** sovereign closure does not resolve every private term, timing, performance, refund, or risk-allocation dispute.[330]	It does not replace securities, commodities, tax, compliance, payment-system, or contract analysis where those regimes are independently triggered.[331]

Doctrinal Note
Table 4 illustrates the boundary-interference problem. Each legal framework answers a valid question, but confusion arises when one framework is forced to answer a question assigned to another. Securities law should answer investment-relationship questions. Commodities and market regulation should answer market-conduct questions. Tax and property law should answer valuation, ownership, disposition, and reporting questions. Treasury, FinCEN, and sanctions frameworks should answer public-law compliance and value-transmission questions. Commercial and contract law should answer private settlement and discharge questions. Legal-tender doctrine should answer sovereign monetary closure questions.[332]

The purpose of the matrix is not to rank legal regimes, but to preserve their proper function. Boundary discipline prevents one valid framework from becoming analytically imperial over the others. Securities law should not swallow payment posture by assumption. Commodities law should not convert every direct payment into market conduct. Tax recognition should not be mistaken for monetary authority. Compliance supervision should not be mistaken for lawful-money status. Private-law discharge should not be mistaken for sovereign closure. And legal-tender closure analysis should not be mistaken for a substitute for independently triggered securities, commodities, tax, compliance, or contract-law obligations.[333]

Figure 1 Source and Data Availability: Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as **Table 4** is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/9264nnzxxr/1*].

§IV.B. Securities Law — Investment Posture, Not Payment Closure

Securities law supplies one of the most important boundary frameworks in digital-asset analysis. It protects investors, regulates capital formation, disciplines issuer conduct, polices fraud, and requires that investment relationships be evaluated according to substance rather than labels. But securities law does not answer every legal question presented by cryptocurrency use. Its proper function is to determine when a transaction or scheme enters **investment posture**. It does not, standing alone, determine whether a crypto asset used as payment produces private settlement, legal discharge, residual public obligations, or sovereign monetary closure.[334]

The governing starting point remains the Supreme Court's investment-contract framework in *SEC v. W.J. Howey Co*. Under *Howey*, an investment contract exists where there is an investment of money in a common enterprise with profits expected from the efforts of others.[335] The doctrine is intentionally functional. It asks what the transaction or scheme does, not merely what label the parties attach to the instrument. For that reason, the relevant question is not whether a crypto asset possesses technological complexity, market demand, transferability, or exchange value. The relevant question is whether the transaction uses the asset to create investment exposure through capital contribution, pooled risk, expected profit, issuer promotion, managerial reliance, entrepreneurial effort, yield, or similar investment-contract characteristics.[336]

This is why *Howey* is transaction-centered rather than asset-label-centered. A digital asset may exist as software, property, a commodity-like object, a payment instrument, a governance token, a stablecoin, or another form of digital representation of value. But securities analysis does not begin and end with the asset's technological identity. It evaluates the economic reality of the transaction. If the transaction invites purchasers to part with value in expectation that others will build, manage, promote, develop, stabilize, or increase the value of the enterprise, securities law may properly enter the analysis.[337]

The Supreme Court's later decisions reinforce this point. In *United Housing Foundation, Inc. v. Forman*, the Court rejected reliance on labels and emphasized that the presence of terms commonly associated with securities does not control where the economic reality does not involve an investment for profit.[338] In *Reves v. Ernst & Young*, the Court likewise recognized that form alone cannot determine securities status and supplied a functional framework for evaluating notes under the securities laws.[339] Together, *Howey*, *Forman*, and *Reves* establish the controlling principle for this doctrine: the law must evaluate the transaction's function before assigning the securities lens.

Accordingly, the securities question is not whether the digital asset must permanently carry securities status in every later use, but whether the particular transaction or scheme before the law bears securities-law characteristics. A crypto asset may be sold or distributed through an investment-contract transaction at one point and later be used in a different posture, depending on the transaction's structure, parties, representations, reliance, market setting, and legal function. Securities law follows the investment character of the transaction or scheme; it does not automatically answer every later legal question involving the same asset.[340]

This principle is especially important in cryptocurrency analysis because digital formation allows the same asset to move across multiple legal postures without changing technological form. A token may be sold in a fundraising round, promoted as appreciating with network development, distributed through staking or yield structures, traded through market infrastructure, held as property, pledged as collateral, or transferred directly as payment. The asset may look identical at each point. The legal posture may not be identical. When the transaction uses the asset to raise capital, pool proceeds, generate yield, depend on issuer activity, or create an expectation of profit based substantially on the efforts of others, securities law may properly govern.[341]

But payment posture is different. When a crypto asset is transferred directly to satisfy an invoice, compensate services, pay wages, settle a private debt, purchase goods, transmit a remittance, or perform a contractual obligation, the transaction is not necessarily asking the asset to create investment exposure. It is asking the asset to perform a payment or settlement function. In that setting, the legal inquiry should not automatically presume securities posture merely because a crypto asset was involved. The proper question is whether investment-contract facts are independently present.[342]

The distinction does not mean that crypto payments are categorically outside securities law. That would overstate the doctrine and create an unnecessary vulnerability. A payment transaction may be embedded within a broader investment scheme. A purported payment token may be sold through issuer promotion, profit expectation, pooled proceeds, yield representations, managerial reliance, or capital-formation structures. A compensation arrangement may involve token grants whose value depends on issuer development or network growth. A stablecoin, token, or other digital asset may be distributed, marketed, or structured in a manner that independently triggers securities analysis. In such cases, payment vocabulary cannot immunize investment reality.[343]

The adversarially hardened rule is therefore narrower:

Payment use, standing alone, should not be automatically treated as securities posture absent independently present investment-contract facts.

This rule preserves securities law rather than weakening it. Securities law should remain fully available where a transaction or scheme involves investment of money, common enterprise, profit expectation, issuer promotion, managerial reliance, pooled value, yield generation, or similar securities-law concerns. But the securities lens should not be overextended to answer a different question: whether the transfer of a crypto asset used to satisfy an obligation produces monetary closure.[344]

This is the boundary illustrated in **Table 4** and preserved in the full-page version of **Figure 1**. Table 4 identifies securities law as the proper lens for investment-contract facts, capital formation, profit expectation, issuer promotion, pooling, yield, and reliance on managerial or entrepreneurial efforts. It also identifies the boundary-collapse error: treating every crypto payment as an investment sale merely because a crypto asset is involved. When that error occurs, securities law interferes with other frameworks. It may blur investment activity with commodities or market conduct; obscure tax and property consequences; misframe Treasury,

FinCEN, AML/BSA, and sanctions questions as securities questions; treat private settlement as investment participation; and leave legal-tender closure unanswered.[345]

That last point is decisive. Even where securities law applies, it does not itself answer whether an obligation has been resolved through sovereign-recognized monetary authority. Securities law can determine whether a transaction involved an investment contract. It can determine whether disclosure, registration, antifraud, intermediary, broker-dealer, exchange, or investment-program obligations were triggered. It can regulate issuer conduct and investor protection. But it does not convert the instrument used in a payment transaction into lawful money. Nor does it determine whether private settlement achieved legal-tender closure.[346]

The payment question therefore remains separate. A merchant accepting cryptocurrency for goods may have engaged in a private settlement transaction. A contractor accepting stablecoins for services may have received an agreed substitute medium of payment. An employer transferring crypto as compensation may have created wage, withholding, reporting, and tax consequences. A debtor transferring a digital asset to satisfy a private obligation may have triggered contract, valuation, property, sanctions, or compliance issues. None of those facts automatically makes the transaction a securities offering; and none of them automatically makes the asset legal tender.[347]

This boundary is essential because digital assets compress functions that analog systems often separated by instrument, market, custody channel, or institutional form. In a traditional setting, an investment contract, commodity trade, negotiable instrument, payment rail, tax disposition, and legal-tender payment would often appear through different legal documents, systems, markets, or institutional pathways. Digital assets can collapse those distinctions into a single transferable object. The result is not that securities law becomes irrelevant. The result is that securities law must be applied with precision, so that investment posture is identified where it exists and not presumed where the transaction is instead operating as payment posture.[348]

Accordingly, securities law properly enters the analysis when the transaction uses the crypto asset to raise capital, create profit expectation, pool value, generate yield, distribute investment exposure, or rely on managerial or entrepreneurial efforts. It does not, by itself, answer whether a crypto transfer used to satisfy an obligation achieves legal-tender closure. Securities law governs **investment posture**. Payment closure requires a separate inquiry into payment, settlement, discharge, residual public obligations, and sovereign monetary finality.[349]

§IV.C. Payment Function Is Not Investment Expectation

The distinction between payment function and investment expectation is central to the boundary analysis of this chapter. Securities law asks whether a transaction or scheme creates investment exposure. Payment analysis asks whether value has been transferred, tendered, or accepted toward satisfaction of an obligation. Those inquiries may overlap where investment facts are independently present, but they are not identical. A person who buys into a project is not necessarily doing the same legal act as a person who pays an invoice. A person who purchases a token in reliance on issuer development, network growth, future appreciation, yield, or managerial effort is not necessarily in the same legal posture as a contractor who accepts Bitcoin, Ether, USDC, or another digital asset as an agreed medium of payment for completed services.[350]

The practical difference is one of legal function. An investment transaction uses the asset, or the structure surrounding the asset, to create exposure to expected profit, appreciation, yield, pooled risk, issuer performance, or entrepreneurial effort. A payment transaction uses the asset as a substitute settlement medium. It asks the asset to perform against an obligation rather than generate investment return. That difference does not depend on whether the asset is technologically identical in both settings. It depends on what the transaction asks the asset to do.[351]

This principle follows directly from *Howey*. The investment-contract inquiry is concerned with the transaction or scheme in which value is committed with an expectation of profits to be derived from the efforts of others.[352] Thus, where a crypto project sells tokens to fund development of a platform and markets the token by emphasizing expected appreciation, future network growth, issuer development, staking rewards, yield, or managerial execution, the transaction may enter investment posture. The purchaser is not merely acquiring a settlement medium. The purchaser may be contributing value to an enterprise in expectation that another party's efforts will increase the value of the instrument or produce returns.[353]

By contrast, where a contractor accepts USDC, Bitcoin, or another digital asset to satisfy an invoice for completed work, the transaction is not naturally structured around investment expectation. The contractor is not, by that fact alone, buying into a project, funding platform development, pooling value with other purchasers, or relying on issuer efforts for profit. The asset is being used as a payment substitute. The immediate legal function of the payment transaction, depending on the surrounding facts, is satisfaction or attempted satisfaction of an obligation, not creation of investment exposure. That characterization changes if the payment arrangement is embedded in a broader scheme involving issuer promotion, expected appreciation, pooled proceeds, yield, or reliance on managerial or entrepreneurial efforts.[354]

The same distinction applies when a merchant accepts cryptocurrency for goods, when a service provider accepts stablecoins for professional work, when a private debtor transfers a digital asset to satisfy a debt, or when an employer compensates labor in crypto where permitted by applicable law. The transfer may involve value. It may involve a digital asset that is also traded elsewhere. It may even involve an asset that has been sold in investment posture in other

contexts. But the immediate legal function of the payment transaction is satisfaction or attempted satisfaction of an obligation, not creation of investment exposure.[355]

This does not mean that payment terminology can defeat securities law. A transaction described as "payment" may still carry investment-contract facts. A purported payment token may be promoted by an issuer as appreciating because of managerial efforts. A stablecoin or crypto asset may be embedded within a yield program, staking arrangement, lending pool, rewards structure, capital-raising scheme, or platform-growth narrative. A transfer to a worker, contractor, advisor, or user may be part of an issuer compensation or distribution program that creates investment exposure if the surrounding facts tie the recipient's value to issuer development, pooled proceeds, appreciation, yield, or entrepreneurial effort. In those circumstances, securities law may properly enter because investment facts are independently present.[356]

The point is not that payment use defeats securities law. The point is that securities law requires investment facts. Payment use should not be treated as investment fact by assumption. The legal system must distinguish between a token used to raise capital and a token used to satisfy an obligation; between a purchaser relying on issuer efforts for appreciation and a vendor accepting a digital asset as consideration; between an investment program that promises yield and a private settlement transfer accepted in exchange for goods, services, wages, invoices, or debt satisfaction.[357]

The distinction can be stated in practical terms. Securities law is concerned with investment exposure, not the mere presence of a crypto asset. Payment use may coexist with securities-law facts, but payment use alone should not substitute for those facts. Table 5 therefore provides a boundary guide for distinguishing transactions that naturally raise SEC investment-posture concerns from transactions that primarily use a crypto asset as a substitute settlement medium.

Table 5. SEC Boundary Guide: Distinguishing Investment Posture from Payment Posture

Scenario	What the Transaction Is Asking the Asset To Do	SEC-Relevant Investment Facts	Indicative Posture, Subject to Facts	Boundary Rule
Project token sale to fund platform development	Raise capital for development, network growth, issuer execution, or platform deployment.	Purchaser contributes value in expectation of appreciation, yield, profit, network growth, or issuer/managerial execution.[352] [353]	**Investment Posture**	Securities law may properly enter where the transaction or scheme contains *Howey* investment-contract facts.[350]
Token marketed with future appreciation narrative	Create exposure to future value tied to issuer activity, ecosystem growth, managerial execution, or platform adoption.	Issuer promotion, expected appreciation, reliance on managerial or entrepreneurial efforts, pooled proceeds, or platform-growth narrative.[353]	**Investment Posture**	Payment terminology, token terminology, or network terminology cannot defeat investment reality where investment facts are independently present.[356]
Yield, staking, lending, or rewards program	Generate return, yield, income, staking rewards, lending returns, or program-based economic benefit.	Yield representation, pooling, program dependency, managerial operation, platform discretion, issuer involvement, or reliance on others to generate return.[353] [356]	**Investment / Mixed Posture**	Securities analysis may apply where the program creates investment exposure, even if the asset also has payment or network utility.[356] [361]
Contractor accepts Bitcoin, Ether, USDC, or another digital asset for a completed invoice	Satisfy an existing obligation for services already performed through an agreed substitute settlement medium.	No issuer promotion, pooled proceeds, capital formation, or expectation of profit from managerial effort arises solely from accepting the asset as payment.[354]	**Payment Posture, absent independently present investment facts**	Payment use alone should not be treated as investment fact by assumption. The characterization changes if the payment arrangement is embedded in issuer promotion, expected appreciation, pooled proceeds, yield, or managerial reliance.[354] [357]
Merchant accepts crypto for goods	Complete a purchase of goods through an agreed substitute payment medium.	Buyer is purchasing goods, not necessarily investing in issuer development, network growth, pooled proceeds, yield, or managerial execution.[355]	**Payment Posture, absent independently present investment facts**	Securities law is not displaced, but investment-contract facts must be independently present before payment use is treated as investment posture.[357]

Employer pays wages or compensation in crypto where permitted by applicable law	Compensate labor through an agreed digital asset transfer.	Wage payment may create tax, payroll, withholding, reporting, contract, or compliance duties; investment posture depends on surrounding facts.[355]	**Payment / Possible Mixed Posture**	Compensation in tokens may require securities analysis if tied to issuer growth, restrictions, promotion, expected appreciation, yield, pooled economics, or managerial efforts.[356] [361]
Payment token also promoted as an investment opportunity	Serve payment or settlement function while also creating expected appreciation, yield, or issuer-driven value exposure.	Marketing, issuer development, expected appreciation, yield, platform growth, pooled proceeds, or reliance on managerial or entrepreneurial efforts.[356]	**Mixed Posture**	Payment function does not erase investment facts; investment facts do not erase payment, tax, contract, compliance, or legal-tender consequences.[361]
Private debtor transfers crypto to settle or attempt to settle a debt	Resolve or attempt to resolve a private obligation through an agreed digital asset transfer.	No capital formation, pooled proceeds, issuer promotion, or profit expectation arises solely from debt settlement.[355]	**Payment / Settlement Posture, absent independently present investment facts**	Contract, tax, sanctions, money-transmission, valuation, or legal-tender closure issues may arise; securities posture requires independent investment facts.[358]
Same token moves through different contexts over time	Function changes depending on whether the token is sold, traded, held, pledged, used in yield, or accepted as payment.	Investment facts may exist in one transaction and be absent in another; posture depends on transaction structure, representations, reliance, and legal function.[360]	**Posture Varies by Transaction**	Asset identity alone does not control. The transaction's function determines the legal lens.[351] [360]
Direct crypto payment later converted, reported, taxed, or screened for compliance	Use the asset for private settlement while producing collateral tax, compliance, valuation, or reporting consequences.	Conversion, reporting, taxation, or compliance review does not itself create investment expectation, though separate facts may do so.[355] [358]	**Payment / Property / Compliance Posture, subject to facts**	Regulatory recognition, tax treatment, or compliance supervision is not the same as securities posture and does not answer legal-tender closure.[358] [363]

Doctrinal Note

Table 5 does not create a safe harbor. It clarifies the securities/payment boundary by distinguishing investment expectation from obligation-satisfaction function. Securities law remains fully applicable where investment-contract facts are independently present, including capital formation, expected appreciation, issuer promotion, pooled proceeds, yield, staking economics, lending programs, platform-growth narratives, or reliance on managerial or entrepreneurial efforts.[352] [353] [356] At the same time, payment use should not be treated as

investment fact by assumption where a crypto asset is used merely to satisfy an invoice, wage, purchase obligation, service contract, private debt, or similar obligation.[354] [355] [357]

This table addresses the securities/payment boundary only. It does not displace commodities, derivatives, market-integrity, anti-fraud, custody, exchange-infrastructure, tax, Treasury, FinCEN, sanctions, commercial-law, or legal-tender closure analysis where those facts are independently triggered.[358] [359] [361] The central rule is therefore narrow: a payment transaction uses a crypto asset as a substitute settlement medium to satisfy an obligation; an investment transaction uses the asset or surrounding transaction structure to create exposure to expected profit, appreciation, yield, issuer development, pooled value, or managerial effort. Those are different legal functions.[362] [363]

Figure 2 Source and Data Availability: Figure 2, *SEC Boundary Guide: Distinguishing Investment Posture from Payment Posture*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as **Table 5** is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/7h3w8hrhr6/2*].

Public-Facing Bridge

The SEC does not have to ignore investment facts, and the public should not have to assume every crypto payment is an investment sale. The proper inquiry is whether the transaction, viewed in economic reality, asks the asset to create investment exposure or to satisfy an obligation.

Table 5 does not create a safe harbor. It clarifies the fact pattern that must be examined. Where issuer promotion, expected appreciation, pooled proceeds, yield, managerial reliance, or capital formation are present, securities analysis may properly enter. Where the transaction merely uses a crypto asset to satisfy an invoice, wage, debt, or purchase obligation, payment function should not be treated as investment expectation by assumption.

This distinction prevents a common category error in digital-asset analysis. If every crypto payment is treated as an investment transaction merely because the asset may be tradeable, appreciating, issuer-associated, or technologically novel, then securities law is forced to answer questions outside its proper function. The analysis may overlook tax consequences, contract discharge, sanctions screening, payroll obligations, money-transmission duties, valuation issues, or the separate question of whether the transaction produced legal-tender closure.[358] That is the boundary-interference problem identified in **Table 4** and visually preserved in **Figure 1**.

In **Table 4**, the securities-law lens properly asks whether the transaction or scheme involves investment-contract facts, capital formation, profit expectation, issuer promotion, pooling, yield, or reliance on managerial or entrepreneurial efforts. The boundary-collapse error occurs when every crypto payment is treated as an investment sale merely because a crypto asset is involved. When that error occurs, securities analysis begins to interfere with other legal frameworks: commodities and market regulation may be blurred with investment activity; tax and property

consequences may be obscured; Treasury, FinCEN, AML/BSA, and sanctions obligations may be misframed as securities questions; private settlement may be mistaken for investment participation; and legal-tender closure remains unanswered.[359] Figure 1 provides the full-page matrix form of that same problem, making clear that the failure is not securities law itself, but the overextension of securities law beyond its proper boundary.

The same asset may therefore move between postures. A token sold in a fundraising transaction may enter investment posture. The same token traded on a derivatives or exchange platform may enter market posture. The same token held in a wallet may enter property posture. The same token transferred to satisfy an invoice may enter payment posture. The asset's technological identity may remain constant, but the legal function changes. That is why this doctrine does not ask only what the asset is. It asks what the transaction is asking the asset to perform.[360]

Mixed posture requires particular care. A payment token may be designed for settlement but marketed in a way that emphasizes future appreciation from issuer development. A stablecoin may be used for payment but embedded in a yield program. A governance token may be transferred as compensation but structured so that recipients rely on managerial efforts to increase value. In those cases, the payment function does not erase the investment features, and the investment features do not eliminate the payment consequences. The proper analysis is not to collapse the categories, but to identify each independently triggered legal regime.[361]

This is the discipline that securities law itself requires. *Howey* does not ask whether the object can ever be used outside an investment context. *Forman* does not allow labels to control where economic reality points elsewhere. *Reves* does not treat form as conclusive where function matters. Together, those cases require the law to look past vocabulary and identify the real transaction. If the real transaction is investment participation, securities law applies. If the real transaction is payment, securities law should not be presumed absent independent investment facts.[362]

Accordingly, the payment-function rule may be stated as follows:

A payment transaction uses a crypto asset as a substitute settlement medium to satisfy an obligation. An investment transaction uses the asset or surrounding transaction structure to create exposure to expected profit, appreciation, yield, issuer development, pooled value, or managerial effort. Those are different legal functions.

The distinction is not that payment use defeats securities law. It is that securities law requires investment facts, and payment use should not be treated as investment fact by assumption.[363]

§IV.D. Commodities Law — Market Posture, Not Monetary Closure

Commodities law and market regulation supply a second essential boundary framework in digital-asset analysis. If securities law addresses investment posture, commodities law addresses market posture: trading, exchange activity, derivatives, futures, swaps, leverage, margin, clearing, custody, routing, price discovery, fraud, manipulation, and market infrastructure. In the digital-asset context, this framework is necessary because crypto assets may be traded in markets, paired against other assets, custodied by platforms, used in leveraged transactions, referenced in derivatives, or implicated in fraud and manipulation. But commodities and market-regulation analysis does not answer every question presented by cryptocurrency payment use. It determines whether the transaction involves market conduct. It does not, standing alone, determine whether a crypto asset transferred as payment produces private settlement, legal discharge, residual public-law obligations, or sovereign monetary closure.[364]

The Commodity Exchange Act defines "commodity" broadly and grants the Commodity Futures Trading Commission authority over futures, swaps, derivatives markets, commodity interests, and fraud or manipulation in connection with commodities in interstate commerce.[365] Courts have recognized that virtual currencies may fall within the Commodity Exchange Act's broad commodity framework, and that the CFTC may pursue fraud or manipulation involving virtual currencies where statutory authority is independently triggered.[366] This authority matters. Digital-asset markets may involve price manipulation, wash trading, leveraged exposure, exchange failures, custody risk, derivatives leverage, oracle distortion, liquidation cascades, and platform-mediated market conduct. Market regulation is therefore not incidental to digital-asset law; it is central to market integrity.

Yet commodity classification is not the same as monetary closure. A crypto asset may be commodity-like or subject to CFTC enforcement jurisdiction without every transfer of that asset becoming commodity-market conduct. This does not deny that the asset may remain commodity-like or subject to commodity-related jurisdiction in other contexts. It means only that the immediate payment transaction must be analyzed according to its own function. The same asset may be traded on an exchange, referenced in a futures contract, used in a swap, pledged as margin, custodied by a platform, routed through market infrastructure, or transferred directly to satisfy an invoice. The asset's technological or commodity-like identity may remain constant. The legal posture changes according to transactional function.[367]

This distinction is especially important because commodities law naturally focuses on market behavior. It asks whether the transaction implicates trading, price formation, derivatives exposure, leverage, margin, exchange activity, clearing, custody, spot-market fraud or manipulation, or market infrastructure. Payment posture asks a different question. It asks whether value has been tendered or transferred toward satisfaction of an obligation, whether the parties treated the transaction as settled, whether applicable law recognizes discharge, and whether the instrument supplies legal-tender closure. Those are not the same inquiries.[368]

A derivatives transaction involving Bitcoin, Ether, or another digital asset may present market posture because the transaction creates exposure to price movement through futures, swaps, leverage, margin, or exchange-mediated execution. A platform that clears, routes, custodies, or intermediates digital-asset trades may present market-infrastructure concerns. A scheme involving spoofing, wash trading, false reporting, coordinated manipulation, or fraudulent commodity activity may present market-integrity concerns. In those settings, commodities law and market regulation properly enter the analysis because the transaction asks the asset to function as a market-traded commodity interest or as part of market infrastructure.[369]

By contrast, a direct transfer of Bitcoin, Ether, USDC, or another digital asset to satisfy an invoice for goods or services is not naturally the same legal event as a futures position, leveraged exchange trade, swap, margin transaction, clearing event, or market-manipulation scheme. A contractor accepting Bitcoin for completed work is not, by that fact alone, entering a derivatives market. A merchant accepting USDC for goods is not, by that fact alone, engaging in commodity-market trading. A debtor transferring a digital asset to satisfy a private debt is not, by that fact alone, participating in exchange-mediated price discovery. The immediate legal function is payment or attempted settlement, not market exposure.[370]

That characterization changes if market facts are independently present. A purported payment transaction may be routed through a platform that creates custody, clearing, leverage, margin, exchange, or market-conduct obligations. A merchant payment program may be embedded in a trading arrangement. A crypto payment may be part of a manipulative scheme, wash-trading pattern, fraudulent commodity transaction, or derivatives-linked structure. A stablecoin or digital asset may be used as margin, collateral, settlement asset, or reference asset within derivatives infrastructure. In such cases, market regulation may properly enter because the transaction contains independently present market facts.[371]

The adversarially hardened rule is therefore narrow:

Payment use, standing alone, should not be automatically treated as market posture absent independently present trading, derivatives, leverage, clearing, custody, spot-market fraud or manipulation, or exchange-mediated facts.

This rule does not weaken commodities law. It preserves it. Commodities and market regulation should remain fully available where the transaction involves market conduct, derivatives, leverage, futures, swaps, margin, clearing, custody, fraud, manipulation, trading infrastructure, or exchange-mediated activity. But the commodities lens should not be overextended to answer a different question: whether the transfer of a crypto asset used to satisfy an obligation closes that obligation through legal tender.[372]

This is the boundary-collapse error illuminated in **Table 4** and visually preserved in **Figure 1**. Table 4 identifies the proper commodities and market-regulation question: whether the transaction involves commodity interests, spot-market fraud or manipulation, trading, derivatives, leverage, swaps, futures, clearing, custody, fraud, manipulation, or exchange-mediated market infrastructure. It also identifies the boundary-collapse error: treating every crypto payment as market conduct merely because the asset is tradable, commodity-like, or

capable of exchange-market activity. When that error occurs, market regulation begins to interfere with other legal frameworks. It may obscure securities-law facts where issuer reliance, profit expectation, or capital formation exists. It may understate tax and property-disposition consequences. It may confuse market supervision with Treasury, FinCEN, AML/BSA, sanctions, or payment-compliance duties. It may overlook private settlement and contractual discharge. Most importantly for this doctrine, it does not answer whether the payment instrument closed the obligation through sovereign money.[373]

That last point is decisive. Even where commodities law applies, it does not itself determine whether a transfer supplies legal-tender closure. Commodities law may determine whether fraud or manipulation occurred. It may regulate derivatives exposure. It may supervise futures, swaps, margin, leverage, clearing, custody, and exchange infrastructure. It may police market misconduct. But it does not convert a privately accepted digital asset into lawful money, nor does it determine whether a private payment has achieved sovereign monetary finality.[374]

The payment question therefore remains separate. A merchant may accept a commodity-like digital asset as consideration. A contractor may accept a stablecoin or volatile crypto asset to satisfy an invoice. A debtor may transfer crypto to resolve a private obligation. A payroll arrangement may use a digital asset as a compensation medium where permitted by applicable law. Those transactions may trigger valuation, tax, contract, sanctions, money-transmission, employment, consumer-protection, custody, or payment-system questions. They may also trigger commodities analysis if independently connected to market conduct, spot-market fraud or manipulation, derivatives exposure, leverage, custody, clearing, or exchange-mediated activity. But payment use alone does not answer whether legal-tender closure occurred.[375]

This boundary is necessary because digital assets compress forms that traditional market architecture often separated. In the analog environment, a commodity-market trade, futures contract, swap, clearing arrangement, payment transfer, tax disposition, and legal-tender payment often appeared through distinct documents, venues, intermediaries, regulatory channels, or institutional forms. Digital assets can collapse these categories into a single transferable object capable of being traded, collateralized, custodied, lent, staked, swapped, pledged, or accepted as payment without changing technological form. The law must therefore separate market posture from payment posture by function rather than relying solely on asset identity.[376]

This functional separation also protects regulators. If commodities law is treated as a universal answer to every crypto transaction, it risks being asked to solve questions that belong to other frameworks. Securities law must answer investment-relationship questions. Tax law must answer valuation, basis, gain, loss, income, withholding, and reporting questions. Treasury, FinCEN, and sanctions law must answer value-transmission and compliance questions. Commercial and contract law must answer private settlement and discharge questions. Legal-tender doctrine must answer sovereign monetary closure questions. Commodities law performs its proper role when it governs market posture; it becomes analytically distorted when forced to decide whether private payment equals legal tender.[377]

Accordingly, commodities and market regulation properly enter the analysis when the transaction involves market conduct, derivatives, leverage, futures, swaps, spot-market fraud or manipulation, trading infrastructure, clearing, custody, margin, routing, or exchange-mediated activity. They do not, by themselves, determine whether crypto payment use closes an obligation through legal tender. Commodities law governs **market posture**. Payment closure requires a separate inquiry into payment, settlement, discharge, residual public obligations, and sovereign monetary finality.[378]

Doctrinal Clarification Footnote — Bitcoin, Commodity-Like Architecture, and Payment Closure
Bitcoin presents a distinct analytical case within digital-asset classification because its strongest commodity-like argument arises from architecture rather than issuer representation, managerial discretion, or continuing enterprise control. The point is not that Bitcoin is legally identical to gold, cattle, wheat, oil, or other tangible commodities. The point is narrower: Bitcoin's core monetary behavior is unusually resistant to discretionary managerial alteration in a manner that makes it structurally closer to non-managerial commodity objects than to upgradeable, issuer-governed, roadmap-driven, or promoter-dependent digital systems.

This distinction should be stated carefully. Bitcoin software can be copied, modified, proposed for change, or forked. But no issuer, foundation, administrator, promoter, DAO, developer committee, or managerial body can unilaterally alter Bitcoin's governing monetary characteristics while preserving the same consensus asset in the ordinary network sense. A non-consensus alteration is rejected by the network or produces a forked asset, rather than a managerial revision of Bitcoin's original identity. In that respect, Bitcoin differs from digital assets whose supply mechanics, protocol parameters, governance rights, upgrade pathways, liquidity design, treasury controls, staking economics, or value-support mechanisms remain subject to identifiable managerial or quasi-managerial discretion.

This architecture matters for commodities analysis because traditional commodities do not depend for their continuing identity on managerial promises, issuer execution, roadmap delivery, or discretionary governance. Gold may be mined, stored, financed, securitized, or referenced in derivatives, but gold is not upgraded by an issuer. Cattle may be bought, sold, transported, financed, or hedged, but cattle do not depend on a foundation roadmap for their biological identity. Oil and wheat may be traded in highly regulated markets, but their commodity character does not arise from managerial efforts to maintain or revise their core nature. Bitcoin's fixed-supply design and consensus-bound governance make its strongest commodity-like case in this same non-managerial direction: its asset behavior is not ordinarily alterable by a continuing promoter or enterprise without breaking consensus identity.

This clarification does not establish a categorical rule that every Bitcoin transaction is commodity-market conduct. Nor does it imply that Bitcoin is lawful money, legal tender, or sovereign monetary closure under United States law. Bitcoin may support commodity-like treatment where market, trading, derivatives, fraud, manipulation, custody, or exchange-mediated questions are properly presented. But a direct Bitcoin transfer used to satisfy an invoice, compensate services, settle a private debt, or perform a contractual obligation still requires separate analysis of payment, settlement, discharge, tax consequences, compliance obligations, and sovereign monetary finality.

Accordingly, Bitcoin's distinctive architecture may make it a stronger candidate for commodity-like classification than upgradeable or issuer-managed digital assets, but commodity-like identity does not equal market posture in every transaction, and commodity-like identity does not equal legal-tender closure. The proper distinction is functional: Bitcoin may be commodity-like in asset architecture, market-regulated in trading posture, privately accepted in payment posture, taxable as property, and still non-legal-tender for purposes of sovereign monetary closure.

§IV.E. Payment Function Is Not Market Conduct

The distinction between payment function and market conduct is central to the commodities-law boundary analysis of this chapter. Commodities and market regulation ask whether a transaction implicates trading, derivatives, futures, swaps, leverage, margin, clearing, custody, exchange activity, spot-market fraud or manipulation, or market infrastructure. Payment analysis asks whether value has been transferred, tendered, or accepted toward satisfaction of an obligation. Those inquiries may overlap where market facts are independently present, but they are not identical. A person who enters a leveraged Bitcoin position on a derivatives platform is not necessarily doing the same legal act as a person who transfers Bitcoin to satisfy an invoice. A person who uses USDC in paired exchange trading, margin activity, or derivatives settlement is not necessarily in the same legal posture as a merchant who accepts USDC as an agreed medium of payment for goods or services.[380]

The practical difference is one of legal function. A market transaction uses the asset, or the infrastructure surrounding the asset, to create or intermediate market exposure. It may involve price discovery, trading risk, liquidity routing, derivatives exposure, leverage, clearing, custody, exchange mediation, fraud, manipulation, or market-integrity concerns. A payment transaction uses the asset as a substitute settlement medium. It asks the asset to perform against an obligation rather than participate in market trading or create market exposure. That difference does not depend on whether the asset is technologically identical in both settings. It depends on what the transaction asks the asset to do.[381]

This principle follows directly from the structure of commodities regulation. The Commodity Exchange Act defines "commodity" broadly, and courts have recognized that virtual currencies may fall within that framework. The CFTC may therefore pursue fraud, manipulation, derivatives activity, futures, swaps, leveraged transactions, and market conduct involving digital assets where statutory authority is independently triggered.[382] But the breadth of commodity classification does not eliminate the need to identify transactional function. A commodity-like asset may be traded, hedged, cleared, margined, custodied, or used in derivatives markets. The same asset may also be tendered directly to satisfy a private obligation. Those are different legal events.[383]

Thus, where Bitcoin is traded on a derivatives platform, placed into a futures contract, used in a leveraged exchange position, routed through margin infrastructure, or implicated in spot-market fraud or manipulation, the transaction may enter market posture. The asset is not merely moving from one party to another in satisfaction of an obligation. It is being used within market infrastructure to create, transfer, amplify, hedge, or manipulate exposure to price movement. In that setting, commodities law and market regulation may properly enter because the transaction asks the asset to function as a market-traded commodity interest or as part of a regulated market environment.[384]

By contrast, where Bitcoin is transferred directly to satisfy an invoice for completed work, purchase goods, compensate services, settle a private debt, or perform a contractual obligation, the transaction is not naturally structured as commodity-market trading. The payor is not, by that

fact alone, entering a futures position. The recipient is not, by that fact alone, participating in a swap, leveraged exchange trade, clearing arrangement, or market-manipulation scheme. The immediate legal function of the payment transaction, depending on the surrounding facts, is satisfaction or attempted satisfaction of an obligation, not creation of market exposure. That characterization changes if the payment arrangement is embedded in exchange-mediated trading, leverage, margin, custody, clearing, derivatives, spot-market fraud or manipulation, or other independently present market facts.[385]

The same distinction applies to stablecoins and other digital assets. USDC used on an exchange as part of paired trading, margin activity, derivatives settlement, collateral routing, liquidation management, or platform-mediated market conduct may enter market posture. USDC accepted by a merchant to satisfy an invoice may enter payment posture. The asset may be the same. The legal function differs. The distinction is not temporal or technological; it is functional and fact-specific. A digital asset does not enter market posture merely because it can be traded elsewhere, priced on markets, used by other parties in derivatives, or custodied by platforms. The relevant inquiry is what the transaction before the law is asking the asset to perform.[386]

This functional distinction can be stated in practical regulatory terms. Commodities law does not need to ignore market facts, and payment analysis does not need to pretend that every crypto movement is market conduct. The controlling question is whether the transaction places the asset into market infrastructure or uses it as a substitute settlement medium for an obligation. Table 6 therefore provides a CFTC-facing boundary guide for distinguishing market posture from payment posture. It identifies common digital-asset scenarios, the function the transaction asks the asset to perform, the market facts that may properly trigger commodities analysis, the indicative posture subject to surrounding facts, and the boundary rule necessary to prevent commodity classification from being mistaken for market conduct in every transactional setting.[381] [394]

Table 6. CFTC Boundary Guide: Distinguishing Market Posture from Payment Posture

Scenario	What the Transaction Is Asking the Asset To Do	CFTC-Relevant Market Facts	Indicative Posture, Subject to Facts	Boundary Rule
Bitcoin traded on a derivatives platform	Create, transfer, hedge, or speculate on price exposure through futures, swaps, derivatives, leverage, or exchange-mediated execution.[380]	Futures, swaps, leverage, margin, clearing, exchange activity, price exposure, custody, or market infrastructure.[382] [384]	**Market Posture**	Commodities and market regulation may properly enter where the transaction implicates derivatives, leverage, futures, swaps, clearing, custody, or exchange-mediated market conduct.[384]
Crypto asset used in leveraged or margined exchange trading	Amplify market exposure through borrowed capital, margin infrastructure, liquidation mechanics, or platform-mediated trading.[384]	Leverage, margin, liquidation risk, exchange routing, custody, clearing, or market-integrity concerns.[384] [387]	**Market Posture**	Payment terminology cannot defeat market reality where leverage, margin, custody, clearing, derivatives, fraud, manipulation, or exchange-mediated facts are independently present.[387]
Digital asset implicated in spot-market fraud or manipulation	Use the asset or surrounding market activity to distort price, mislead participants, manipulate trading, or commit fraud.[382]	Fraud, manipulation, spoofing, wash trading, false reporting, deceptive conduct, or market-integrity impairment.[382] [387]	**Market / Enforcement Posture**	CFTC authority may properly enter where commodity-related fraud or manipulation is independently present, even if the transaction is described as payment or transfer.[382] [393]
USDC used on an exchange for paired trading, collateral routing, margin support, liquidation management, or derivatives-related settlement	Function as a trading pair, collateral asset, settlement asset, margin-support instrument, or liquidity-routing mechanism within market infrastructure.[386] [392]	Exchange activity, paired trading, collateralization, settlement routing, custody, margin, derivatives-related settlement, or liquidation management.[386] [392]	**Market / Possible Mixed Posture**	A stablecoin may enter market posture when used inside trading, derivatives, margin, custody, clearing, liquidation, or exchange infrastructure.[386] [392]

Bitcoin transferred directly to satisfy a completed invoice	Satisfy an existing obligation through an agreed substitute settlement medium.[385]	No futures position, swap, leverage, margin, clearing, exchange-mediated price exposure, or market-manipulation fact arises solely from invoice payment.[385]	**Payment Posture, absent independently present market facts**	Payment use alone should not be treated as market conduct by assumption. The characterization changes if the payment is embedded in exchange-mediated trading, leverage, margin, custody, clearing, derivatives, fraud, or manipulation.[385] [388]
Merchant accepts USDC or another digital asset for goods or services	Complete a private purchase or service transaction through an agreed substitute payment medium.[386]	Merchant acceptance alone does not create derivatives exposure, futures trading, margin activity, clearing, or market infrastructure.[386]	**Payment Posture, absent independently present market facts**	Commodity-like identity does not transform a merchant payment into commodity-market trading absent independently present market facts.[386] [394]
Employer pays wages or compensation in crypto where permitted by applicable law	Compensate labor through an agreed digital asset transfer.[385]	Wage payment may create tax, payroll, reporting, contract, sanctions, or compliance duties; market posture depends on independent market facts.[385] [392]	**Payment / Possible Mixed Posture**	Compensation in crypto may trigger commodities analysis if tied to leverage, derivatives, custody, clearing, exchange conversion, fraud, manipulation, or market infrastructure.[392]
Private debtor transfers crypto to settle or attempt to settle a debt	Resolve or attempt to resolve a private obligation through an agreed digital asset transfer.[385]	No market exposure, price discovery, derivatives, leverage, margin, clearing, custody, fraud, or manipulation arises solely from debt settlement.[385]	**Payment / Settlement Posture, absent independently present market facts**	Contract, tax, sanctions, money-transmission, valuation, or legal-tender closure issues may arise; market posture requires independent market facts.[389]
Same asset moves through different contexts over time	Function changes depending on whether the asset is traded, hedged, margined, custodied, used in derivatives, or accepted as payment.[391]	Market facts may exist in one transaction and be absent in another; posture depends on transaction structure, venue, custody model, leverage, routing, and legal function.[391]	**Posture Varies by Transaction**	Asset identity alone does not control. The transaction's function determines whether the commodities/market lens is properly triggered.[381] [391]

Direct crypto payment later converted, reported, taxed, or screened for compliance	Use the asset for private settlement while producing collateral tax, compliance, valuation, or reporting consequences.[389]	Conversion, reporting, taxation, or compliance review does not itself create market conduct, though separate market facts may do so.[389] [392]	**Payment / Property / Compliance Posture, subject to facts**	Regulatory recognition, tax treatment, or compliance supervision is not the same as market posture and does not answer legal-tender closure.[389] [394]

Doctrinal Note

Table 6 does not create a safe harbor. It clarifies the commodities/payment boundary by distinguishing market conduct from obligation-satisfaction function. Commodities law and market regulation remain fully applicable where market facts are independently present, including trading, derivatives, futures, swaps, leverage, margin, clearing, custody, exchange-mediated activity, spot-market fraud or manipulation, liquidation mechanics, routing, or market infrastructure.[382] [384] [387] At the same time, payment use should not be treated as market conduct by assumption where a crypto asset is used merely to satisfy an invoice, wage, purchase obligation, service contract, private debt, or similar obligation.[385] [386] [388]

This table addresses the commodities/payment boundary only. It does not displace securities, tax, Treasury, FinCEN, sanctions, commercial-law, consumer-protection, payment-system, employment-law, or legal-tender closure analysis where those facts are independently triggered.[389] [390] [392] Nor does payment or market-posture classification displace securities analysis where investment-contract facts, issuer promotion, expected appreciation, pooled proceeds, yield, or managerial reliance are independently present.[389]

The central rule is therefore narrow: a payment transaction uses a crypto asset as a substitute settlement medium to satisfy an obligation; a market transaction uses the asset or surrounding market infrastructure to create, trade, hedge, leverage, clear, custody, route, manipulate, or intermediate exposure to price or market conduct. Those are different legal functions.[393] [394]

Figure 3 Source and Data Availability: Figure 3, *CFTC Boundary Guide: Distinguishing Market Posture from Payment Posture*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as **Table 6** is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/d47fxf8j24/1*].

Public-Facing Bridge

The CFTC does not have to ignore market facts, and the public should not have to assume every crypto payment is market trading. The proper inquiry is whether the transaction, viewed in its functional setting, asks the asset to create market exposure or to satisfy an obligation.[381] [394]

Table 6 does not displace the fact-specific nature of commodities analysis. Rather, it clarifies the threshold inquiry that must occur before commodities law is assigned as the governing lens.

Where derivatives, leverage, margin, exchange routing, clearing, custody, spot-market fraud or manipulation, liquidation mechanics, or other market facts are independently present, commodities and market regulation may properly enter. Where the asset is merely tendered to satisfy an invoice, wage, purchase obligation, service contract, or private debt, payment function should not be treated as market conduct by assumption. The table therefore preserves CFTC authority while preventing market regulation from being asked to answer a payment-closure question it was not designed to resolve.[382] [385] [387] [388]
This does not mean that payment terminology can defeat commodities law. A transaction described as "payment" may still carry market-conduct facts. A purported payment transfer may be part of a wash-trading pattern, manipulative scheme, fraudulent commodity transaction, leveraged arrangement, margin transaction, derivatives-linked structure, liquidation mechanism, or exchange-mediated routing system. A stablecoin used for invoice payment may also be used as margin, collateral, settlement asset, or reference instrument within market infrastructure. In those circumstances, commodities law may properly enter because market facts are independently present.[387]

The point is not that payment use defeats commodities law. The point is that commodities law requires market facts. Payment use should not be treated as market conduct by assumption. The legal system must distinguish between a digital asset used to create trading exposure and a digital asset used to satisfy an obligation; between a futures or swap transaction and a vendor payment; between a leveraged exchange position and a private settlement transfer; between market infrastructure and private performance.[388]

This distinction prevents a common category error in digital-asset analysis. If every crypto payment is treated as market conduct merely because the asset is tradable, commodity-like, exchange-listed, or capable of derivatives reference, then commodities law is forced to answer questions outside its proper function. The analysis may overlook securities-law facts, tax and property consequences, Treasury/FinCEN and sanctions duties, contract discharge, payroll obligations, valuation issues, or the separate question of whether the transaction produced legal-tender closure.[389] That is the boundary-interference problem identified in **Table 4** and visually preserved in **Figure 1**.

In **Table 4**, the commodities and market-regulation lens properly asks whether the transaction involves commodity interests, spot-market fraud or manipulation, trading, derivatives, leverage, swaps, futures, clearing, custody, fraud, manipulation, or exchange-mediated market infrastructure. The boundary-collapse error occurs when every crypto payment is treated as market conduct merely because the asset is tradable, commodity-like, or capable of exchange-market activity. When that error occurs, commodities analysis begins to interfere with other legal frameworks: securities-law facts may be obscured where issuer reliance, pooling, profit expectation, or capital formation exists; tax and property consequences may be understated; Treasury, FinCEN, AML/BSA, and sanctions duties may be confused with market supervision; private settlement and discharge terms may be overlooked; and legal-tender closure remains unanswered.[390] Figure 1 provides the full-page matrix form of that same boundary-collapse problem, making clear that the failure is not commodities law itself, but the overextension of commodities law beyond its proper market-regulation boundary.

The same asset may therefore move between postures. Bitcoin traded through a derivatives venue may enter market posture. Bitcoin transferred to satisfy an invoice may enter payment posture. USDC used in paired exchange trading may enter market posture. USDC accepted by a merchant for goods or services may enter payment posture. Ether custodied by a trading platform may implicate market infrastructure, while Ether transferred directly as compensation may raise payment, tax, contract, reporting, or compliance questions. The asset's identity may remain constant, but the legal function changes.[391]

Mixed posture requires particular care. A payment flow may occur through a platform that also provides custody, routing, exchange conversion, leverage, margin, or derivatives access. A merchant payment system may automatically liquidate received crypto through exchange infrastructure. A stablecoin payment may settle an invoice while also serving as collateral or margin in a related market arrangement. A debt settlement may be embedded in a broader trading strategy or manipulative scheme. In those cases, the payment function does not erase market facts, and the market facts do not eliminate payment consequences. The proper analysis is not to collapse the categories, but to identify each independently triggered legal regime.[392]

This is the discipline commodities law itself requires. The Commodity Exchange Act and CFTC Rule 180.1 do not ask whether an asset can ever be traded, priced, or referenced in derivatives. They ask whether the conduct before the law implicates commodity interests, market integrity, fraud, manipulation, derivatives, swaps, futures, leverage, clearing, custody, or exchange-mediated activity. If the real transaction is market conduct, commodities law may apply. If the real transaction is payment, commodities law should not be presumed absent independently present market facts.[393]

Accordingly, the payment-function rule may be stated as follows:

A payment transaction uses a crypto asset as a substitute settlement medium to satisfy an obligation. A market transaction uses the asset or surrounding market infrastructure to create, trade, hedge, leverage, clear, custody, route, manipulate, or intermediate exposure to price or market conduct. Those are different legal functions.

Commodity classification may describe what the asset is, or how it may be regulated in market settings; it does not, standing alone, define what the asset is doing when tendered as payment.[394]

§IV.F. The Boundary Between Regulatory Recognition and Monetary Authority

The securities and commodities boundaries established in this chapter return the analysis to the doctrine's central monetary question: whether private crypto payment use supplies legal-tender closure. A digital asset may be recognized by law, regulated by an agency, taxed by the Internal Revenue Service, traded through market infrastructure, supervised by Treasury or FinCEN, screened under sanctions law, custodied by financial institutions, processed through payment systems, or enforced against by federal regulators without thereby becoming lawful money. Regulatory recognition is not monetary authority.[395]

This distinction is essential because digital assets often enter the legal system through regulatory contact before they enter, if ever, sovereign monetary status. A crypto asset may be the subject of an SEC enforcement action, a CFTC fraud or manipulation proceeding, an IRS revenue ruling or notice, a FinCEN guidance document, an OFAC sanctions designation, a banking custody policy, a payment-processor rule, a stablecoin reserve requirement, or a commercial-law dispute. Each form of recognition may be legally significant. None automatically establishes that the instrument itself has become legal tender, lawful money, or a sovereign-recognized monetary closure instrument.[396]

Securities law supplies one example. When a crypto transaction contains investment-contract facts, securities analysis may determine whether the transaction involved investment of money, common enterprise, expectation of profits, and reliance on the managerial or entrepreneurial efforts of others. That analysis may trigger registration, exemption, disclosure, antifraud, broker-dealer, exchange, intermediary, or investment-program consequences. But even where securities law applies, it does not convert the crypto asset into lawful money. Securities law answers the investment-relationship question. It does not answer whether payment use closes an obligation through sovereign-recognized monetary authority.[397]

Commodities law supplies a second example. A crypto asset may be commodity-like or subject to CFTC authority where the transaction involves commodity interests, derivatives, futures, swaps, leverage, margin, clearing, custody, exchange infrastructure, spot-market fraud, or manipulation. That recognition is meaningful for market integrity. It permits commodities and market regulation to address fraud, manipulation, trading conduct, derivatives exposure, and market infrastructure. But commodity or market recognition is not monetization. It does not establish that a direct transfer of the asset used to satisfy an invoice, wage, private debt, or contractual obligation supplies legal-tender closure.[398]

Tax law supplies a third example. The IRS may treat virtual currency as property for federal tax purposes. That treatment may require valuation, basis calculation, gain or loss recognition, income inclusion, wage measurement, withholding analysis, employment-tax treatment, information reporting, or accounting consequences. But tax recognition does not make the asset lawful money. In many cases, tax recognition confirms the opposite: the legal system must translate the asset into the dollar unit of account before tax consequences can be measured. Valuation is not monetization. Dollar measurement is not legal-tender closure.[399]

Treasury and FinCEN analysis supplies a fourth example. A person administering, exchanging, transmitting, or intermediating convertible virtual currency may trigger Bank Secrecy Act obligations depending on the facts. Those obligations may include AML programs, customer identification, suspicious activity reporting, recordkeeping, money-services-business registration, or related compliance duties. But BSA/AML supervision does not transform the transmitted instrument into lawful money. A thing may be regulated precisely because it moves value outside ordinary sovereign-money channels. Compliance supervision governs the movement of value; it does not confer sovereign monetary authority on the instrument moved.[400]

OFAC sanctions law supplies a fifth example. Digital assets may be screened, blocked, reported, or restricted under sanctions authorities. Wallet addresses, persons, entities, protocols, exchanges, mixers, or transaction flows may become the subject of sanctions-related compliance duties. But sanctions recognition is not monetary recognition. The fact that a digital asset transfer may implicate national-security, foreign-policy, blocking, reporting, or sanctions-screening obligations does not mean the asset has become legal tender. It means the transaction may move value in a way that public law must monitor, restrict, or prohibit.[401]

Banking, custody, stablecoin, and payment-system rules supply a sixth example. A bank, trust company, custodian, money transmitter, payment processor, stablecoin issuer, or financial intermediary may hold, process, redeem, settle, route, or supervise digital assets under applicable law. Those rules may address custody risk, operational resilience, reserve management, redemption obligations, consumer protection, payment-system risk, fiduciary standards, or prudential supervision. But institutional custody, reserve backing, redemption mechanics, or payment-system treatment does not necessarily equal sovereign monetary finality. An asset may be operationally integrated into financial infrastructure without becoming lawful money.[402]

The same point applies across commercial and contract law. Private parties may agree to accept goods, services, negotiable instruments, setoff, foreign currency, digital assets, stablecoins, account credits, or other substitutes in performance of an obligation. A private agreement may create payment, settlement, substituted performance, substituted contract, accord and satisfaction, release, discharge, or contractual closure between the parties. But private-law closure is not identical to sovereign monetary closure. Agreement may resolve a bargain. It does not, by itself, convert the accepted instrument into legal tender.[403]

This is why regulatory recognition must be separated from monetary authority. The fact that a crypto asset is regulated by the SEC does not make it money. The fact that it is subject to CFTC jurisdiction does not make it legal tender. The fact that it is taxed as property does not make it lawful money. The fact that it is supervised under FinCEN rules does not supply sovereign monetary finality. The fact that it is screened under OFAC sanctions law does not give it monetary-closure status. The fact that it is custodied, reserved, redeemed, processed, or accepted by private parties does not make it a sovereign monetary instrument.[404]

This separation also explains the legal-tender closure gap. When a payment is made using lawful money, the legal system can recognize the medium itself as sovereign-authorized monetary closure. When a crypto asset is used as payment, the transfer may still matter. It may satisfy private expectations, discharge a contractual duty, trigger tax consequences, require compliance

screening, involve property disposition, or create reporting duties. But the legal system must still ask whether the obligation was resolved through legal tender, lawful money, or equivalent sovereign-recognized monetary authority. That question is not answered merely because the asset is regulated.[405]

The error would be to treat regulation as endorsement and endorsement as monetization. Regulation often arises not because an instrument has been incorporated into sovereign money, but because it creates risk outside sovereign money. Securities law may regulate investment risk. Commodities law may regulate market risk. Tax law may measure property disposition. FinCEN may regulate value transmission. OFAC may regulate sanctions exposure. Banking and payment-system rules may regulate custody, redemption, reserve, liquidity, operational, or settlement risk. But none of these regimes, standing alone, declares the payment instrument legal tender for debts, public charges, taxes, or dues.[406]

This boundary preserves the integrity of every framework. It allows the SEC to regulate investment posture without being asked to supply monetary authority. It allows the CFTC to regulate market posture without being asked to confer payment closure. It allows the IRS to measure tax consequences without being treated as minting authority. It allows FinCEN and OFAC to supervise value movement without converting the asset into lawful money. It allows banking and payment regulators to address custody, reserves, redemption, and operational risk without transforming private settlement media into sovereign money. It allows commercial law to recognize private settlement while preserving the separate question of legal-tender closure.[407]

Accordingly, the rule is straightforward:

Regulation of a crypto transaction is not equivalent to sovereign monetization of the payment instrument.

A crypto asset may be recognized, regulated, taxed, traded, supervised, sanctioned, custodied, reserved, redeemed, processed, or enforced against without becoming lawful money. An instrument may be regulated precisely because it is not lawful money; regulation does not erase the legal-tender closure gap.[408]

§IV.G. Stablecoins and the Boundary Problem

Stablecoins present the strongest counterargument to the legal-tender closure gap because they are designed to resemble money more closely than volatile cryptocurrencies. Unlike Bitcoin, Ether, or other digital assets whose market prices may fluctuate substantially, many stablecoins are structured to reference a sovereign currency, maintain a relatively stable value, support payment efficiency, or provide redemption rights against an issuer. In practical use, they may reduce volatility, accelerate settlement, improve cross-border transfer efficiency, and allow parties to transact in a dollar-referenced digital instrument without using physical currency or traditional bank-account rails. For that reason, stablecoins sharpen the boundary problem rather than eliminate it.[409]

The legal question is not whether stablecoins may be useful payment instruments. They may be. Nor is the question whether stablecoins may become important within digital commerce, exchange settlement, remittances, treasury operations, or platform-based payment systems. They may. The question is narrower and more precise: whether a stablecoin's reference to dollars, reserve backing, redemption promise, payment utility, or regulatory supervision independently grants the instrument legal-tender closure status. The answer, absent competent legal authority, is no. Resemblance is not issuance. Redemption is not legal tender. Reserve backing is not central bank money. Payment efficiency is not sovereign monetary closure.[410]

Stablecoins may reduce volatility relative to non-pegged crypto assets. That is their principal functional advantage. A dollar-referenced stablecoin may be designed to maintain a value close to one dollar, reducing the practical uncertainty that arises when a volatile digital asset is used to satisfy an invoice, wage, debt, or commercial obligation. This matters for payment usability. A merchant, contractor, employee, or debtor may prefer a payment instrument whose value is designed to remain stable rather than an asset whose value may change materially before the transaction is completed, reported, converted, or taxed.[411]

But reduced volatility does not equal monetary authority. A privately issued instrument may be stable in practice, broadly accepted in commerce, or redeemable according to issuer terms without becoming lawful money. Many instruments may be denominated in, referenced to, or measured against dollars. That reference does not by itself transform the instrument into United States coins, currency, Federal Reserve notes, reserve balances, or another form of sovereign-recognized money. Dollar denomination may identify the unit of account. It does not necessarily identify the legal status of the instrument used.[412]

Stablecoins may also improve payment functionality. They may move quickly across digital networks, support programmable settlement, reduce friction in platform transactions, enable cross-border transfer, and create a more efficient substitute settlement medium between willing parties. Those features may make stablecoins commercially attractive. But payment functionality is not the same as legal-tender closure. A payment mechanism can be fast, efficient, liquid, interoperable, and widely used while still remaining a private instrument rather than sovereign money.[413]

Stablecoins may maintain reserves or redemption promises. Some stablecoin arrangements are designed so that the issuer holds assets intended to support redemption or price stability. The holder may expect to redeem the stablecoin for dollars or dollar-equivalent value according to the issuer's terms, applicable law, and available reserves. That structure may reduce market risk and may support confidence in the instrument. But reserve backing does not make the stablecoin itself central bank money. A stablecoin holder may possess a contractual or statutory claim against an issuer, but that claim is not the same thing as possession of legal tender unless law expressly gives the instrument that status. A claim against an issuer, a right of redemption, or a reserve-backed private liability is legally distinct from lawful money issued or recognized by sovereign monetary authority.[414]

Redemption rights are especially important to distinguish from monetary closure. A holder's ability to redeem a stablecoin for dollars may help convert a private digital claim into lawful money. But the redemption process confirms the distinction rather than eliminating it. If final public monetary effect depends on redemption into dollars, bank money, or central bank money, then the stablecoin is functioning as a redeemable private payment instrument, not as legal tender itself. Redemption may provide a pathway to lawful money. It is not identical to the sovereign monetary status of the instrument before redemption.[415]

Stablecoins may also be regulated. Depending on structure and activity, stablecoin issuers, intermediaries, custodians, exchanges, money transmitters, payment processors, banks, or other participants may be subject to payment, custody, reserve, redemption, AML/BSA, sanctions, consumer-protection, market, or securities-related rules. Those regimes may be necessary and substantial. They may address issuer solvency, reserve quality, redemption mechanics, operational resilience, illicit finance, sanctions exposure, custody, disclosure, and platform risk. But regulation remains distinct from monetization. A stablecoin may be regulated because it moves value, creates payment risk, or resembles money functionally; that does not mean the law has granted it legal-tender closure status.[416]

The same analytical separation established earlier in this chapter therefore applies with special force to stablecoins. Securities law may enter where a stablecoin or related arrangement is marketed, structured, or distributed through investment-contract facts, yield, profit expectation, pooling, issuer reliance, or managerial effort. Commodities and market regulation may enter where the stablecoin is used in trading, derivatives, leverage, margin, collateral routing, clearing, custody, liquidation, exchange infrastructure, fraud, or manipulation. Tax law may enter where acquisition, disposition, redemption, income recognition, wage measurement, basis, gain, loss, or reporting consequences arise. Treasury, FinCEN, and OFAC may enter where value transmission, AML/BSA obligations, sanctions screening, or illicit-finance risks are present. Banking and payment-system frameworks may enter where custody, reserves, redemption, liquidity, payment processing, or operational risk is involved. None of these frameworks, standing alone, makes the stablecoin legal tender.[417]

This is the stablecoin version of the boundary-collapse problem identified in **Table 4** and **Figure 1**. If stablecoin payment use is treated as securities posture merely because issuer activity, distribution, or yield may exist in other contexts, the analysis may confuse payment with investment. If stablecoin payment use is treated as commodities or market posture merely because the stablecoin is used on exchanges or in collateral routing elsewhere, the analysis may

confuse payment with market conduct. If tax recognition or dollar valuation is treated as proof of monetary status, the analysis confuses measurement with lawful money. If AML/BSA supervision or sanctions screening is treated as monetary authority, the analysis confuses compliance with sovereign closure. If private contract acceptance is treated as lawful-money status, the analysis confuses settlement with legal tender.[418]

The strongest stablecoin objection therefore proves the need for the doctrine rather than defeating it. Stablecoins may narrow the practical payment gap because they are designed to reduce volatility and improve settlement efficiency. They may be easier to use in commerce than non-pegged digital assets. They may function as private payment instruments, exchange settlement assets, platform balances, or redeemable claims. They may even become subject to detailed issuer, reserve, redemption, custody, AML, sanctions, or payment-system regulation. But practical monetary resemblance is not sovereign monetary authority.[419]

The adversarially hardened rule is therefore narrow:

Stablecoins may function as private payment instruments, but absent competent legal authority granting monetary-closure status, they do not independently supply legal-tender closure.

This rule does not deny stablecoin utility. It does not deny that stablecoins may settle private bargains, support payment efficiency, reduce volatility, or create enforceable rights between parties. It does not deny that stablecoin issuers and intermediaries may be regulated. It states only that the legal-tender closure question remains separate from practical payment design. A stablecoin may close a private transaction between parties while leaving the sovereign monetary-closure question unanswered.[420]

This distinction is especially important for public obligations. Taxes, public charges, dues, fines, government receivables, court judgments, regulated payroll, and other public-law obligations may require lawful money, legal tender, or another legally authorized form of payment depending on the governing statute, regulation, agency rule, or receiving authority. A public authority may authorize particular payment methods for administrative convenience, but authorized acceptance for a specific obligation is not the same as general legal-tender status. A stablecoin may reference the dollar, but unless competent legal authority grants it equivalent closure status for the obligation at issue, the stablecoin's transfer remains distinct from legal-tender closure. The legal system may recognize the transaction, regulate the participants, tax the disposition, or enforce private obligations. But sovereign monetary closure requires sovereign recognition.[421]

Accordingly, stablecoins do not eliminate the need for payment-closure analysis. They make it more urgent. The more closely a private instrument resembles money, the more carefully the law must distinguish practical functionality from sovereign status. Stablecoins may narrow the practical payment gap, but they do not eliminate the legal-tender closure gap.[422]

§IV.H. The Boundary Test

The preceding sections establish that crypto-asset analysis cannot begin and end with asset identity. A digital asset may be called a token, coin, stablecoin, commodity, payment instrument, virtual currency, digital asset, or crypto asset, but the legal question depends on what the transaction asks the asset to do. The same asset may enter investment posture in one setting, market posture in another, property posture in another, payment posture in another, and legal-tender closure analysis in yet another. The boundary test therefore begins with function rather than label.[423]

The first inquiry is the **investment boundary**. The question is whether the asset or transaction structure is being used to raise capital, create profit expectation, provide yield, pool value, or rely on managerial or entrepreneurial efforts. If the transaction invites a person to contribute value in expectation of profit from the efforts of others, securities law may properly enter the analysis. This inquiry tracks the logic of *Howey*, *Forman*, *Reves*, and related digital-asset cases: legal classification turns on economic reality, not nomenclature. A token used to fund platform development, marketed through appreciation narratives, embedded in staking or yield programs, or distributed through issuer-promoted investment arrangements may therefore enter investment posture.[424]

The second inquiry is the **market boundary**. The question is whether the asset is being traded, leveraged, margined, cleared, custodied, routed, paired, or used through derivatives, swaps, futures, fraud, manipulation, or market infrastructure. If the transaction places the asset inside a trading venue, derivatives structure, leveraged position, collateral arrangement, exchange-routing system, clearing mechanism, custody model, or fraud/manipulation fact pattern, commodities and market regulation may properly enter the analysis. The point is not that every commodity-like asset movement is market conduct. The point is that market conduct exists where the transaction function implicates market exposure, trading infrastructure, price formation, derivatives, or market integrity.[425]

The third inquiry is the **property boundary**. The question is whether the asset is being owned, disposed of, valued, accounted for, gifted, inherited, pledged, or taxed. A crypto asset may produce property and tax consequences even when the parties subjectively view the transfer as payment. If the transaction requires valuation, basis calculation, gain or loss recognition, income inclusion, wage measurement, withholding treatment, information reporting, accounting treatment, or collateral recognition, then property and tax analysis must enter. This inquiry is separate from securities status, market status, and legal-tender closure. A transfer may be taxable or reportable without making the asset lawful money.[426]

The fourth inquiry is the **payment boundary**. The question is whether the asset is being tendered or accepted to satisfy an invoice, wage obligation, service agreement, private debt, remittance, purchase obligation, settlement agreement, or contractual duty. In this posture, the transaction is not asking the asset to create investment exposure or market exposure. It is asking the asset to perform against an obligation. Payment posture may exist even where the asset is volatile,

commodity-like, tradeable, redeemable, or regulated elsewhere. The relevant question is whether the parties are using the asset as a substitute settlement medium.[427]

The fifth inquiry is the **closure boundary**. The question is whether the claim is that the payment closed the obligation through sovereign-recognized monetary authority. This is the legal-tender question. It asks whether the transfer resolved the obligation through lawful money, legal tender, Federal Reserve notes, United States coin or currency, or another monetary instrument granted equivalent closure status by competent legal authority. It does not ask merely whether the parties accepted the asset, whether the asset was valuable, whether the asset was redeemable, whether the asset was taxed, whether the asset was regulated, or whether the asset was efficient as a payment mechanism. Sovereign monetary closure requires sovereign recognition.[428]

The boundary test can therefore be organized into a practical decision matrix. Each boundary asks a different legal question, activates a different primary framework, and leaves certain questions unresolved for other doctrines. Table 7 translates the chapter's analysis into a reader-facing test for policymakers, regulators, courts, practitioners, and market participants. Its purpose is not to rank legal regimes or exclude overlapping authority, but to prevent category collapse by assigning each framework its proper inquiry: investment, market conduct, property disposition, payment function, or sovereign monetary closure.[423] [430] [434]

Table 7. The Crypto Transaction Boundary Test

Boundary Inquiry	Core Question	If Yes, Primary Legal Lens	What the Framework Answers	What It Does Not Answer
Investment Boundary	Is the asset or transaction structure being used to raise capital, create profit expectation, provide yield, pool value, promote appreciation, or rely on managerial or entrepreneurial efforts?[424]	**Securities Law**	Whether investment-contract, securities-offering, disclosure, registration, exemption, antifraud, broker-dealer, exchange, intermediary, or investment-program duties may arise.[424] [430]	Whether payment use supplies legal-tender closure, sovereign monetary finality, or lawful-money status.[428] [433]

Market Boundary	Is the asset being traded, leveraged, margined, cleared, custodied, routed, paired, or used through derivatives, swaps, futures, fraud, manipulation, liquidation mechanics, exchange activity, or market infrastructure?[425]	**Commodities / Market Regulation**	Whether commodity-interest, derivatives, futures, swaps, leverage, margin, market-integrity, custody, clearing, exchange-infrastructure, fraud, or manipulation rules may arise.[425] [430]	Whether private payment equals sovereign monetary closure or whether the asset becomes legal tender by being commodity-like or market-traded.[428] [433]
Property Boundary	Is the asset being owned, disposed of, valued, accounted for, gifted, inherited, pledged, collateralized, reported, or taxed?[426]	**Property / Tax Law**	Whether valuation, basis, gain/loss, income recognition, withholding, reporting, accounting, inheritance, gift, pledge, collateral, or disposition consequences arise.[426] [430]	Whether the asset is lawful money, legal tender, or sovereign-recognized monetary closure.[428] [433]
Payment Boundary	Is the asset being tendered or accepted to satisfy an invoice, wage obligation, service agreement, purchase obligation, remittance, settlement agreement, private debt, or contractual duty?[427]	**Payment / Contract / Settlement Analysis**	Whether the parties attempted payment, private settlement, substituted performance, accord, satisfaction, discharge, release, or contractual closure.[427] [430]	Whether the instrument itself has sovereign monetary authority or general legal-tender status.[428] [433]

Closure Boundary	Is the claim that the payment closed the obligation through sovereign-recognized monetary authority, lawful money, legal tender, Federal Reserve notes, U.S. coin or currency, or equivalent competent legal authorization?[428]	**Legal-Tender Closure Analysis**	Whether the obligation was resolved through lawful money, legal tender, Federal Reserve notes, United States coin or currency, or another instrument granted equivalent closure status by competent legal authority.[428] [433]	Whether separate securities, commodities, tax, Treasury, FinCEN, OFAC, banking, payment-system, contract, or compliance obligations were independently triggered.[431] [432]

Doctrinal Note
Table 7 is sequential for analytical clarity, not hierarchical in legal priority. A single crypto transaction may trigger more than one boundary at the same time. The purpose of the test is not to exclude regulatory regimes, but to assign each regime its proper question. Securities law answers investment posture. Commodities law answers market posture. Property and tax law answer ownership, valuation, disposition, and reporting consequences. Payment and contract analysis answer private settlement and obligation-satisfaction questions. Legal-tender closure analysis answers sovereign monetary finality.[423] [431] [434]

The test does not create a safe harbor. A party cannot avoid securities law by calling an investment program "payment." A platform cannot avoid commodities law by calling derivatives-linked activity "settlement." A taxpayer cannot avoid property or income consequences by calling a disposition "currency." A money transmitter cannot avoid BSA duties by calling value transfer "decentralized." A private party cannot create legal tender by contract. Labels yield to function, and function determines posture.[429] [432]

Figure 4 Source and Data Availability: Figure 4, *Boundary Test for Crypto Transactions: Determining the Proper Legal Lens*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as **Table 7** is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/9bhjy3y8ns/1*].

Boundary Rule

If the answer concerns capital formation, profit expectation, pooling, yield, issuer promotion, or managerial reliance, use **securities law**. If the answer concerns trading, derivatives, leverage, margin, swaps, futures, custody, clearing, fraud, manipulation, routing, or exchange infrastructure, use **commodities and market regulation**. If the answer concerns ownership, valuation, disposition, income, basis, reporting, accounting, gift, inheritance, pledge, collateral,

or tax treatment, use **property and tax law**. If the answer concerns satisfaction of an invoice, wage, service obligation, remittance, purchase, settlement agreement, private debt, or contractual duty, use **payment posture**. If the answer concerns sovereign finality, lawful money, legal tender, or closure through monetary authority, use **legal-tender closure analysis**.[430] [434]

Public-Facing Bridge

The question is not merely what the asset is called. The question is what the transaction asks the asset to do. Function determines posture, and posture determines the governing legal question.[423] [434]

Table 7 thus completes the analytical movement of this chapter. It shows why securities classification, commodities classification, tax treatment, payment use, and legal-tender closure must remain distinct even when the same digital asset appears across multiple contexts. The test preserves regulatory authority while preventing regulatory recognition from being mistaken for monetary authority. Properly applied, it allows each legal framework to operate where its facts are independently present, while reserving the legal-tender question for the separate inquiry it requires: whether the obligation was closed through sovereign-recognized monetary authority.[429] [431] [433]

The boundary test therefore prevents one framework from becoming analytically imperial over the others. Securities law should not swallow every payment transaction merely because a token can be promoted or sold for investment in another context. Commodities law should not transform every direct transfer into market conduct merely because the asset is commodity-like or exchange-traded elsewhere. Tax law should not be mistaken for monetary authority merely because a dollar value must be calculated. FinCEN or OFAC supervision should not be mistaken for lawful-money status merely because value movement is regulated. Private-law settlement should not be mistaken for sovereign closure merely because parties agreed to accept a substitute instrument.[429]

The structured rule is therefore as follows. If the answer concerns capital formation, profit expectation, pooling, yield, issuer promotion, or reliance on managerial or entrepreneurial efforts, use **securities law**. If the answer concerns trading, derivatives, leverage, margin, swaps, futures, clearing, custody, fraud, manipulation, routing, exchange activity, or market infrastructure, use **commodities and market regulation**. If the answer concerns ownership, valuation, disposition, basis, gain, loss, income, accounting, gift, inheritance, pledge, collateral, or reporting, use **property and tax law**. If the answer concerns satisfaction of an invoice, wage, service obligation, remittance, purchase, private debt, settlement agreement, or contractual duty, use **payment posture**. If the answer concerns sovereign finality, lawful money, legal tender, or closure through monetary authority, use **legal-tender closure analysis**.[430]

This test does not create silos. The test is sequential for analytical clarity, not hierarchical in legal priority. A single transaction may trigger multiple frameworks at once. A payment token may be promoted as an investment. A stablecoin may be used both to settle an invoice and to support exchange collateral. A digital asset transferred as compensation may create tax, securities, employment, contract, and compliance consequences. A direct payment may be routed through a

platform that also creates custody, clearing, sanctions, or money-transmission issues. The proper response is not to collapse the categories. It is to identify each independently triggered legal regime and assign each framework its proper question.[431]

The test also does not create a safe harbor. A party cannot avoid securities law by calling an investment program "payment." A platform cannot avoid commodities law by calling a derivatives-linked transfer "settlement." A taxpayer cannot avoid property or income consequences by calling a disposition "currency." A money transmitter cannot avoid BSA obligations by calling value transfer "decentralized." A private party cannot create legal tender by contract. Each label must yield to function, and each function must be analyzed under the framework designed to govern it.[432]

Applied properly, the boundary test preserves both regulatory power and monetary clarity. It allows the SEC to regulate investment posture, the CFTC to regulate market posture, the IRS to measure property and tax consequences, Treasury and FinCEN to regulate value transmission, OFAC to enforce sanctions, banking and payment regulators to supervise custody and operational risk, and commercial law to govern private settlement. But it also preserves the separate question that none of those frameworks answers by itself: whether a crypto payment supplied legal-tender closure.[433]

Accordingly, the boundary test may be reduced to one principle: **function determines posture, and posture determines the governing legal question.** A crypto transaction should be analyzed according to what the transaction asks the asset to perform. If it asks the asset to raise capital, the securities lens enters. If it asks the asset to create market exposure, the commodities lens enters. If it asks the asset to be valued, disposed of, or reported, the property and tax lens enters. If it asks the asset to satisfy an obligation, the payment lens enters. If it claims sovereign finality, legal-tender closure analysis enters.[434]

§IV.I. Doctrinal Claim

The doctrinal claim of this chapter is that securities and commodities classification should not be treated as a substitute for payment-closure analysis. Securities and commodities law remain necessary boundary frameworks within digital-asset regulation, but they do not resolve every legal question presented by cryptocurrency payment use. A crypto asset may trigger securities law when investment-contract facts are independently present. It may trigger commodities or market regulation when market conduct, derivatives activity, leverage, fraud, manipulation, clearing, custody, or exchange-mediated infrastructure are independently present. It may trigger tax, Treasury, FinCEN, sanctions, banking, payment-system, or commercial-law consequences depending on the facts. But when the asset is used as payment, the legal system must ask a separate question: whether the transfer produced private settlement, legal discharge, residual public obligations, or sovereign monetary closure.[435]

This distinction preserves the proper authority of each framework. Securities law governs investment posture. Its concern is whether the transaction or scheme involves capital formation, expectation of profit, managerial or entrepreneurial reliance, issuer promotion, pooling, yield, or

other investment-contract characteristics. Commodities and market regulation govern market posture. Their concern is whether the transaction implicates trading, derivatives, futures, swaps, leverage, spot-market fraud or manipulation, clearing, custody, routing, or exchange-mediated market infrastructure. Tax and property law govern valuation, ownership, disposition, income, basis, gain or loss, withholding, reporting, and accounting consequences. Treasury, FinCEN, and sanctions frameworks govern value transmission, AML/BSA, sanctions, reporting, hosted-wallet, intermediary, and compliance obligations. Commercial and contract law govern private settlement, substituted performance, accord and satisfaction, tender, release, discharge, and other private-law consequences. Legal-tender doctrine governs a different question: whether the obligation has been resolved through sovereign-recognized monetary authority.[436]

The chapter therefore rejects classification overreach. A crypto payment should not be treated as a securities offering merely because a crypto asset is involved. A direct payment should not be treated as commodity-market conduct merely because the asset may be tradable, commodity-like, or exchange-listed elsewhere. Tax recognition should not be treated as proof that the instrument is lawful money. Compliance supervision should not be treated as monetary authority. Private-law discharge should not be treated as sovereign closure. And legal-tender closure analysis should not be treated as though it eliminates independently triggered securities, commodities, tax, Treasury, FinCEN, sanctions, payment-system, banking, or contract-law obligations.[437]

This claim is not jurisdiction-stripping. It does not narrow securities, commodities, tax, Treasury, FinCEN, sanctions, banking, payment-system, or commercial-law authority where the triggering facts of those regimes are independently present. Rather, it preserves each regime by preventing one framework from being forced to answer a legal question assigned to another. Securities law should not be asked to decide monetary closure. Commodities law should not be asked to decide private discharge. Tax law should not be asked to confer lawful-money status. Compliance supervision should not be mistaken for sovereign monetary authority.[438]

The proper rule is disciplined separation. When investment facts are present, securities law should apply. When market facts are present, commodities and market regulation should apply. When property or tax consequences arise, tax and property law should apply. When value transmission, sanctions, custody, payment-system, or compliance duties arise, Treasury, FinCEN, OFAC, banking, and payment-system frameworks should apply. When the parties claim private settlement or discharge, commercial and contract law should apply. But when the claim is that cryptocurrency payment has conclusively closed an obligation within the sovereign monetary order, the relevant question is not securities status, commodities classification, tax treatment, regulatory supervision, or private acceptance. The relevant question is legal-tender closure.[439]

This is why the boundary analysis matters. Cryptocurrency and stablecoins can move value, support private settlement, facilitate commerce, generate tax consequences, trigger compliance duties, operate through sophisticated payment architecture, and appear within securities or commodities frameworks. Those functions may be lawful, useful, innovative, and commercially significant. But usefulness is not legal-tender status. Regulatory recognition is not sovereign monetary authority. Private acceptance is not monetary closure. The law must therefore

distinguish between a system that moves value and a monetary instrument that closes obligations through sovereign-recognized legal authority.[440]

The boundary test developed in this chapter supplies that discipline. It asks what the transaction requires the asset to do. If the transaction asks the asset to raise capital, create profit expectation, pool value, generate yield, or depend on managerial or entrepreneurial efforts, the securities lens enters. If the transaction asks the asset to create market exposure, route through exchange infrastructure, support derivatives, enable leverage, custody, clearing, fraud, manipulation, or market activity, the commodities lens enters. If the transaction asks the asset to be owned, valued, disposed of, pledged, inherited, accounted for, reported, or taxed, the property and tax lens enters. If the transaction asks the asset to satisfy an invoice, wage, debt, purchase, remittance, service obligation, settlement agreement, or contractual duty, the payment lens enters. If the transaction claims sovereign finality, lawful money, legal tender, or closure through monetary authority, legal-tender closure analysis enters.[441]

Accordingly, the doctrinal claim of Chapter IV may be stated as follows:

Securities law governs investment posture. Commodities law governs market posture. Tax and property law govern ownership, valuation, disposition, and reporting consequences. Treasury, FinCEN, OFAC, banking, and payment-system frameworks govern value-transmission, sanctions, custody, reserve, redemption, and compliance risks. Commercial and contract law govern private settlement and discharge. None of those frameworks, standing alone, determines whether crypto payment use supplies legal-tender closure.[442]

Concluding Author's Note — Hope Requires Architecture

This boundary discipline should not be mistaken for hostility toward digital-asset innovation. Much of the promise that animated decentralized finance arose from legitimate hope: the hope of broader access, programmable settlement, reduced gatekeeping, transparent ledgers, faster coordination, and new forms of financial participation. That hope should not be dismissed. It reflected real technological possibility.

But hope, when unanchored from legal architecture, can become unstable. It can be captured by velocity, speculation, yield language, market excitement, and community momentum before the governing structure is strong enough to bear the consequences of adoption. In that environment, legitimate blockchain technology may produce distorted byproducts not because the underlying tools are without value, but because the surrounding architecture fails to distinguish investment from payment, market conduct from settlement, private agreement from public obligation, and regulatory recognition from legal closure.

The failure of DeFi was not that it hoped too much, but that it often hoped without sufficient architecture to bear the weight of what it was attempting to become.[443]

That is the purpose of this chapter. It does not seek to extinguish hope. It seeks to anchor it. Securities law, commodities law, tax law, Treasury and FinCEN compliance, sanctions law, banking and payment-system supervision, commercial law, and legal-tender doctrine each provide part of the architecture necessary for durable innovation. When their boundaries are preserved, innovation becomes more legible, more lawful, and more capable of serving public trust. When their boundaries collapse, hope becomes vulnerable to confusion.

The doctrine therefore offers boundary discipline as a form of stewardship. It asks not merely whether digital-asset systems can move value, attract users, or achieve adoption, but whether they can do so without confusing private settlement for sovereign monetary closure. Innovation that hopes to endure must be built with the legal architecture necessary to carry what it promises.[444]

§V. Tax, Property, Treasury, and FinCEN Compliance Without Closure

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§V.A. Tax and Property Treatment as Evidence of Non-Closure

Tax and property treatment provide one of the clearest evidentiary indicators that cryptocurrency payment use does not automatically produce legal-tender closure. If a crypto payment were legally equivalent to the ordinary expenditure of lawful money, the transaction would not ordinarily require the same property-disposition analysis imposed when a taxpayer uses an appreciated or depreciated asset to acquire goods, services, labor, or other consideration. Yet under federal tax treatment, digital assets are generally analyzed as property rather than currency. When a taxpayer uses cryptocurrency to purchase goods or services, compensate labor, satisfy an invoice, or transfer value in exchange for consideration, the transaction may require recognition of gain or loss, basis calculation, fair-market-value determination, income inclusion by the recipient, reporting analysis, timing review, accounting treatment, and valuation evidence.[445]

That residual tax architecture matters. A lawful-money payment ordinarily spends the unit of account itself. A taxpayer who pays a dollar-denominated obligation with United States dollars generally does not dispose of a separate property asset merely by using dollars to pay the obligation. By contrast, when a taxpayer uses cryptocurrency to pay for goods or services, the taxpayer may be treated as disposing of property. If the fair market value of the property received exceeds the taxpayer's adjusted basis in the cryptocurrency transferred, gain may arise. If the fair market value is below adjusted basis, loss may arise, subject to applicable limitations. The payment may complete the private exchange, but tax law still asks what property was disposed of, what basis attached to it, what value was received, and whether income or loss must be recognized.[446]

This treatment reveals the legal-tender closure gap in tax form. A crypto payment may function as consideration between parties, but tax law does not simply treat the transfer as the expenditure of sovereign money. It treats the transaction as a property event requiring measurement. The obligation may be privately settled, but the legal system still reconstructs the transaction in dollar terms: the fair market value of the digital asset, the fair market value of the property or services received, the taxpayer's basis, the holding period, the character of gain or loss, and the timing of recognition. That reconstruction is legal residue. It indicates that the transaction did not disappear into monetary closure in the same manner as ordinary payment by lawful money.[447]

The distinction can be stated most clearly by comparing ordinary legal-tender spending with cryptocurrency payment use. Table 8 illustrates how the use of United States dollars to purchase goods or services generally differs from the use of cryptocurrency or stablecoins as payment. The table does not suggest that crypto payment is invalid or unlawful. It shows that crypto payment may leave tax and property residue—basis, fair-market-value reconstruction, gain or loss, income measurement, reporting, and accounting consequences—that ordinary spending of lawful

money does not ordinarily produce for the payer merely by reason of payment.[445] [446] [447]

Table 8. Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure

Transaction Type	Instrument Character	Payer / Transferor Treatment	Recipient Treatment	Evidence of Closure or Residue
United States legal tender used to purchase goods or services	United States coins and currency, including Federal Reserve notes, occupy a distinct legal-tender position for debts, public charges, taxes, and dues.[45$_3$] [456]	The ordinary use of U.S. dollars to buy goods or services generally does not require the payer to calculate basis, fair market value, capital gain, or loss on the dollars spent merely because payment was made.[45$_3$] [456]	The seller or service provider may recognize income, revenue, or other tax consequences under ordinary tax rules, but the payer's act of spending dollars is not ordinarily treated as disposition of a separate property asset.[448] [45$_3$]	Legal tender spending generally expends the sovereign unit of account itself. The payment may leave ordinary business, income, or recordkeeping consequences, but not payer-side property-disposition residue merely from spending the dollars.[45$_3$] [456]
Interest earned on cash savings or deposit account	Cash or deposit account relationship measured in dollars; the taxable event arises from income earned, not from ordinary spending of legal tender.[448] [45$_3$]	The taxpayer may recognize interest as ordinary income when earned or credited, depending on applicable tax rules.[448]	The financial institution may have reporting obligations where applicable.[448]	This confirms the distinction: cash can generate taxable income when it earns interest, but ordinary spending of lawful money is different from disposing of a property asset.[448] [45$_3$]
Cryptocurrency used to purchase goods or services	Digital assets are generally treated as property for federal tax purposes rather than as currency.[445] [446]	Spending crypto may be treated as disposition of property, requiring basis calculation, fair-market-value determination, gain or loss recognition, timing analysis, and possible reporting.[446] [447] [450]	The seller or service provider may recognize income measured by the fair market value of the digital asset received.[448]	The private transaction may be complete, but property-disposition residue remains. The law reconstructs the payment in dollar terms rather than treating the crypto asset as the sovereign unit of account.[447] [455]

Cryptocurrency used to compensate labor or services	Crypto operates as a compensation medium, while remaining subject to property, income, wage, withholding, and reporting analysis.[445] [448]	The payer or employer may face wage, withholding, employment-tax, unemployment-tax, and reporting obligations measured in U.S. dollars.[449]	The employee, contractor, or service provider may recognize wages, ordinary income, or compensation measured by the fair market value of the digital asset received.[448] [449]	The transfer may satisfy a private compensation obligation, but derivative public-law obligations remain dollar-measured and separately administered.[449] [455]
Stablecoin used as payment	A stablecoin may reference the dollar or reduce volatility, but digital-asset tax/property analysis may still apply depending on facts.[445] [45$_3$]	The payer may still need to evaluate disposition, basis, fair market value, gain or loss, timing, and reporting consequences, even where volatility is reduced.[446] [450] [45$_2$]	The recipient may recognize income or revenue measured in U.S. dollars, depending on the transaction and taxpayer status.[448]	Dollar reference may narrow the practical payment gap, but it does not eliminate tax/property residue or independently supply legal-tender closure.[45$_3$] [456]
Crypto payment later converted, reported, or accounted for	The asset remains legally active across tax, accounting, reporting, valuation, and property frameworks after private acceptance.[45$_1$] [455]	The transferor may need records showing acquisition basis, disposition value, timing, holding period, and gain or loss.[446] [450] [45$_2$]	The recipient or business entity may need accounting, income-recognition, reporting, or disclosure treatment depending on the facts.[448] [45$_1$]	Continued accounting and valuation analysis shows legal residue after payment. Recognition is not monetization; taxation is not legal-tender closure.[45$_1$] [45$_3$]
Crypto payment satisfying a private obligation	The asset may operate as an agreed substitute settlement medium, while tax and property treatment remain independently relevant.[454]	The payer may have disposition consequences even if the obligation is privately treated as satisfied.[446] [454]	The recipient may have income, reporting, or valuation consequences even if the parties treat the bargain as complete.[448] [454]	Private settlement may occur, but residual tax/property consequences show that private acceptance is not equivalent to sovereign monetary closure.[454] [456]

Doctrinal Note

Table 8 illustrates the tax-residue distinction between spending lawful money and using cryptocurrency as payment. The ordinary use of United States legal tender to purchase goods or services generally does not require the payer to calculate basis, fair market value, capital gain, or loss on the dollars spent merely because payment was made. By contrast, because digital assets are generally treated as property for federal tax purposes, spending cryptocurrency may

constitute a disposition requiring basis calculation, fair-market-value determination, gain or loss recognition, income measurement, accounting treatment, and reporting analysis.[445] [446] [450] [451]

The distinction does not mean crypto payment is invalid. It means crypto payment may complete private settlement while leaving tax/property residue inconsistent with sovereign monetary closure. Legal tender spending generally expends the sovereign unit of account; crypto payment may dispose of a property asset measured against that unit.[453] [454] [456]

Figure 5 Source and Data Availability: Figure 5, *Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as **Table 8** is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/8cp92h3g3f/1*].

Public-Facing Bridge

The structural distinction is simple: **legal tender spending ordinarily spends the unit of account; crypto payment may dispose of a property asset measured against that unit.** That residual tax treatment is evidence that private crypto payment and legal-tender closure are not the same legal event.[447] [455] [456]

Table 8 therefore converts the section's doctrinal claim into a practical comparison. Legal tender spending ordinarily expends the sovereign unit of account. Crypto payment, by contrast, may dispose of a property asset measured against that unit. The same distinction appears not only on the payer side, but also on the recipient side, where income, wage, withholding, employment-tax, reporting, and valuation consequences may continue after private payment has occurred.[448]

The recipient side confirms the same point. A person who receives cryptocurrency as payment for goods or services may have gross income measured by the fair market value of the cryptocurrency received. A service provider paid in digital assets generally recognizes income measured in U.S. dollars at the time of receipt, and an employee compensated in digital assets may receive wages measured in dollars, subject to income-tax withholding, FICA, FUTA, and reporting obligations. In each instance, the transfer may satisfy the private compensation or service obligation between the parties, but the public-law consequences remain dollar-measured and separately administered.[448]

The wage context makes the non-closure point especially concrete. If an employer pays an employee in cryptocurrency where permitted by applicable law, the employee may receive value and the private compensation arrangement may be treated as performed. But the employer's public obligations do not close merely because the employee received cryptocurrency. Federal wage, withholding, employment-tax, unemployment-tax, and information-reporting obligations remain measured in United States dollars and must be satisfied through recognized federal tax-payment systems. The crypto transfer may perform the private wage bargain, but it does not itself close the employer's derivative public-law obligations through legal tender.[449]

Fair-market-value analysis also demonstrates that cryptocurrency payment operates differently from legal-tender closure. If the legal system must determine the dollar value of the asset at the time of receipt, exchange, payment, or disposition, then the asset is being translated into the sovereign unit of account rather than functioning as that unit itself. This valuation process may require exchange-rate evidence, timing evidence, market-source selection, wallet records, transaction logs, cost-basis records, and accounting judgments. The evidentiary point is not that lawful-money transactions never require records; it is that crypto payment may require property-disposition reconstruction—basis, fair market value, gain or loss, and timing—because the instrument is treated as property rather than sovereign money.[450]

Accounting treatment further reinforces the point. Digital assets may require recognition, measurement, fair-value, or disclosure treatment depending on the accounting framework, entity type, and reporting period. Business taxpayers and reporting entities may need to account for digital-asset receipts, dispositions, holdings, conversions, realized gains, revenue recognition, and balance-sheet treatment. These accounting consequences do not mean that cryptocurrency cannot be used in commerce. They mean that its use in commerce carries residual recognition and measurement issues inconsistent with treating the transfer as ordinary legal-tender closure.[451]

The same problem appears in timing disputes. Cryptocurrency prices may fluctuate between invoice issuance, transfer initiation, network confirmation, receipt, conversion, accounting entry, and tax reporting. The moment selected for valuation may affect income, gain, loss, withholding, accounting, and reporting consequences. That timing sensitivity exists because the asset being transferred is not the sovereign unit of account itself; it is a property asset whose value must be measured against that unit. A transaction may feel complete to the parties once the blockchain transfer is confirmed, but the legal system may still need to determine the relevant valuation moment for tax and accounting purposes.[452]

This is why tax recognition should not be mistaken for monetary authority. The fact that the IRS recognizes digital-asset transactions, requires reporting, measures income, or calculates gain and loss does not convert the digital asset into lawful money. Tax recognition often confirms the opposite. The asset is taxable because it is property, income, compensation, or a disposition event subject to dollar measurement. The tax system can recognize and measure the transaction without treating the instrument as legal tender. Recognition is not monetization; taxation is not legal-tender closure.[453]

This section therefore connects directly to the boundary test developed in Chapter IV. The property boundary asks whether the asset is being owned, disposed of, valued, accounted for, gifted, inherited, pledged, reported, or taxed. When that answer is yes, tax and property law enter. But that answer does not resolve the payment boundary or the closure boundary. A transaction may be both payment and property disposition. It may satisfy an invoice and produce taxable gain. It may compensate services and produce ordinary income. It may settle a private debt and require valuation evidence. The proper response is not to collapse the categories, but to preserve each legal question.[454]

The presence of residual tax consequences is therefore probative of non-closure in the legal-tender sense. If a crypto payment leaves behind gain or loss, basis calculation, fair-market-value determination, income recognition, reporting obligations, timing disputes, accounting treatment, or valuation evidence, then the transaction has not simply disappeared into sovereign monetary finality. It has produced legal residue. That residue does not invalidate the payment. It does not prevent private settlement. It does not imply illegality. It means only that the transaction remains legally active across tax, property, reporting, and accounting frameworks after private acceptance has occurred.[455]

Accordingly, tax and property treatment provide evidence of the legal-tender closure gap. Cryptocurrency payment may complete a private bargain, satisfy a commercial expectation, compensate labor, or discharge a private obligation by agreement. But where the law continues to treat the transfer as property disposition, income recognition, basis adjustment, valuation event, or reporting obligation, the transaction has not achieved the same closure posture as ordinary payment by lawful money. Crypto payment may settle privately while leaving public-law residue. That residue is evidence of non-closure.[456]

Doctrinal Clarification — Decentralization, Bank Integration, and Stabilization Mismatch. The systemic risk created by bank integration does not arise merely from inadequate legislation or insufficient supervision. It arises from the structural character of decentralized digital-asset systems themselves. Congress may regulate issuers, intermediaries, custodians, exchanges, disclosures, reserves, sanctions compliance, and banking access. But where a system is genuinely decentralized, Congress cannot fully convert it into a centralized stabilization network without altering the architecture that makes it decentralized. The U.S. financial system depends upon sovereign monetary authority, legal-tender finality, central bank liquidity, prudential supervision, bank resolution, fiscal correction capacity, and enforceable institutional control points. Decentralized cryptocurrency networks are designed around distributed validation, non-sovereign issuance, private-key control, borderless transfer, and resistance to centralized alteration. That design may be valuable for certain technological purposes, but it is not naturally compatible with the stabilization architecture of the U.S. financial system when used as a mass-scale payment substitute. The concern is therefore not that decentralization is unlawful or useless. The concern is that decentralized instruments may import volatility, liquidity stress, custody failure, redemption pressure, sanctions opacity, and market panic into sovereign-adjacent financial institutions without carrying the legal-tender closure, fiscal correction, or public backstop functions that make the banking system stabilizable. In that sense, integration is not neutral. It may convert decentralized risk into regulated-system contagion.[457]

§V.B. Valuation Dependency

Valuation dependency provides a second form of evidence that cryptocurrency payment does not independently produce legal-tender closure. When cryptocurrency is used to purchase goods, compensate labor, satisfy an invoice, settle a private debt, or transfer value in exchange for consideration, the legal system does not ordinarily treat the digital asset as the sovereign unit of account. Instead, it translates the transaction back into dollars. That translation is not merely administrative. It reveals that the crypto asset may function as a private settlement medium while remaining legally dependent on the sovereign monetary unit for tax, reporting, accounting, wage, and regulatory consequences.[458]

This dependency begins with the federal tax treatment of digital assets. Under IRS guidance, convertible virtual currency is treated as property for federal tax purposes, and general tax principles applicable to property transactions apply. As a result, when a digital asset is received as payment, exchanged for property, used to compensate services, or disposed of in a transaction, the legal system asks for its fair market value in U.S. dollars at the relevant time. The transaction may occur on a blockchain, through a wallet, through a payment processor, or through a platform account, but its legal consequences are reconstructed in the dollar unit of account.[459]

The wage context makes the dependency unmistakable. If an employer compensates an employee in cryptocurrency where permitted by law, the payment may transfer value to the employee and may be treated by the parties as compensation. But federal employment-tax consequences are not measured in the crypto asset itself. The fair market value of the digital asset must be measured in U.S. dollars at the date of receipt and may constitute wages subject to federal income tax withholding, FICA, FUTA, and Form W-2 reporting. The crypto asset may perform the private compensation function, but the public fiscal system still translates the event into dollars for wage measurement, withholding, reporting, and remittance.[460]

Goods-and-services transactions operate the same way. A customer may use cryptocurrency to buy merchandise, pay a vendor, or satisfy a service invoice. The merchant may accept the asset and treat the private bargain as complete. But the transaction does not disappear into the sovereign monetary system as an ordinary dollar expenditure. The payer may have disposed of property and may need to determine adjusted basis, amount realized, fair market value, gain or loss, timing, and character. The recipient may need to recognize income or revenue measured by the dollar value of the digital asset received. In both directions, the transaction is legally reconstructed through valuation.[461]

Merchant receipts therefore do not eliminate the valuation layer. A merchant that accepts digital assets may have commercially received payment, but accounting, tax, and reporting systems still require dollar-denominated recognition. The merchant must determine what value was received, when it was received, how it should be recorded, whether it must be converted, how it affects income recognition, and how later disposition or holding of the asset should be treated. These questions are not incidental. They demonstrate that crypto payment remains legally translated into the sovereign unit of account even where the parties treat the transaction as privately settled.[462]

Property-disposition analysis confirms the same principle from the payer's side. When a taxpayer uses cryptocurrency to purchase goods or services, the taxpayer may be treated as exchanging property for property or services. If the fair market value of what the taxpayer receives differs from the taxpayer's adjusted basis in the digital asset transferred, gain or loss may arise. That gain or loss does not arise because the transaction failed commercially. It arises because the legal system treats the crypto asset as property whose value must be measured against dollars at disposition.[463]

Basis tracking is therefore central to the closure problem. Lawful-money spending generally does not require the payer to maintain acquisition basis in the dollars spent merely because the dollars were used to purchase goods or services. Cryptocurrency payment may require precisely that reconstruction. The taxpayer may need to identify acquisition cost, adjusted basis, holding period, fair market value at disposition, and gain or loss. This basis architecture demonstrates that the asset is not being treated as the legal unit of account itself, but as a property asset measured against that unit.[464]

The dependency also appears in ordinary income recognition. A service provider, contractor, merchant, or employee who receives cryptocurrency may recognize gross income measured by the fair market value of the asset received. The recipient may experience the transaction as payment, but the law asks what dollar value was received. The payment medium may be digital, private, programmable, or decentralized, but the recognized income remains measured in U.S. dollars. That dollar measurement confirms that crypto payment may deliver value without becoming sovereign money.[465]

Payroll reporting and tax remittance make the public-law dependency even sharper. Employment taxes, withholding, unemployment taxes, and information reporting remain administered through dollar-denominated federal tax obligations. Even where crypto compensation is privately accepted, the employer's derivative public obligations remain anchored to the sovereign unit of account and must be satisfied through recognized federal tax-payment systems. The private transfer may compensate the worker, but it does not itself close the employer's public remittance obligations through legal tender.[466]

Regulatory accounting further reinforces the same point. Digital assets held, received, or disposed of by reporting entities may require recognition, measurement, fair-value treatment, accounting controls, and disclosure depending on the applicable framework. These accounting consequences do not prove that digital assets cannot be used in commerce. They prove that legal and financial reporting systems must continue translating the asset into recognized measurement categories after payment occurs. The transaction remains legally active because the asset must be valued, recorded, reported, and potentially remeasured.[467]

This valuation dependency should not be mistaken for a claim that cryptocurrency lacks value. The opposite is true: valuation is necessary precisely because the asset has value. But value is not the same as sovereign monetary authority. A commodity has value. A security has value. Property has value. A receivable has value. A stablecoin may reference dollar value. None of those facts, standing alone, makes the instrument legal tender. The legal-tender question asks whether the instrument itself supplies sovereign-recognized monetary finality. Valuation dependency shows

that cryptocurrency payment often does not supply that finality; it must instead be translated into the sovereign unit of account to determine its legal consequences.[468]

Accordingly, the central point of this section is narrow but decisive: cryptocurrency may move value, but the legal system measures the consequences in dollars. That measurement layer reveals the difference between functional settlement and sovereign monetary closure. A crypto payment may satisfy a private bargain, compensate labor, generate merchant receipts, or transfer value between parties. Yet where the law must still determine dollar value for wages, income, basis, gain or loss, tax remittance, reporting, accounting, or regulatory recognition, the payment remains legally dependent on the sovereign unit of account. Valuation dependency is therefore evidence of non-closure.[469]

§V.C. Payroll-Tax Closure Risk and Wage Payment Continuity

If cryptocurrency were adopted at scale as a wage-payment medium, the legal-tender closure gap would become operational rather than theoretical. An employer may compensate an employee in cryptocurrency where permitted by applicable law, and the employment bargain may be privately satisfied as between employer and employee. But federal payroll-tax obligations do not close merely because the employee received digital assets. The resulting public-law obligations remain measured in U.S. dollars and must be withheld, reported, deposited, and remitted through Treasury-recognized payment channels.[470]

Federal tax treatment makes this distinction clear. IRS guidance provides that virtual currency received by an employee as remuneration for services constitutes wages for federal employment-tax purposes and is subject to federal income tax withholding, FICA, FUTA, and Form W-2 reporting. The fair market value of the digital asset must be measured in U.S. dollars at the date of receipt. Thus, the wage medium may be crypto, but the payroll-tax measurement layer remains dollar-denominated.[471]

This creates a structural dependency between two layers of the same transaction. At the private wage layer, the employee may receive cryptocurrency and the parties may treat the compensation obligation as satisfied. At the public tax layer, however, the employer must calculate withholding, Social Security, Medicare, unemployment tax, and reporting consequences in dollars. The employer must then deposit the required federal employment taxes through lawful federal tax-payment systems. The crypto transfer may perform the private compensation function, but it does not itself complete the derivative fiscal obligations that arise from the wage payment.[472]

Treasury payment architecture reinforces the dependency. Federal tax-payment systems are built around recognized monetary and banking channels. Treasury's regulations governing payment of federal taxes establish the role of financial institutions and Federal Reserve Banks in processing federal tax payments, and electronic payment methods include ACH debit entries, ACH credit entries, and same-day payments. These channels are not ordinary decentralized cryptocurrency settlement channels. They require the employer to maintain dollar liquidity, convert crypto proceeds into dollars, use a payroll or payment intermediary, or otherwise satisfy deposit obligations through Treasury-recognized mechanisms.[473]

The result is a payroll-tax closure risk. The employer's private wage layer may operate in cryptocurrency, while the public fiscal layer continues to require dollar-denominated withholding, reporting, and remittance. If the employer lacks sufficient dollar liquidity at the time payroll taxes are due, if the crypto asset declines in value between wage payment and deposit, if conversion rails become congested, if custody access fails, if sanctions screening delays settlement, or if valuation becomes disputed, then the wage payment may be privately complete while the payroll-tax obligation remains unclosed. That gap is not merely accounting friction. It is a fiscal-continuity problem.[474]

At limited scale, this dependency may be manageable. Employers may convert digital assets promptly, maintain dollar reserves, use compliant payroll providers, or limit crypto compensation to structures that preserve withholding and deposit capacity. But at mass scale, the dependency becomes systemic. If a meaningful share of wages were paid in decentralized cryptocurrency or privately issued digital assets without reliable dollar-conversion infrastructure, the federal payroll-tax collection architecture could face timing, liquidity, reporting, valuation, and enforcement strain. The issue would not be whether employees were paid. The issue would be whether the derivative public obligations generated by those payments could be measured, withheld, deposited, and closed through the sovereign fiscal system.[475]

This risk is sharpened by the timing structure of payroll-tax administration. Employers must deposit federal income tax withheld and both the employer and employee shares of Social Security and Medicare taxes under applicable deposit schedules. The timing of those deposits is independent of whether the employer's crypto holdings have retained value, whether conversion markets remain liquid, or whether the digital-asset transfer has created later valuation disputes. A wage transfer in crypto may occur immediately, but the fiscal obligation created by that wage payment continues into the dollar-denominated deposit and reporting system.[476]

The same problem appears in reporting continuity. Wages paid in digital assets must be translated into dollar values for reporting purposes. Form W-2, employment-tax returns, withholding deposits, and related records depend on dollar measurement. If crypto wage systems expand without standardized valuation, payroll integration, employer liquidity controls, and Treasury-compatible remittance pathways, the legal system may face a widening gap between compensation events and fiscal closure events. This is precisely the kind of residue identified in §V.A and §V.B: the private transaction may be complete, while the public-law consequences require reconstruction in the sovereign unit of account.[477]

This does not mean cryptocurrency cannot be used in compensation arrangements where permitted by law. Nor does it mean that every crypto payroll arrangement is noncompliant. The point is narrower: crypto compensation requires a dollar-denominated remittance bridge. Employers must be able to translate the payment into U.S. dollar wage value, withhold and deposit the required taxes, report the compensation through federal employment-tax systems, and maintain records sufficient to demonstrate compliance. Without that bridge, the private wage payment may move faster than the public tax layer can capture and close the resulting obligations.[478]

The risk also has institutional implications. Payroll taxes are not merely private accounting entries; they are recurring revenue flows supporting Social Security, Medicare, unemployment insurance, and federal revenue continuity. A wage-payment architecture that increases valuation disputes, conversion dependency, liquidity mismatch, or delayed remittance can create stress not only for employers and employees, but also for the public systems that rely on predictable payroll-tax collection. At scale, the legal-tender closure gap therefore becomes a revenue-continuity concern.[479]

This is the payroll-tax closure risk: **private compensation may move through non-sovereign payment media faster than the public tax layer can convert, capture, and close the resulting obligations in lawful money.** The risk is not that digital assets are incapable of transferring value. They plainly can transfer value. The risk is that value transfer and fiscal closure are not the same event. A crypto wage payment may settle compensation privately while leaving withholding, Social Security, Medicare, FUTA, reporting, deposit, and remittance obligations to be separately closed in dollars.[480]

Accordingly, the doctrinal claim is simple: **Crypto can be the wage medium, but dollars remain the tax-closure medium.** This conclusion does not require the United States to accept decentralized cryptocurrency as legal tender. Rather, it confirms why Treasury, the IRS, FinCEN, payroll processors, banks, and payment-system regulators must preserve a dollar-denominated remittance bridge between private crypto compensation and public fiscal continuity.[481]

§V.D. Legal Residue

A crypto payment may leave behind legal residue even after the private transaction appears complete. For purposes of this doctrine, **legal residue** means the downstream legal, fiscal, evidentiary, compliance, accounting, reporting, and enforcement consequences that remain after parties have treated a cryptocurrency transfer as payment, settlement, or discharge. The presence of legal residue does not mean the private bargain failed. It means the transaction continues to require legal reconstruction after private acceptance has occurred.[482]

This residue is central to the legal-tender closure gap. A payment made through sovereign legal tender ordinarily expends the recognized unit of account and closes the monetary layer of the transaction in the legal-tender sense. By contrast, a crypto payment may require the legal system to ask additional questions after the parties believe the bargain is complete: What was the asset's fair market value? What was the payer's basis? Was there gain or loss? Was income recognized by the recipient? Were wages paid? Was withholding required? Was the transfer reportable? Was the counterparty sanctioned? Was a money transmitter involved? Was a wallet attributable? Was the payment routed through a regulated intermediary? Was the public remittance obligation closed in dollars?[483]

These downstream questions can be organized into recurring categories. Table 9 identifies the principal forms of legal residue that may remain after private crypto payment and explains why each category is probative of non-closure. The purpose of the table is not to suggest that every

crypto payment triggers every residue category. Rather, it shows that crypto payment may remain legally active across multiple regimes even after private acceptance has occurred.[48₂ 49₃]

Table 9. Legal Residue Categories: Downstream Evidence of Non-Closure

Legal Residue Category	What Remains After Private Crypto Payment	Primary Legal / Institutional Lens	Evidence of Non-Closure
Capital Gain or Loss Residue	The payer may need to determine whether use of the crypto asset produced gain or loss when exchanged for goods, services, labor, or other consideration.[484]	Tax / Property Law	The payment may be privately accepted, but the law still treats the transfer as a property-disposition event requiring gain or loss analysis.[484 49₃]
Basis Calculation Residue	The payer may need to establish acquisition cost, adjusted basis, holding period, and amount realized at disposition.[484 485]	Tax / Recordkeeping	Legal tender spending does not ordinarily require payer-side basis reconstruction merely because dollars were spent; crypto payment may.[48₃ 485]
Tax Reporting Residue	Taxpayers, businesses, brokers, employers, and other actors may need records sufficient to report income, disposition, gain, loss, wages, or information returns.[485]	IRS Reporting / Tax Administration	The transaction remains legally active after private settlement because reporting obligations continue beyond the payment event.[485 49₃]
Payroll Withholding Residue	Crypto compensation may require federal income-tax withholding, Social Security, Medicare, FUTA, and Form W-2 reporting measured in U.S. dollars.[486]	Employment Tax / Payroll Administration	The wage transfer may satisfy the private compensation layer while derivative public payroll obligations remain separately measured and closed.[486]
Accounting Treatment Residue	Businesses may need recognition, measurement, fair-value treatment, accounting controls, and disclosure for digital assets received, held, or disposed of.[487]	Financial Accounting / Reporting	A merchant may treat payment as complete, but accounting systems still require valuation, recording, and possible remeasurement.[487]
Contract Valuation Residue	Parties may later dispute the value of the crypto transferred, the applicable conversion rate, the timing of valuation, or whether the transfer satisfied the agreed obligation.[488]	Contract / Commercial Law	Private agreement may support settlement or discharge, but legal effect may still depend on valuation evidence and proof of agreed terms.[488 494]
Timing Dispute Residue	Value may fluctuate between invoice issuance, transfer initiation, network confirmation, receipt, conversion, accounting entry, and tax reporting.[484 487]	Tax / Accounting / Contract	Timing matters because the asset is measured against the sovereign unit of account rather than functioning as that unit itself.[484 487]

Wallet Attribution Residue	Legal analysis may require identifying who controlled a wallet, initiated a transfer, used a hosted or unhosted wallet, or acted through an intermediary.[489]	Evidence / FinCEN / Commercial Law	Blockchain confirmation may show that value moved, but it does not necessarily resolve legal attribution, identity, or responsibility.[489]
Recordkeeping Burden Residue	Parties may need wallet records, exchange records, transaction histories, employer records, payroll records, valuation data, and basis documentation.[485]	Tax / Compliance / Evidence	The transaction remains reconstructive: law must assemble proof after the fact to determine tax, accounting, reporting, or compliance consequences.[485]
Compliance Screening Residue	Digital-asset transfers may require AML monitoring, suspicious-activity review, counterparty screening, and review of channel, custody, and transaction facts.[490]	BSA / AML / FinCEN	The transaction may move value privately, but compliance systems may still need to determine whether the transfer implicated regulated risk.[490]
Sanctions Exposure Residue	A crypto transfer may require OFAC screening, blocked-property analysis, jurisdictional review, or assessment of sanctioned parties, wallets, or transaction routes.[490]	OFAC / National Security / Sanctions	Private payment does not eliminate sanctions exposure; value movement may remain legally vulnerable to post-transfer compliance review.[490] [494]
Money-Transmission Residue	Depending on the actor and channel, the transaction may implicate exchanger, administrator, hosted-wallet, processor, custodian, or money-transmission obligations.[49$_1$]	FinCEN / BSA / Payment Intermediation	The same payment purpose may produce different legal consequences depending on whether a regulated intermediary participates.[49$_1$]
Enforcement Exposure Residue	Later disputes may involve tax enforcement, sanctions violations, fraud, conversion, theft, reporting failure, employment-tax nonpayment, tracing, or evidentiary authentication.[49$_2$]	Enforcement / Litigation / Regulatory Action	Blockchain finality does not necessarily equal legal finality; enforcement questions may remain after the transaction appears complete.[49$_2$]
Remittance Obligation Residue	Employers and other payors may still need to deposit taxes, remit withholding, or satisfy public obligations through dollar-denominated Treasury-recognized channels.[486]	Treasury / IRS / Fiscal Continuity	Crypto payment may complete one private layer while public remittance obligations remain open until closed through lawful channels.[486] [49$_3$]

Doctrinal Note

Table 9 organizes the principal forms of legal residue that may remain after private crypto payment. These categories do not imply that crypto payment is invalid, unlawful, or commercially ineffective. They show that crypto payment may remain legally active after private acceptance because tax, property, payroll, accounting, contract, attribution, compliance, sanctions, money-transmission, enforcement, and remittance questions may continue beyond the transfer itself.[48$_2$] [494]

Figure 6 Source and Data Availability: Figure 6, *Legal Residue Categories: Downstream Evidence of Non-Closure*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as **Table 9** is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/x3bzfzj8z2/1*].

Public-Facing Bridge

The core distinction is simple: **a crypto payment may move value and settle a private bargain, but if the law must continue reconstructing value, identity, timing, tax, compliance, and remittance after the transfer, the transaction has not disappeared into sovereign monetary closure.** Legal residue is the operational evidence that accepted is not always closed.[493] [495]

The first category of residue is tax and property residue. When cryptocurrency is used to purchase goods, services, labor, or other consideration, the payer may be treated as disposing of property. That disposition may require basis calculation, fair-market-value determination, holding-period analysis, gain or loss recognition, and timing review. The recipient may recognize gross income measured in U.S. dollars. In wage contexts, the fair market value of the digital asset may constitute wages subject to withholding, FICA, FUTA, and reporting. These consequences show that the payment may complete a private exchange while still remaining legally active across tax and property frameworks.[484]

The second category is reporting and recordkeeping residue. Digital-asset transactions may require taxpayers, employers, brokers, businesses, payment intermediaries, or other actors to maintain records sufficient to establish basis, value, timing, character, income, withholding, reporting status, and disposition consequences. A crypto transfer may be recorded on a blockchain, but a blockchain record alone may not answer the legal questions the tax, employment, accounting, or enforcement systems require. The legal system may still need attribution, valuation evidence, wallet records, exchange records, transaction histories, employer records, payroll records, and reporting documentation.[485]

The third category is payroll and remittance residue. A crypto wage payment may satisfy a private compensation arrangement where permitted by applicable law, but the employer's federal withholding, Social Security, Medicare, FUTA, Form W-2, and deposit obligations remain dollar-measured and separately administered. The employer may need to maintain dollar liquidity, convert digital assets into dollars, use a payroll intermediary, or otherwise remit through Treasury-recognized payment channels. The crypto transfer may move value to the employee, but it does not itself close the employer's derivative public obligations through legal tender.[486]

The fourth category is accounting and valuation residue. Digital assets held, received, disposed of, or used in business transactions may require recognition, measurement, fair-value treatment, impairment or disclosure analysis, and internal controls depending on the reporting framework. Even where a merchant accepts crypto as payment and treats the transaction as complete, the entity may still need to determine the value received, record revenue or income, account for later holding or disposition, and disclose material exposure. That continuing measurement burden is

legal residue because the transaction remains translated through accounting categories after private settlement.[487]

The fifth category is contract and evidentiary residue. Where parties agree to accept cryptocurrency in satisfaction of an invoice, debt, service agreement, settlement agreement, or other obligation, later disputes may arise over valuation, timing, sufficiency of payment, confirmation, wallet address, mistaken transfer, delayed settlement, conversion rate, volatility, or whether the creditor agreed to bear crypto-specific risk. Contract law may recognize substituted performance, substituted contract, accord and satisfaction, or discharge, but those doctrines require evidence of agreement, performance, acceptance, and legal effect. Thus, private settlement may occur, but the crypto payment can leave an evidentiary trail that must be interpreted through contract and commercial-law principles.[488]

The sixth category is wallet attribution and identity residue. Cryptocurrency payment often depends on control of private keys, wallet addresses, hosted or unhosted wallet arrangements, exchange accounts, custodians, payment processors, or blockchain transaction records. A payment may be technically recorded while legal attribution remains contested. The law may need to determine who controlled the wallet, who initiated the transfer, whether an intermediary was involved, whether the wallet was hosted or unhosted, whether the counterparty was identifiable, and whether the transaction can be linked to a legal person or entity. This attribution layer distinguishes blockchain finality from legal finality.[489]

The seventh category is compliance and sanctions residue. A cryptocurrency transfer may implicate Bank Secrecy Act obligations, AML monitoring, suspicious-activity review, sanctions screening, OFAC exposure, blocked-property concerns, jurisdictional risk, counterparty screening, or intermediary duties depending on the actor, channel, custody model, and transaction facts. These consequences do not mean the transaction is unlawful. They mean the payment may remain subject to compliance reconstruction after private value transfer. In this respect, regulation recognizes the transaction without transforming the instrument into legal tender.[490]

The eighth category is money-transmission and intermediary residue. Depending on the role of the actor, digital-asset activity may implicate money-transmission, exchange, administration, custody, payment-processing, hosted-wallet, or broker-related obligations. A direct wallet-to-wallet payment may present one risk posture, while a payment routed through an exchange, hosted wallet, processor, issuer, payroll provider, or custodian may present another. The same payment purpose can therefore generate different legal residues depending on whether regulated intermediaries participate in the transaction.[491]

The ninth category is enforcement residue. A crypto payment may generate later disputes involving tax enforcement, sanctions violations, fraud, conversion, theft, money transmission, reporting failure, wage compliance, employment-tax nonpayment, contract breach, bankruptcy treatment, tracing, asset recovery, or evidentiary authentication. These enforcement questions may arise even where the private transaction appeared complete at the moment of transfer. A blockchain confirmation may show that value moved; it does not necessarily resolve all questions of legality, attribution, valuation, compliance, or public-law closure.[492]

Legal residue is therefore evidence of non-closure. If a transaction were fully closed through sovereign money in the ordinary legal-tender sense, the payment event would not ordinarily generate the same downstream property-disposition, valuation, basis, wallet-attribution, tax-reporting, payroll-withholding, sanctions-screening, accounting, money-transmission, and remittance complications merely because the payment medium was used. Cryptocurrency may move value efficiently, and parties may accept it as settlement. But where the law must continue reconstructing the transaction across multiple regimes, the payment has not disappeared into sovereign monetary finality.[493]

This does not mean crypto payment is invalid, unlawful, or incapable of satisfying private obligations. The claim is narrower. Crypto payment may settle a private bargain while leaving residue in public-law systems. It may satisfy a merchant but require tax reporting. It may compensate an employee but leave payroll obligations to be closed in dollars. It may settle a debt but require valuation evidence. It may move through a wallet but require attribution. It may be accepted by a counterparty but require sanctions screening. It may be commercially complete while still legally active.[494]

Accordingly, legal residue should be understood as the operational signature of the legal-tender closure gap. The more residue a payment medium leaves behind, the more evident it becomes that private settlement and sovereign monetary closure are distinct legal events. In the crypto context, residue appears across tax, property, payroll, accounting, contract, timing, wallet attribution, compliance, sanctions, money transmission, enforcement, and remittance systems. That residue does not defeat the private transaction. It proves the doctrine's central point: **accepted is not always closed.**[495]

§V.E. Treasury's Distinct Concern

Treasury will not evaluate cryptocurrency payment use only through securities, commodities, or tax categories. Those frameworks remain important, but Treasury's institutional concern is broader. Treasury is responsible for the movement of lawful value through the fiscal and financial architecture of the United States: tax collection, public payment channels, sanctions enforcement, anti-money-laundering supervision, financial-crime prevention, federal payment systems, and the continuity of public revenue. Cryptocurrency payment therefore raises a distinct Treasury concern because it may move value through non-sovereign, non-bank, cross-border, pseudonymous, decentralized, or privately issued channels that do not naturally map onto the same closure architecture as the U.S. dollar.[496]

The Treasury question is not merely whether a crypto asset is a security, commodity, property interest, or payment token. Treasury must ask who is moving value, through what channel, for whose benefit, across which jurisdiction, with what sanctions exposure, under what reporting obligation, with what illicit-finance risk, through what conversion pathway, under what custody arrangement, with what remittance consequence, and with what effect on public revenue continuity. A transaction that appears complete between private parties may still create Treasury-facing concerns if it leaves unresolved tax, sanctions, AML/BSA, custody, reporting, conversion, or remittance consequences.[497]

This is why stablecoins occupy a particularly important place in the doctrine. A stablecoin such as USDC may reduce price volatility compared with non-stable digital assets and may improve private payment efficiency. It may move quickly, reference the U.S. dollar, operate through programmable infrastructure, and serve as a practical settlement medium between consenting parties. But dollar reference is not dollar issuance. Redemption is not legal tender. Reserve backing is not central bank money. Payment efficiency is not sovereign monetary closure. Treasury must therefore distinguish between an instrument that references the dollar and the dollar itself.[498]

Table 10 illustrates this distinction by comparing the fiat U.S. dollar with USDC across Treasury, accounting, compliance, and closure functions. The purpose of the comparison is not to argue that USDC is unlawful, useless, or incapable of supporting payment activity. The purpose is narrower: to show that USDC may imitate dollar denomination and improve private settlement functionality while still remaining dependent on issuer reserves, redemption pathways, custody structures, market confidence, regulatory treatment, and the sovereign dollar unit of account.[499]

Table 10. U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions

Issue	Fiat U.S. Dollar	USDC	Does USDC Fully Address It?
Valuation	The U.S. dollar is the legal unit of account for U.S. public obligations, taxation, wage measurement, accounting, reporting, and monetary policy. It does not require translation into another domestic legal unit before being measured.[500]	USDC is dollar-referenced and designed to maintain a 1:1 relationship with the U.S. dollar, but its value still depends on issuer redemption, reserve confidence, platform liquidity, custody access, and market functioning.[501]	**Partially.** USDC reduces volatility compared to non-stable crypto assets, but it remains derivative of the dollar rather than equal to the dollar's legal unit-of-account role.[501]
Asset Recognition	Fiat dollars, bank deposits, and cash balances are recognized within mature accounting categories such as cash, deposits, receivables, payables, reserves, or monetary assets depending on institutional context.[502]	USDC can be recognized on an institution's books, but classification is not automatically identical to fiat cash. Treatment may depend on facts, custody model, redemption rights, accounting policy, applicable standards, and the party's role as holder, custodian, issuer, intermediary, merchant, or processor.[503]	**No.** USDC can be recorded as an asset or exposure, but it does not automatically occupy the same accounting category or legal status as fiat cash.[503]

Liability Impact	Dollar liabilities, deposits, payroll obligations, tax obligations, receivables, payables, and reserves map directly into established banking and accounting frameworks.[504]	USDC may affect liabilities differently depending on party role. A holder may record an asset; an issuer may have redemption obligations; a custodian may have safeguarding duties; a merchant may have revenue or receivable consequences; and a processor may have customer-funds, fee, or settlement obligations.[505]	**Partially.** USDC can represent dollar-referenced value, but liability treatment depends on role, legal relationship, custody structure, redemption rights, and governing law.[505]
Fee / Revenue Recognition	Dollar payment systems generate fee income through established banking rails, ACH, wires, card networks, treasury services, account maintenance, interchange, settlement, and deposit relationships.[506]	USDC may generate revenue through custody, conversion, spreads, on-ramp/off-ramp services, network services, payment processing, treasury management, or platform fees. These revenue streams may carry different compliance, custody, accounting, and supervisory requirements.[507]	**Partially.** USDC can support fee income, but it does so through a different operational and regulatory architecture.[507]
Custody Treatment	Cash, bank deposits, securities custody, trust accounts, and reserve accounts operate within mature custodial, banking, supervisory, insurance, and audit frameworks.[508]	USDC custody requires wallet control, private-key management, omnibus or segregated wallet treatment, blockchain recordkeeping, cybersecurity controls, sanctions screening, issuer/redemption monitoring, and potentially third-party custody arrangements.[509]	**No.** USDC custody is materially different from holding fiat dollars or bank deposits and requires digital-asset-specific controls.[509]
Tax Reporting	Dollar payments are the baseline measurement medium for income, payroll, withholding, employment taxes, excise taxes, estimated taxes, deposits, and reporting.[510]	USDC may reduce price volatility, but digital-asset transactions can still require fair-market-value measurement, income recognition, basis tracking, gain/loss analysis, wage treatment, reporting, and documentation depending on the transaction.[511]	**No.** USDC does not eliminate digital-asset tax characterization, valuation, reporting, or documentation burdens.[511]
Settlement Status	U.S. dollar settlement through lawful money, bank money, Federal Reserve accounts, or recognized payment rails operates within established legal, banking, and payment-system finality frameworks. U.S. coins and currency carry legal-tender status for debts, public charges, taxes, and dues.[512]	USDC can settle privately between parties and may transfer quickly on-chain, but blockchain transfer does not itself establish legal-tender closure. Settlement depends on network confirmation, wallet receipt, issuer/redemption structure, counterparty agreement, and applicable law.[513]	**No.** USDC can support private settlement, but it does not independently provide legal-tender closure or sovereign monetary finality.[513]

Compliance Flags	Dollar payments through regulated financial institutions are embedded in mature KYC, BSA/AML, OFAC, suspicious-activity reporting, audit, supervisory, and bank-examination frameworks.[514]	USDC can support compliance when routed through regulated issuers, exchanges, custodians, or payment processors. But direct wallet-to-wallet transfers, unhosted wallets, chain-hopping, mixers, bridges, address churn, and attribution uncertainty create different compliance surfaces.[515]	**Partially.** USDC can be integrated into compliance architecture, but it does not automatically inherit the full bank-dollar compliance environment.[515]
Double-Entry Accounting Fit	Dollar transactions fit directly into institutional double-entry accounting as debits and credits to cash, deposits, receivables, payables, revenue, expense, reserves, liabilities, or equity. The accounting object is already the legal unit of account.[516]	USDC can be recorded in double-entry accounting, but debit and credit consequences require classification analysis: asset type, custody status, valuation method, redemption assumption, gain/loss treatment, counterparty risk, compliance flags, and settlement status.[517]	**Partially.** USDC can be ledgered, but not as a simple one-for-one substitute for fiat cash in every institutional context.[517]
Legal-Tender Closure	U.S. coins and currency, including Federal Reserve notes, occupy a sovereign legal-tender position under federal law for debts, public charges, taxes, and dues.[518]	USDC references the dollar and may be redeemable for dollars, but it is privately issued. Redemption rights, reserve backing, and payment functionality do not equal legal-tender status.[519]	**No.** USDC does not independently produce legal-tender closure.[519]
Sovereign Public Authority	The dollar's authority derives from constitutional allocation, congressional implementation, Federal Reserve note authority, Treasury systems, and the public monetary order.[520]	USDC derives operational value from private issuance, reserve structure, redemption commitments, network transferability, and market confidence. It depends on the dollar's authority rather than replacing it.[521]	**No.** USDC may reference the sovereign unit, but it does not inherit sovereign monetary authority.[521]
Public Obligation Payment	Federal taxes, payroll remittances, public charges, and dues are measured and paid through accepted dollar-denominated Treasury-recognized channels.[522]	USDC may be used privately to compensate, invoice, settle, or transfer value, but public obligations generally remain dollar-measured and must be satisfied through legally accepted payment systems.[523]	**No.** USDC does not independently satisfy public obligations unless the competent public authority accepts it under governing law.[523]
Systemic Role	The U.S. dollar serves as money, unit of account, legal-tender medium, public-obligation settlement instrument, monetary-policy transmission medium, and sovereign closure architecture.[524]	USDC serves as a dollar-referenced private settlement instrument that may improve speed, programmability, and transferability but remains dependent on the dollar, issuer reserves, redemption pathways, and regulatory recognition.[525]	**No.** USDC may supplement payment infrastructure, but it does not replace the dollar's sovereign office.[525]

Doctrinal Note
Table 10 demonstrates that USDC may imitate the dollar's denomination, but it does not inherit the dollar's office. The dollar functions as legal unit of account, legal tender, public-obligation settlement medium, monetary-policy transmission instrument, and sovereign closure architecture. USDC may support private settlement, payment speed, programmability, and dollar-referenced value transfer, but it remains derivative of the dollar and dependent on issuer, reserve, custody, redemption, compliance, accounting, and regulatory structures.[526]

Figure 7 Source and Data Availability: Figure 7, *U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as **Table 10** is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/x8cwtmzrjv/1*].

Public-Facing Bridge

The distinction is simple: **USDC can reference the dollar, but it is not the dollar.** It can move value, support private settlement, and reduce volatility compared to non-stable crypto assets, but it does not independently close public obligations, supply sovereign monetary authority, or provide legal-tender finality.[527]

Treasury's distinct concern therefore arises from its role as a sovereign financial-continuity authority. Treasury must ensure that lawful value movement, tax collection, public remittance, sanctions enforcement, AML/BSA compliance, federal payment channels, and fiscal stability remain connected to the sovereign monetary system. Cryptocurrency payment may occur privately, but Treasury must ask whether the transaction's public-law consequences are measurable, reportable, screenable, remittable, enforceable, and capable of being closed in dollars.[528]

This concern becomes sharper as digital assets move closer to regulated financial institutions. Bank integration may increase visibility, supervision, custody quality, redemption discipline, and compliance capacity. But integration should not be mistaken for stabilization. Sovereign legal tender carries public monetary authority, legal finality, fiscal correction capacity, and institutional backstop functions that private digital assets do not independently possess. When cryptocurrency or stablecoins become integrated into banks, custodians, payment processors, reserve arrangements, and financial-institution balance sheets, risk may migrate rather than disappear.[529]

The deeper architectural issue is decentralization itself. Congress can regulate issuers, intermediaries, custodians, exchanges, disclosures, reserves, sanctions compliance, and banking access. But where a system is genuinely decentralized, Congress cannot fully convert it into a centralized stabilization network without altering the architecture that makes it decentralized. The U.S. financial system depends on sovereign monetary authority, legal-tender finality, central-bank liquidity, prudential supervision, bank resolution, fiscal correction capacity, and enforceable institutional control points. Decentralized cryptocurrency networks are designed around distributed validation, non-sovereign issuance, private-key control, borderless transfer, and

resistance to centralized alteration. That design may be valuable for certain technological purposes, but it is not naturally compatible with the stabilization architecture of the U.S. financial system when used as a mass-scale payment substitute.[530]

The doctrinal concern is therefore not merely whether banks can supervise digital assets. It is whether integration imports non-sovereign volatility into sovereign-adjacent financial architecture without granting the instrument legal-tender closure. Private digital-asset volatility, redemption runs, liquidity mismatch, collateral stress, market panic, cyber failure, sanctions exposure, valuation uncertainty, or custody breakdown may become transmitted through regulated institutions. In that sense, integration is not neutral. It may convert decentralized risk into regulated-system contagion.[531]

Accordingly, this chapter treats Treasury as the institutional guardian of closure continuity. Securities law may identify investment posture. Commodities law may identify market posture. Tax law may identify property and income consequences. But Treasury must ask whether the transaction remains connected to public fiscal continuity, sanctions enforceability, AML/BSA controls, revenue collection, payment-system integrity, and lawful monetary closure. That is why Treasury's concern is distinct: *USDC may imitate the dollar's denomination, but it does not inherit the dollar's office*.[532]

§V.F. AML and BSA Considerations

Cryptocurrency payment use may implicate Bank Secrecy Act and anti-money-laundering concerns depending on the actors, intermediaries, transaction structure, custody model, jurisdictional path, and control points involved. The core issue is not merely that a digital asset moved from one wallet to another. The issue is whether the movement of value passed through a person, business model, or institutional channel that federal law treats as part of the financial-crime prevention architecture. The Bank Secrecy Act is designed to require records, reports, controls, and compliance programs that help protect the financial system from money laundering, terrorist financing, tax evasion, fraud, and other illicit-finance risks.[533]

FinCEN's virtual-currency guidance supplies the basic boundary. A person who merely uses virtual currency to purchase goods or services may occupy a different posture from an administrator or exchanger that accepts and transmits convertible virtual currency or buys and sells it for another reason. FinCEN has long treated certain administrators and exchangers of convertible virtual currency as money transmitters when they engage in money transmission within the meaning of the regulations. Thus, crypto payment use may be outside the securities or commodities question and still enter the BSA/AML perimeter where an intermediary, exchanger, administrator, money transmitter, hosted wallet, payment processor, or similar actor transmits value as a business.[534]

This distinction matters because BSA/AML regulation does not determine whether the payment instrument is legal tender. It supervises the risk environment through which value moves. A crypto payment may be subject to customer-identification, recordkeeping, suspicious-activity monitoring, sanctions screening, registration, reporting, or compliance-program duties without

thereby becoming lawful money. Regulation of the channel is not monetization of the instrument. Supervision of value movement is not legal-tender closure.[535]

Relevant actors may include money transmitters, hosted wallet providers, exchanges, payment processors, stablecoin issuers, custodians, merchant-service providers, payroll processors, DeFi interfaces, mixers, bridge protocols, and platforms routing digital-asset payments across counterparties. The presence of any such actor does not automatically resolve the legal analysis. Rather, it identifies the control points through which BSA/AML obligations may attach depending on custody, transmission, exchange, administration, routing, customer relationship, transaction structure, and regulatory status.[536]

Hosted wallet providers and custodians present one form of control point. Where a provider holds customer assets, controls private keys, administers accounts, processes transfers, provides hosted wallet services, or intermediates exchange between users, the provider may create a regulated compliance surface. The law may then require attention to customer identity, transaction monitoring, suspicious-activity review, sanctions screening, recordkeeping, and other controls. A direct wallet-to-wallet transfer between private parties may present a different posture, but once a custodial or hosted intermediary participates, the payment environment becomes more legible to BSA/AML supervision.[537]

Exchanges, on-ramps, off-ramps, and payment processors present another form of control point. When digital assets are converted into dollars, dollars into digital assets, or one digital asset into another through a business engaged in exchange or transmission, the transaction may implicate money-services-business and money-transmitter obligations. This is especially important for payment use because many private crypto payments still depend on conversion infrastructure before or after the transfer. The merchant, employee, payroll provider, contractor, or platform may ultimately need dollar liquidity, tax valuation, accounting records, or public remittance capacity. Conversion is therefore not incidental; it is often the point at which private crypto settlement reconnects to the sovereign financial system.[538]

Stablecoin issuers and reserve-linked payment systems present a distinct BSA/AML concern. A dollar-referenced stablecoin may reduce volatility and improve payment usability, but it may also create issuer, redemption, custody, reserve, platform, sanctions, and transaction-monitoring obligations. The fact that a stablecoin references the dollar does not remove the need for illicit-finance controls. Nor does compliance supervision convert the stablecoin into legal tender. Stablecoins may sit closer to payment infrastructure than volatile cryptocurrencies, but they remain subject to the same core closure distinction: dollar reference is not dollar issuance, and BSA supervision is not sovereign monetary finality.[539]

DeFi interfaces, mixers, bridge protocols, and cross-chain routing tools sharpen the problem because they may reduce the visibility of source, destination, beneficial ownership, custody, and jurisdictional path. A payment may move through smart-contract infrastructure, liquidity pools, bridges, mixers, or chain-hopping routes before reaching a counterparty or being converted into another asset. These architectures can complicate attribution, sanctions screening, suspicious-activity monitoring, travel-rule compliance, and enforcement reconstruction. The legal concern is not merely that the technology is decentralized. It is that the movement of value may occur faster

than regulated institutions can identify the actor, channel, source, destination, beneficial owner, sanctions nexus, or reporting obligation.[540]

Payroll and merchant-service providers create additional BSA/AML and closure issues. If a business pays wages in digital assets, accepts crypto from customers, or uses a payment processor to route stablecoin receipts, the private payment event may still require tax reporting, payroll remittance, customer due diligence, sanctions screening, accounting treatment, and conversion into dollars. These obligations may fall on different parties depending on the transaction structure. The result is a fragmented compliance environment: one actor may transmit value, another may custody it, another may convert it, another may report it, another may screen it, and another may remain responsible for tax or payroll closure.[541]

The same fragmentation explains why Treasury's concern is distinct. Securities law may ask whether investment-contract facts exist. Commodities law may ask whether market conduct, derivatives, leverage, or manipulation are present. Tax law may ask whether property disposition, income recognition, or basis tracking is required. Treasury and FinCEN ask a different question: whether the movement of value is sufficiently visible, attributable, reportable, screenable, and controllable to protect the financial system from abuse and preserve public-law continuity. That concern exists even where the payment does not constitute a securities offering, commodity-market trade, or legal-tender transfer.[542]

This section therefore preserves the same boundary principle developed throughout the doctrine. AML and BSA regulation may supervise the risk environment of crypto payment without converting the payment instrument into legal tender. A crypto transfer may trigger money-transmission duties, suspicious-activity monitoring, sanctions screening, recordkeeping, reporting, or compliance-program obligations. But those obligations attach because the transaction presents financial-crime, transmission, custody, attribution, or reporting risk. They do not supply sovereign monetary authority.[543]

The doctrinal claim is therefore precise: **BSA/AML supervision follows value movement; legal-tender closure follows sovereign monetary authority.** Cryptocurrency payment may move through regulated channels, and those channels may be subject to robust compliance requirements. But regulated movement is not sovereign money. A supervised crypto payment remains a crypto payment unless competent legal authority grants the instrument legal-tender status or equivalent monetary-closure effect.[544]

Accordingly, AML and BSA considerations reinforce rather than erase the legal-tender closure gap. The more a crypto payment requires customer identification, wallet attribution, suspicious-activity review, sanctions screening, intermediary classification, conversion monitoring, transaction reporting, and enforcement reconstruction, the more evident it becomes that the payment has not disappeared into ordinary sovereign monetary finality. Regulation may make the transaction safer, more visible, and more accountable. It does not, by itself, make the instrument lawful money.[545]

§V.G. FinCEN and Money-Transmission Treatment

The FinCEN layer requires separate treatment because cryptocurrency payment use may trigger money-services-business or money-transmission concerns depending on the actor's role, business model, custody function, transmission activity, and relationship to the customer. A crypto payment does not become a money-transmission event merely because value moved on a blockchain. Nor does every person who spends crypto become a regulated money transmitter. The regulatory question is more specific: whether a person is accepting and transmitting value, administering convertible virtual currency, exchanging value for another person, controlling customer assets, routing payment activity as a business, or otherwise operating within a financial-intermediation role recognized by FinCEN's regulatory framework.[546]

FinCEN's guidance distinguishes users from administrators and exchangers. A private party that obtains virtual currency and uses it to purchase goods or services generally occupies a different posture from a person engaged as a business in accepting and transmitting convertible virtual currency or buying and selling convertible virtual currency for another person. This distinction is essential to the doctrine because it prevents payment use from being collapsed into money transmission by assumption. A person spending crypto from its own wallet to acquire goods or services may be using a private settlement instrument. A business transmitting crypto for others, converting crypto to dollars for customers, custodying customer assets, or routing digital-asset payments across counterparties may occupy a regulated transmission posture.[547]

A merchant accepting cryptocurrency directly also requires careful treatment. If a merchant accepts crypto for its own goods or services, the merchant may be receiving payment rather than transmitting money for another person. The merchant may still face tax, accounting, sanctions, recordkeeping, commercial-law, or consumer-facing obligations depending on the facts. But direct acceptance does not by itself make the merchant a money transmitter merely because the asset received is convertible virtual currency. The money-transmission question turns on the business function performed, not on the mere fact that cryptocurrency was accepted.[548]

The analysis changes when a third party enters the payment chain. A payroll processor that transmits cryptocurrency to employees, converts digital assets into dollars, holds customer funds, routes payroll obligations, or administers payment flows on behalf of employers may create a FinCEN-facing control point. Similarly, a payment processor that accepts crypto from one party and transmits value to another, or converts crypto into fiat currency for merchants, may implicate money-transmission analysis depending on the facts. In these settings, the relevant actor is no longer merely spending or receiving value for its own account; it may be moving value for others as a business.[549]

Hosted wallet providers and custodians present an even clearer compliance surface. A hosted wallet provider may control private keys, maintain customer accounts, execute transfers, custody digital assets, facilitate exchange, or provide services that functionally resemble value transmission. Where the provider has control over customer assets and transmits value according to customer instructions, FinCEN's framework may treat the activity as within the money-services-business perimeter. The legal concern is not simply technological custody; it is whether

the actor provides an account-like or transmission-like service through which customer value moves.[550]

Exchanges likewise occupy a distinct posture. A platform that facilitates conversion between cryptocurrency and fiat currency, or between one digital asset and another, may operate as an exchanger or money transmitter depending on the business model. This is particularly important for payment use because many crypto payments depend on pre-payment on-ramps or post-payment off-ramps. A customer may acquire crypto through an exchange before payment; a merchant may convert crypto into dollars after receipt; a payroll provider may convert employer funds into crypto or crypto into dollars. These conversion events are often where private digital-asset payment reconnects with regulated financial infrastructure.[551]

Stablecoin issuers require separate analysis because they may enable payment circulation through issuance, redemption, reserve management, network transferability, and platform integration. A stablecoin issuer may not merely be a passive technology provider; depending on structure, it may administer a dollar-referenced digital asset, maintain redemption obligations, interact with custodians and reserve assets, and support value movement across users, exchanges, wallets, and payment processors. FinCEN treatment therefore depends on the issuer's role, the redemption model, the customer relationship, the transmission activity, and applicable regulatory obligations. But even where a stablecoin issuer is regulated, that supervision does not convert the stablecoin into legal tender.[552]

Platforms routing digital-asset payments across counterparties may also trigger money-transmission concerns. A platform that receives value from one person and transmits value to another, coordinates payment routing, maintains hosted accounts, manages conversion, or controls transaction execution may operate within the transmission perimeter. A platform that merely provides non-custodial software or publishes code may present a different posture. The critical distinction is whether the actor controls or transmits value for another person as part of a business model.[553]

DeFi interfaces present one of the more difficult boundary problems. A decentralized protocol may execute transfers through smart contracts without a traditional centralized intermediary. Yet interfaces, front ends, developers, governance participants, liquidity providers, bridge operators, relayers, or other service providers may still create practical control points depending on the facts. FinCEN's concern is not defeated merely because a system uses decentralized infrastructure. The question remains whether a person or business is accepting, transmitting, exchanging, administering, or otherwise facilitating value movement in a manner that triggers money-transmission obligations.[554]

Mixers, tumblers, bridges, and chain-hopping tools sharpen the FinCEN concern because they may obscure source, destination, beneficial ownership, transaction history, jurisdictional path, and sanctions exposure. Where such tools are offered as services or used to route value across networks, they may create heightened illicit-finance, sanctions, attribution, and enforcement concerns. The relevant Treasury concern is not merely that value moved, but that value may have moved through an architecture designed or used to frustrate attribution and compliance review.[555]

This section therefore preserves a disciplined distinction among three different layers. First, a person may use crypto for private payment. Second, an intermediary may transmit, custody, exchange, process, administer, or route crypto for others in a manner that triggers FinCEN or money-transmission obligations. Third, even where FinCEN regulation applies, the regulated activity does not confer legal-tender status on the digital asset. Regulation identifies the risk environment. It does not supply sovereign monetary authority.[556]

The doctrinal point is therefore narrow but essential: **money-transmission regulation may supervise the movement of value without converting the digital asset into legal tender.** A crypto payment may implicate FinCEN because of who transmits it, who controls it, who converts it, who routes it, who holds customer assets, or who operates the platform through which it moves. But those obligations attach to the actor, channel, custody model, and business function. They do not transform the payment instrument into United States coins, currency, Federal Reserve notes, or sovereign monetary closure.[557]

Accordingly, FinCEN and money-transmission treatment reinforces the legal-tender closure gap. It shows that cryptocurrency payment may be regulated precisely because it is moving through a private or non-sovereign value-transfer architecture. A payment can be reportable, screenable, supervisable, or subject to money-transmission obligations while still lacking legal-tender closure. FinCEN may regulate the rails through which private value moves. It does not thereby make the rail itself sovereign money.[558]

§V.H. OFAC and Sanctions Risk

Direct crypto payment can create sanctions concerns if counterparties, wallet addresses, mixers, jurisdictions, routing pathways, smart contracts, intermediaries, or hidden beneficial owners implicate OFAC-administered restrictions. The sanctions question is distinct from the securities, commodities, tax, FinCEN, and legal-tender questions. It does not ask whether the asset is an investment contract, commodity interest, taxable property, money-transmission instrument, or lawful money. It asks whether the transaction involves a prohibited person, blocked property, sanctioned jurisdiction, restricted service, evasive routing pattern, or other sanctions nexus under authorities administered by the Office of Foreign Assets Control.[559]

OFAC has made clear that sanctions obligations apply to the virtual-currency industry and that sanctions compliance programs should account for the unique risks presented by digital assets, including wallet addresses, pseudonymous counterparties, cross-border transfers, intermediaries, and technological tools that may obscure source or destination. OFAC may also identify digital-currency addresses associated with blocked persons on the Specially Designated Nationals and Blocked Persons List, while warning that listed addresses are not necessarily exhaustive. Thus, the absence of a listed address does not by itself eliminate sanctions risk where other facts indicate a blocked-person, jurisdictional, or evasive-transaction nexus.[560]

Sanctioned wallet addresses present the most direct form of crypto-specific sanctions residue. A wallet address may be included as identifying information for a blocked person, or a transaction may involve an address associated with sanctioned actors, ransomware groups, malicious cyber

actors, terrorist-finance networks, proliferation-finance networks, or sanctioned exchanges. A private crypto transfer may therefore appear technologically valid while remaining legally prohibited, blockable, reportable, or subject to enforcement if it involves blocked property or a sanctioned person. Blockchain finality does not equal sanctions finality.[561]

Blocked persons create a broader risk than wallet-address screening alone can resolve. A sanctioned person may use new addresses, intermediaries, nested services, mixers, bridges, proxies, or other routing tools not yet visible in a screening database. OFAC's digital-currency address listings assist compliance, but they do not replace risk-based due diligence. The relevant question is whether the transaction involves property or interests in property of a blocked person, not merely whether one visible address appears on a list.[562]

Jurisdictional exposure adds another layer. Crypto transfers may cross borders without obvious geographic markers. A wallet-to-wallet payment may involve a sanctioned jurisdiction, a prohibited service export, a blocked exchange, a foreign intermediary, or a counterparty operating from a restricted region. Because digital assets can move across borders without passing through ordinary banking geography, sanctions compliance may require analysis of IP data, customer information, exchange records, wallet attribution, transactional context, and routing history. The borderless quality of crypto payment may increase speed and reach, but it also complicates sanctions jurisdiction and enforcement review.[563]

Mixers and tumblers sharpen the sanctions problem because they are designed to obscure the origin, destination, ownership, or traceability of digital assets. Treasury has treated illicit use of mixers as a serious national-security and financial-integrity concern, particularly where mixers are used to launder stolen funds, ransomware proceeds, or proceeds linked to sanctioned cyber actors. The Tornado Cash litigation also demonstrates the need for precision: sanctions authority may reach persons and property within statutory limits, but courts may scrutinize whether immutable smart contracts or decentralized protocols qualify as sanctionable property under existing law. That distinction does not remove sanctions risk; it clarifies that sanctions analysis must identify the legally reachable person, property interest, transaction, or service.[564]

Bridge protocols and cross-chain routing create similar concerns. A payment may move across chains, tokens, wrappers, pools, or bridges before reaching a final recipient. Each step may obscure source, destination, ownership, or asset history, and may create exposure to sanctioned actors, hacked funds, ransomware proceeds, or evasion schemes. The sanctions risk is not limited to the final wallet address. It may arise from the pathway itself, especially where the route appears designed to avoid attribution, monitoring, freezing, or enforcement.[565]

Ransomware payment pathways show why sanctions risk is operational rather than theoretical. Treasury and FinCEN have repeatedly identified ransomware as a virtual-currency-enabled illicit-finance threat, and OFAC has sanctioned ransomware-related actors and virtual-currency exchange networks. A victim, insurer, intermediary, incident-response firm, or payment facilitator that makes or facilitates a ransomware payment may face sanctions exposure if the payment benefits a blocked person or sanctioned jurisdiction. The fact that payment was made under pressure does not itself convert a prohibited transaction into a lawful one.[566]

Terrorist-finance and proliferation-finance exposure present the same closure problem in national-security form. A digital-asset payment may move value rapidly across borders, through pseudonymous wallets, or through services that obscure beneficial ownership. If the transfer benefits a sanctioned terrorist organization, proliferation network, state-sponsored cyber actor, or designated person, sanctions law may attach even where the parties privately treat the payment as complete. Private acceptance cannot cure a prohibited sanctions nexus.[567]

Evasive routing and pseudonymity further complicate compliance. Crypto payment may involve address churn, chain hopping, nested services, decentralized exchange interfaces, privacy tools, unhosted wallets, false customer information, nominee wallets, or intermediaries that conceal the true counterparty. These features do not make every crypto payment illicit. But they create screening limitations that do not exist in the same form in ordinary bank-intermediated dollar payments. Sanctions compliance must therefore assess not only the apparent counterparty, but also the transaction's structure, routing behavior, wallet history, service providers, and red flags.[568]

Unhosted wallet contexts are especially difficult because there may be no regulated intermediary with direct customer-identification, blocking, reporting, or transaction-monitoring obligations at the point of transfer. A private wallet may send value directly to another wallet without passing through a bank, exchange, hosted wallet provider, or payment processor. This does not place the transaction outside sanctions law. It means that compliance visibility, attribution, and enforcement reconstruction may be more difficult, particularly where counterparties are pseudonymous, foreign, routed through mixers, or connected to sanctioned persons through indirect wallet history.[569]

This section therefore reinforces the doctrine's broader point about legal residue. A crypto payment may move value and appear complete at the private level while still leaving sanctions residue: blocked-property analysis, counterparty screening, jurisdictional review, wallet attribution, mixer exposure, bridge-path analysis, ransomware risk, terrorist-finance risk, evasive-routing review, and enforcement exposure. That residue is not incidental. It is evidence that crypto payment does not disappear into sovereign monetary closure merely because the network recorded the transaction or the parties accepted the transfer.[570]

The doctrinal point is narrow: **sanctions compliance may attach to crypto payment without altering the monetary status of the asset.** OFAC may supervise, restrict, block, report, license, or enforce against transactions involving virtual currency, but OFAC supervision does not make the digital asset legal tender. Sanctions law regulates the permissibility of value movement and the persons, property, jurisdictions, or services involved. It does not confer sovereign monetary authority on the payment instrument.[571]

Accordingly, OFAC and sanctions risk confirm the legal-tender closure gap. A crypto payment can be technologically valid, privately accepted, and commercially meaningful while still being legally vulnerable to sanctions review or enforcement. The payment may move value; sanctions law asks whether that value moved lawfully. The answer to that question may determine blocking, reporting, licensing, penalty, or enforcement consequences. It does not determine whether the instrument supplied legal-tender closure.[572]

§V.I. Unhosted Wallets and the Direct Payment Problem

The strongest Treasury concern arises where cryptocurrency payment occurs wallet-to-wallet without institutional brokerage, exchange custody, payment-processor involvement, payroll intermediary, hosted-wallet controls, or a regulated conversion pathway. In that setting, the transaction may fall outside ordinary exchange-mediated market logic while still creating compliance, reporting, enforcement, tax, sanctions, valuation, and remittance concerns. The payment may be direct between parties, but the legal consequences do not necessarily become simple merely because the transfer route is technically direct.[573]

An unhosted wallet payment exposes the difference between blockchain completion and public-law closure. A blockchain may record that a digital asset moved from one address to another. The recipient may confirm receipt. The parties may treat the bargain as complete. Yet the public-law systems that depend on identification, valuation, reporting, sanctions screening, withholding, remittance, and enforcement may still lack the information necessary to determine who paid, who received, what value moved, when the relevant taxable or reportable event occurred, whether the counterparty was sanctioned, whether a regulated intermediary participated, and whether derivative obligations have been closed in dollars.[574]

This section does not claim that unhosted wallets are unlawful. Nor does it argue that direct wallet-to-wallet payment cannot settle a private bargain. The point is narrower: unhosted wallet payment may increase the gap between private settlement and public compliance closure because the transaction can complete between parties before the tax, sanctions, reporting, attribution, and remittance systems can identify, value, screen, or close the public-law consequences created by the transfer.[575]

Exchange-mediated payment presents one posture. Where a user pays through or around an exchange, the transaction may involve account records, onboarding information, transaction history, conversion logs, custody records, and potentially BSA/AML and sanctions controls. The exchange may create a compliance control point. That control point does not eliminate all risk, but it supplies an institutional layer through which customer information, transaction monitoring, suspicious-activity review, sanctions screening, and reporting may occur.[576]

Hosted-wallet payment presents a related but distinct posture. A hosted wallet provider may control private keys, maintain customer accounts, execute transfers, custody digital assets, or process payments on behalf of customers. Where the hosted wallet provider controls customer assets or transmits value according to user instructions, the provider may create a regulated compliance surface. In that setting, the payment may still be crypto payment rather than legal-tender closure, but the compliance system has an institutional actor through which duties may attach.[577]

Payment-processor-facilitated payment presents another posture. A processor may accept digital assets from a customer, transmit value to a merchant, convert the asset into dollars, settle through a stablecoin, or provide merchant-service functionality. The processor may therefore become the point where private digital-asset payment reconnects to accounting, reporting, conversion,

settlement, sanctions, and BSA/AML controls. The legal question turns not merely on the asset transferred, but on whether the processor accepts, transmits, converts, routes, or settles value for others as a business.[578]

Payroll-processor-facilitated payment creates additional fiscal concerns. Where a payroll provider transmits crypto, converts crypto into dollars, pays employees in digital assets, or administers payroll obligations on behalf of an employer, the private compensation layer intersects with federal withholding, FICA, FUTA, Form W-2, deposit, and remittance requirements. The payroll processor may provide the conversion and recordkeeping bridge necessary to connect crypto compensation to dollar-denominated public obligations. Without that bridge, the employee may receive value while the derivative public obligations remain unclosed.[579]

Merchant-direct wallet payment is more difficult. A merchant may accept crypto directly into its own wallet without an exchange, payment processor, or hosted-wallet intermediary. The private bargain may be complete if the merchant accepts the transfer. But the merchant still may need to determine fair market value, income recognition, accounting treatment, basis if later disposed of, sanctions exposure, wallet attribution, and records sufficient to support tax and compliance review. The absence of an intermediary may reduce transaction friction, but it may also remove an institutional control point.[580]

Employee-direct wallet payment sharpens the same problem. If an employer sends cryptocurrency directly to an employee's unhosted wallet, the employee may receive compensation, and the parties may treat the wage obligation as privately satisfied where permitted by applicable law. But federal wage, withholding, employment-tax, unemployment-tax, reporting, and remittance obligations remain dollar-measured. The employer must still determine the fair market value of the crypto paid, withhold and deposit required taxes, report wages, and close public obligations through accepted federal tax-payment channels. Direct transfer to an employee wallet does not itself close those obligations.[581]

Stablecoin-based payment may reduce volatility, but it does not eliminate the direct-payment problem. A stablecoin such as USDC may reference the dollar, improve payment usability, and reduce price movement compared to non-stable crypto assets. Yet a stablecoin transfer between unhosted wallets may still leave questions of counterparty identity, sanctions exposure, custody, redemption, issuer dependency, reporting, valuation, and public-obligation closure. Dollar reference may improve practical settlement. It does not supply legal-tender finality.[582]

Decentralized wallet-to-wallet payment presents the clearest closure gap. In a direct transfer between self-custodied wallets, there may be no exchange, hosted-wallet provider, payment processor, payroll intermediary, bank, or custodian positioned to perform ordinary institutional controls at the point of transfer. The transaction may be fast, final on-chain, and privately accepted, yet the public systems may still require ex post reconstruction: identifying the parties, valuing the transfer, determining tax consequences, screening the wallet history, tracing funds, assessing sanctions risk, and confirming whether any remittance obligation has been closed in lawful money.[583]

DeFi-routed payment compounds the problem. A payment may be routed through decentralized exchange interfaces, liquidity pools, bridges, wrappers, smart contracts, or chain-hopping pathways before reaching the recipient. These routes may create additional uncertainty about source of funds, beneficial ownership, asset history, jurisdictional path, sanctions exposure, and whether any identifiable intermediary exercised control. A DeFi route may support technical transfer, but it may also increase the difficulty of legal attribution and public-law closure.[584]

The doctrinal concern is therefore not that direct crypto payment lacks technological finality. The concern is that technological finality may occur before public-law systems have the information necessary to perform compliance closure. Private parties may see a completed transfer. Treasury, FinCEN, OFAC, the IRS, payroll authorities, and courts may still need to reconstruct the transaction after the fact. That reconstruction may involve identity, wallet control, beneficial ownership, fair market value, timing, source of funds, sanctions exposure, tax treatment, wage treatment, money-transmission posture, and remittance status.[585]

Unhosted wallet payment therefore exposes the deepest form of the legal-tender closure gap. In banked dollar transactions, the payment often moves through institutions that already sit within mature reporting, examination, audit, KYC, AML, sanctions, and settlement frameworks. In direct crypto payment, the value may move outside those institutional control points. The transaction may still be lawful, enforceable, taxable, or privately valid, but the legal system must often reconstruct public-law consequences after the private transfer has already occurred.[586]

This is the direct payment problem: **private settlement may complete faster than public compliance closure can identify, value, screen, report, or remit the transaction.** That problem is not solved by calling the asset a commodity, property, stablecoin, payment token, or digital asset. Nor is it solved merely by noting that value moved. The legal question is whether the public-law consequences created by that movement can be attributed, measured, reported, screened, enforced, and closed through the sovereign fiscal and monetary system.[587]

Accordingly, unhosted wallets and direct payment reinforce the doctrine's central claim. Cryptocurrency may move value and settle a private bargain, but direct wallet-to-wallet payment can widen the distance between private acceptance and sovereign legal closure. The payment may be complete between parties before tax, sanctions, reporting, payroll, and remittance systems have caught up. That gap does not necessarily invalidate the transaction. It demonstrates why private crypto payment and legal-tender closure remain distinct legal events.[588]

§V.J. Compliance Regulation Is Not Monetary Closure

Compliance regulation is not monetary closure. AML, sanctions, reporting, tax, payroll, and money-transmission obligations regulate the risk environment surrounding payment. They do not transform the payment instrument into legal tender. A cryptocurrency transaction may be taxed, reported, screened, monitored, regulated, investigated, enforced against, valued, converted, withheld upon, or remitted from without the underlying crypto asset becoming lawful money.[589]

This distinction is central to the Legal Tender Closure Gap Doctrine. Regulatory supervision may recognize that value moved, that risk was created, that a counterparty must be identified, that a report must be filed, that a tax consequence arose, that a payroll obligation must be deposited, or that a sanctions nexus must be reviewed. But recognition of legal consequences is not the same as conferral of monetary authority. A transaction may be visible to the state without being closed through sovereign money.[590]

Tax law illustrates the point. A crypto payment may trigger income recognition, basis calculation, gain or loss analysis, fair-market-value measurement, wage treatment, information reporting, or payroll obligations. Those consequences confirm that the transaction has entered the legal system. They do not mean that the crypto asset has become the U.S. dollar, legal tender, Federal Reserve money, or a public-obligation settlement instrument. Indeed, the need to translate the transaction into dollars for tax and reporting purposes confirms that the asset remains dependent on the sovereign unit of account.[591]

Payroll law makes the distinction operational. An employer may compensate a worker in cryptocurrency where permitted by applicable law, and the employee may receive value. But federal withholding, Social Security, Medicare, FUTA, Form W-2 reporting, and deposit obligations remain dollar-measured and must be satisfied through legally accepted remittance channels. The crypto payment may perform the private wage function. It does not itself close the employer's derivative public obligations through legal tender.[592]

AML and BSA frameworks produce the same result. A crypto payment may implicate money-services-business registration, money-transmission analysis, customer identification, suspicious-activity monitoring, recordkeeping, transaction reporting, hosted-wallet controls, exchange obligations, payment-processor duties, or other BSA/AML requirements. Those obligations regulate the movement of value and the actors or channels through which that value moves. They do not alter the monetary status of the asset being moved.[593]

FinCEN treatment confirms the boundary. FinCEN may regulate certain administrators, exchangers, money transmitters, hosted wallet providers, payment processors, custodians, platforms, or other actors involved in convertible virtual currency activity. That treatment may impose substantial compliance obligations. But FinCEN regulation is not monetary issuance. It does not convert convertible virtual currency into United States coins, currency, Federal Reserve notes, or lawful money. The regulatory perimeter may surround the transaction without changing the legal office of the instrument.[594]

OFAC and sanctions law reinforce the same principle in national-security form. A crypto payment may require screening for blocked persons, sanctioned wallet addresses, prohibited jurisdictions, mixers, ransomware pathways, terrorist-finance exposure, bridge protocols, evasive routing, or unhosted-wallet risk. OFAC may block, restrict, license, report, or enforce against transactions involving virtual currency where sanctions law applies. But sanctions supervision does not confer legal-tender status on the digital asset. It regulates whether value may move lawfully; it does not make the instrument sovereign money.[595]

Reporting and recordkeeping obligations also do not create closure. A taxpayer may have to maintain records of basis, fair market value, acquisition date, disposition date, transaction history, wallet attribution, exchange activity, payroll treatment, or reporting status. A business may need to document revenue recognition, accounting treatment, custody arrangement, or later disposition. These requirements show that the transaction remains legally reconstructive after private transfer. They do not transform the payment medium into the legal unit of account.[596]

Conversion likewise does not create monetary closure. A merchant may receive crypto and convert it into dollars. A payroll provider may convert employer funds into crypto or crypto into dollars. A payment processor may route crypto through a platform and settle fiat value to the recipient. These conversion pathways may be useful, compliant, and commercially important. But conversion confirms dependency on the sovereign monetary system; it does not prove that the pre-conversion instrument itself supplied legal-tender closure.[597]

The same rule applies to enforcement. A crypto transaction may be investigated for tax nonpayment, sanctions violations, fraud, theft, conversion, reporting failures, employment-tax violations, money transmission, securities fraud, commodity fraud, or other legal violations. Enforcement jurisdiction may attach because the transaction created legal consequences, harmed parties, violated duties, or entered regulated channels. But enforcement against a transaction does not make the asset used in that transaction lawful money.[598]

The doctrine therefore requires separation between **regulated payment** and **monetary closure**. A payment can be regulated without being legal tender. A payment can be reportable without being sovereign money. A payment can be screened without being lawful currency. A payment can be taxed without being the unit of account. A payment can be converted without having closed the obligation through legal tender before conversion. A payment can be enforced against without acquiring monetary authority.[599]

This distinction prevents a common analytical error. Because cryptocurrency payment may trigger many legal regimes, observers may assume that regulatory recognition has elevated the instrument into monetary equivalence. But the opposite is often true. The more the legal system must tax, value, screen, report, attribute, convert, withhold, remit, and enforce around the payment, the more visible the legal-tender closure gap becomes. Compliance regulation identifies the residue. It does not erase it.[600]

The governing rule is therefore direct:

Compliance supervision is not monetary closure.

A transaction may be taxed, reported, screened, monitored, regulated, investigated, enforced against, valued, converted, withheld upon, or remitted from without the underlying crypto asset becoming lawful money. Legal-tender closure requires sovereign monetary authority, not merely regulatory attention.[601]

Accordingly, compliance regulation reinforces rather than defeats the doctrine. Treasury, FinCEN, OFAC, the IRS, payroll authorities, payment processors, banks, custodians, and

regulators may supervise crypto payment activity because it creates legal risk, public-law obligations, and financial-continuity concerns. But those frameworks regulate the risk environment of payment. They do not supply the payment instrument with the sovereign legal office of money.[602]

§V.K. Treasury-Safe Doctrinal Formulation

The Legal Tender Closure Gap Doctrine should equip Treasury, FinCEN, OFAC, the IRS, payroll authorities, and payment-system regulators rather than constrain them. The doctrine does not argue that crypto payment use escapes compliance supervision. It argues the opposite: cryptocurrency payment may require robust public-law oversight precisely because it can move value through private, non-sovereign, cross-border, pseudonymous, decentralized, or intermediary-dependent channels. The doctrinal task is to preserve Treasury's authority while preventing regulatory supervision from being mistaken for monetary recognition.[603]

The Treasury-safe formulation is therefore direct:

Treasury and FinCEN compliance can regulate the movement of crypto value without converting that value into sovereign money. Compliance supervision is not monetary closure.[604]

This formulation preserves the full range of public authority. Tax law may measure income, gain, loss, basis, fair market value, wage treatment, reporting, and withholding. Payroll-tax law may require employers to deposit withholding, Social Security, Medicare, FUTA, and related employment taxes through dollar-denominated federal tax-payment channels. Treasury and FinCEN may supervise money transmission, BSA/AML compliance, suspicious-activity reporting, customer due diligence, recordkeeping, hosted-wallet activity, exchange activity, payment-processing activity, and other financial-crime risk surfaces. OFAC may screen, block, license, restrict, or enforce against transactions involving sanctioned persons, sanctioned wallet addresses, prohibited jurisdictions, mixers, ransomware pathways, terrorist-finance exposure, or evasive routing. None of those authorities depends on treating the crypto asset as legal tender.[605]

The formulation also protects enforcement jurisdiction. A crypto payment may be investigated, audited, traced, screened, valued, reported, blocked, penalized, or enforced against if statutory facts are present. It may trigger tax enforcement, BSA/AML review, sanctions enforcement, fraud analysis, employment-tax penalties, money-transmission supervision, securities-law enforcement, commodities-law enforcement, or contract litigation depending on the transaction's facts. But enforcement against a crypto transaction does not confer sovereign monetary authority on the asset used in that transaction. Regulation reaches the conduct, actor, channel, risk, or legal consequence; it does not transform the instrument into lawful money.[606]

This distinction is essential for fiscal continuity. Federal revenue systems depend on the ability to measure, withhold, report, deposit, and remit obligations in dollars. If private crypto payment systems expand without a reliable dollar-denominated tax and remittance bridge, public obligations may be generated faster than the fiscal layer can identify, value, capture, and close them. The doctrine therefore does not weaken Treasury's position. It strengthens it by explaining

why tax, payroll, reporting, remittance, and conversion pathways must remain connected to the sovereign unit of account even where private parties use digital assets as payment.[607]

The same point applies to payment-system integrity. A crypto payment may move through an exchange, hosted wallet, payment processor, stablecoin issuer, custodian, merchant-service provider, payroll processor, DeFi interface, bridge protocol, or unhosted wallet. Each route may create different compliance surfaces, control points, attribution challenges, custody risks, sanctions exposure, reporting duties, and conversion dependencies. Treasury and FinCEN must remain able to regulate those channels without suggesting that channel regulation elevates the instrument into legal tender.[608]

The formulation also preserves sovereign monetary authority. Congress has constitutional authority over coinage and monetary value, and federal law gives United States coins and currency, including Federal Reserve notes, legal-tender status for debts, public charges, taxes, and dues. Private digital assets, including stablecoins, may reference dollars, move value, support private settlement, or become subject to extensive regulation. But reference, movement, settlement, and regulation are not equivalent to legal-tender status. Sovereign monetary closure requires sovereign legal authority.[609]

This is why conceptual separation matters. If regulation of crypto payment were mistaken for recognition of crypto as legal tender, Treasury's supervisory role could be misconstrued as monetary endorsement. That would create the very confusion this doctrine seeks to prevent. Treasury may regulate crypto payment because it creates tax, sanctions, AML/BSA, reporting, custody, payment-system, and fiscal-continuity risks. But the existence of those risks does not make the instrument sovereign money. In many cases, the need for compliance supervision confirms that the instrument remains outside ordinary legal-tender closure.[610]

The doctrine therefore preserves two propositions at the same time. First, cryptocurrency payment can be regulated, taxed, screened, reported, investigated, enforced against, withheld upon, converted, or remitted from where applicable legal regimes are triggered. Second, none of those regulatory consequences, standing alone, transforms the crypto asset into United States legal tender. These propositions are not in tension. Together, they allow Treasury and FinCEN to supervise crypto value movement while preserving the legal boundary between private settlement and sovereign monetary closure.[611]

Accordingly, the Treasury-safe formulation may be stated as a rule:

Compliance regulation governs the risk environment of crypto payment; legal-tender doctrine governs sovereign monetary closure. The first may attach broadly. The second requires monetary authority.[612]

This rule protects tax authority, payroll-tax remittance authority, BSA/AML authority, sanctions authority, money-transmission supervision, reporting obligations, enforcement jurisdiction, fiscal continuity, payment-system integrity, and sovereign monetary authority. It ensures that Treasury can regulate crypto payment without being understood to monetize the instrument. It also ensures

that private digital-asset payment can be recognized as a compliance event without being misclassified as legal-tender closure.[613]

The final doctrinal point is therefore simple: Treasury can regulate the movement of crypto value without making crypto money. FinCEN can supervise value transmission without conferring legal tender. OFAC can restrict crypto transactions without granting monetary status. The IRS can tax digital-asset payment without treating the asset as lawful money. Compliance supervision is not monetary closure.[614]

§V.L. Doctrinal Claim

The doctrinal claim of Chapter V is that Treasury's concern begins where private crypto settlement collides with public-law continuity. The legal-tender closure gap is not merely a classification problem. It is a fiscal, reporting, sanctions, payroll, remittance, and compliance problem. The central question is therefore not only whether cryptocurrency can move value between private parties. It plainly can. The harder Treasury question is this: At what level of adoption does private crypto settlement begin to impair the sovereign systems that depend on dollar-denominated monetary closure?[615]

That question matters because private settlement and public closure do not necessarily occur at the same time, through the same instrument, or within the same institutional architecture. A buyer may transfer cryptocurrency. A merchant may accept it. An employer may compensate an employee with digital assets. A contractor may receive stablecoins. A blockchain may confirm the transaction. A private invoice may be marked paid. Yet the tax, payroll, sanctions, reporting, valuation, money-transmission, and remittance consequences may remain unresolved after the private bargain appears complete.[616]

The presence of post-payment residue is therefore legally significant. Capital gain or loss, basis calculation, fair-market-value measurement, ordinary income recognition, wage reporting, payroll withholding, BSA/AML screening, OFAC review, money-transmission classification, wallet attribution, accounting treatment, conversion dependency, and Treasury-recognized remittance obligations all indicate that private payment has not dissolved into sovereign monetary finality. They show that the legal system must continue reconstructing the transaction after private acceptance has occurred.[617]

This does not mean that crypto payment is invalid, unlawful, or incapable of satisfying a private obligation. The doctrine does not deny that parties may agree to accept cryptocurrency, stablecoins, or other digital assets as consideration. Nor does it deny that contract law, commercial law, tax law, and regulatory frameworks may recognize consequences flowing from that agreement. The claim is narrower: private crypto settlement may complete the bargain between parties while leaving public-law obligations separately measured, supervised, and closed through dollar-denominated systems.[618]

Treasury's concern is therefore distinct from securities and commodities classification. Securities law asks whether investment-contract facts, capital formation, profit expectation, managerial

reliance, or issuer-driven value are present. Commodities law asks whether market conduct, derivatives, swaps, futures, leverage, fraud, manipulation, clearing, custody, or exchange-mediated activity are present. Those frameworks remain essential where triggered. But neither securities nor commodities classification answers whether a crypto payment has closed tax obligations, payroll remittance, sanctions exposure, BSA/AML duties, public charges, or sovereign monetary finality.[619]

Tax and property treatment make the gap visible. When a crypto payment requires fair-market-value determination, basis tracking, gain or loss recognition, income measurement, wage treatment, reporting, or accounting analysis, the transaction is being translated back into the sovereign unit of account. That translation does not defeat the private bargain, but it reveals that the payment instrument is not being treated as the sovereign unit itself. Crypto may move value; the legal system measures the consequences in dollars.[620]

Payroll makes the gap operational. An employer may compensate a worker in cryptocurrency where permitted by law, but federal withholding, Social Security, Medicare, FUTA, W-2 reporting, deposit schedules, and remittance obligations remain dollar-measured and Treasury-facing. At small scale, employers may manage this through conversion, reserves, payroll intermediaries, or compliant payment processors. At mass scale, however, widespread crypto wage payment without reliable dollar-conversion and remittance architecture could create timing, liquidity, reporting, valuation, and enforcement strain for the payroll-tax system.[621]

AML, BSA, FinCEN, and OFAC concerns make the gap institutional. Crypto payment may move through exchanges, hosted wallets, payment processors, custodians, stablecoin issuers, payroll processors, merchant-service providers, DeFi interfaces, mixers, bridge protocols, or unhosted wallets. Each route creates different risks of attribution failure, sanctions exposure, suspicious-activity review, money-transmission classification, recordkeeping burden, and enforcement reconstruction. Compliance supervision may attach precisely because the transaction does not move through ordinary dollar-closure channels.[622]

Unhosted wallet payment presents the sharpest form of the problem. Direct wallet-to-wallet transfer may complete quickly between parties without institutional brokerage, exchange custody, payment-processor involvement, payroll intermediary, or regulated conversion pathway. That may increase transaction autonomy, but it also widens the distance between private settlement and public compliance closure. The bargain may be complete before tax, sanctions, reporting, payroll, and remittance systems can identify, value, screen, report, or close the public-law obligations generated by the transaction.[623]

The chapter's core claim is therefore as follows:

Crypto payment may complete the bargain between private parties while leaving public-law obligations unresolved, dollar-measured, and dependent on Treasury-recognized remittance channels.[624]

That is the legal-tender closure gap in Treasury form. The gap is not created because cryptocurrency lacks utility. It is created because the sovereign fiscal system depends on legal tender, dollar measurement, public remittance, sanctions enforceability, BSA/AML controls, payroll-tax continuity, payment-system integrity, and competent monetary authority. Private crypto payment can settle expectations between parties, but unless the public-law consequences are captured and closed through the sovereign monetary system, private settlement remains distinct from monetary closure.[625]

The Treasury-safe formulation preserves both sides of the doctrine. It allows Treasury, FinCEN, OFAC, the IRS, payroll authorities, payment processors, banks, and regulators to supervise crypto value movement where applicable legal regimes are triggered. At the same time, it prevents regulatory supervision from being mistaken for legal-tender recognition. Compliance regulation may govern the risk environment of crypto payment. Legal-tender doctrine governs sovereign monetary closure.[626]

Accordingly, Chapter V answers the adoption question by identifying the stress point: private crypto settlement becomes a sovereign concern when the scale, speed, or opacity of private payment begins to impair tax collection, payroll remittance, sanctions enforcement, AML/BSA visibility, reporting integrity, valuation reliability, or public-obligation closure. At that point, the issue is no longer whether two parties successfully moved value. The issue is whether the public systems that depend on dollar-denominated closure can still identify, measure, capture, enforce, and close the obligations that private payment creates.[627]

The final doctrinal rule is therefore direct:

Private crypto settlement may complete the bargain. Treasury closure requires dollar-measured public-law finality.[628]

§VI. Federal Reserve Layer, Stablecoins, and Derivative Closure

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§VI.A. Why the Federal Reserve Board Is Central

The Federal Reserve Board is central to the Legal Tender Closure Gap Doctrine because the Federal Reserve's concern is not limited to whether a crypto asset is a security, commodity, or taxable property. Those classifications remain relevant, but they do not reach the full monetary architecture at stake. The Federal Reserve's concern is the integrity of the payment system, settlement finality, reserves, liquidity, financial stability, bank intermediation, and the role of central bank money within the United States monetary order.[629]

The Federal Reserve occupies a different institutional position from the SEC, CFTC, IRS, FinCEN, or OFAC. Securities law may identify investment posture. Commodities law may identify market posture. Tax law may identify property disposition and income recognition. FinCEN may identify money-transmission and AML/BSA obligations. OFAC may identify sanctions exposure. But the Federal Reserve must ask a payment-system question: whether private digital-asset settlement, stablecoin circulation, bank custody, tokenized deposits, reserve-backed payment instruments, or nonbank access to payment rails affects the safety, efficiency, liquidity, finality, and stability of the monetary and banking system.[630]

This distinction matters because payment is not merely a private act of value transfer. At scale, payment becomes infrastructure. A payment system must support finality, liquidity, operational reliability, credit-risk containment, settlement discipline, supervisory visibility, and continuity under stress. The Federal Reserve's payment-system role is therefore concerned not only with whether value moved, but whether the movement of value occurred through a system capable of producing legally certain settlement without importing uncontrolled credit, liquidity, operational, cyber, or contagion risk into regulated financial institutions.[631]

Settlement finality is central to this inquiry. In Federal Reserve-operated payment infrastructure, finality is not treated as a social expectation or blockchain confirmation alone. It is a legal and operational status supported by regulation, Reserve Bank account relationships, payment-system rules, and institutional governance. In the Fedwire Funds Service, for example, Regulation J provides the legal foundation for finality, and payment to the receiving participant becomes final and irrevocable according to the governing rule structure. That finality architecture is different from private crypto settlement, where blockchain confirmation may establish technical transfer but does not itself supply Federal Reserve settlement finality, legal-tender closure, or central bank money settlement.[632]

The Federal Reserve's concern also includes reserves and liquidity. The banking system depends on reserve balances, central bank money, discount-window access, intraday credit arrangements, liquidity risk management, and prudential supervision. A private digital asset may move value

quickly, but speed is not liquidity support. A stablecoin may reference the dollar, but dollar reference is not a reserve balance at the Federal Reserve. A crypto payment may settle between parties, but private settlement does not create central bank liquidity, lender-of-last-resort access, deposit-insurance protection, or Federal Reserve account finality.[633]

This is why stablecoins and dollar-referenced digital assets require Federal Reserve attention even when they do not present an obvious securities or commodities question. A stablecoin may promise redemption, hold reserves, circulate through wallets, and support payment activity. But the Federal Reserve must ask whether that arrangement affects bank deposits, reserve demand, payment-system stability, liquidity transformation, run risk, settlement discipline, and the relationship between private money-like instruments and central bank money. The issue is not merely whether the stablecoin is useful. The issue is whether it remains dependent on the dollar's public monetary architecture while creating private settlement expectations that may become systemically relevant.[634]

Bank intermediation is another reason the Federal Reserve is central. If banks custody crypto assets, issue or support tokenized deposits, interact with stablecoin issuers, provide reserve services, process digital-asset payments, or connect nonbank digital-asset firms to payment rails, the risk may migrate from private crypto markets into regulated banking architecture. Integration may improve visibility, but it may also create new transmission paths for liquidity stress, cyber failure, operational disruption, redemption pressure, legal uncertainty, or confidence shocks. The Federal Reserve therefore must evaluate not only the asset, but the connection between the asset and bank balance sheets, payment rails, deposit flows, and supervisory perimeter.[635]

The Federal Reserve's concern is also distinct because central bank money performs a public function that private crypto assets do not independently perform. Central bank money serves as the safest settlement asset within the domestic monetary system because it is a direct liability of the central bank or sovereign monetary authority, depending on form and context. Private digital assets may circulate as claims, tokens, stablecoins, deposits, or privately issued settlement instruments, but they do not become central bank money by use, convenience, market adoption, or technological design. The distinction between private settlement assets and central bank money must remain clear if payment-system confidence is to be preserved.[636]

The doctrine therefore requires a Federal Reserve layer. A crypto payment may complete a private bargain. A stablecoin may provide dollar-referenced settlement. A bank may custody digital assets. A payment processor may route tokenized value. A nonbank platform may seek payment-rail access. But the Federal Reserve must evaluate whether those activities preserve the hierarchy between private money-like instruments and central bank money, whether settlement remains final, whether liquidity remains available under stress, whether banking intermediation remains stable, and whether private digital-asset adoption creates risks to payment-system integrity.[637]

This Federal Reserve layer does not displace Treasury's concerns. Rather, it complements them. Treasury asks whether tax, sanctions, AML/BSA, reporting, remittance, and fiscal-continuity obligations remain connected to dollar-denominated closure. The Federal Reserve asks whether the payment and banking architecture remains safe, liquid, final, resilient, and anchored to

central bank money. Together, these concerns show why crypto payment cannot be evaluated solely through asset classification. The question is not merely what the token is. It is what the payment system becomes if private tokens begin performing settlement functions at scale without equivalent sovereign monetary closure.[638]

Accordingly, the Federal Reserve Board is central because it protects the infrastructure layer beneath monetary closure. Legal tender answers what instrument carries sovereign monetary status. Treasury answers whether public-law obligations can be measured, reported, remitted, and enforced. The Federal Reserve answers whether the payment, settlement, reserve, liquidity, banking, and central-bank-money architecture can absorb private digital-asset settlement without destabilizing the monetary system. That is why the Fed's concern is not merely classification. It is systemic continuity.[639]

The doctrinal formulation is therefore:

The Federal Reserve does not merely ask whether crypto is an asset. It asks whether private crypto settlement alters payment finality, bank intermediation, liquidity, reserves, financial stability, and the role of central bank money.[640]

That inquiry is essential to the Legal Tender Closure Gap Doctrine. A crypto payment may move value. A stablecoin may reference dollars. A tokenized instrument may circulate through payment infrastructure. But unless settlement remains anchored to lawful money, central bank money, bank-supervised liquidity, and legally recognized finality, private payment innovation may widen the gap between private settlement and sovereign monetary closure.[641]

§VI.B. Central Bank Money as Settlement Anchor

Central bank money functions as the ultimate settlement anchor of the monetary system. Within the United States monetary architecture, central bank money occupies a distinct position because it is not merely a privately accepted payment instrument, bank liability, platform balance, stablecoin claim, or market-traded asset. It is the settlement foundation through which the banking system, payment system, reserve system, and sovereign monetary order maintain finality, liquidity, and public confidence. Private payment instruments may move value, but movement of value is not the same as settlement in central bank money.[642]

This distinction is essential because modern payment systems contain multiple layers of money-like instruments. Physical currency, Federal Reserve notes, commercial bank deposits, reserve balances, payment-system messages, clearing obligations, card-network balances, ACH entries, wire transfers, stablecoins, tokenized deposits, and private digital assets may all participate in the movement of value. But they do not occupy the same legal or institutional position. Some are sovereign money. Some are commercial-bank liabilities. Some are payment instructions. Some are claims on issuers. Some are privately issued instruments. Some are property or digital assets. The law must therefore distinguish between instruments that transfer value and instruments that supply final settlement authority.[643]

Central bank money supplies the settlement anchor because it sits at the top of the monetary hierarchy. Reserve balances held at the Federal Reserve and Federal Reserve notes occupy a public monetary position that private claims do not independently possess. Bank deposits may function as money for ordinary commercial purposes, but their stability depends on banking supervision, deposit insurance, access to Federal Reserve liquidity, payment-system rules, and convertibility into sovereign money. Stablecoins and other digital assets may imitate some payment functions, but they do not become central bank money merely because they move quickly, reference dollars, maintain reserves, or circulate through payment networks.[644]

Settlement finality depends on this hierarchy. A payment may be initiated through a private platform, processed through a bank, cleared through a network, routed through a payment processor, transferred through a blockchain, or reflected in a ledger entry. But the legal finality of settlement depends on the governing payment system, the settlement asset, the institutional participants, and the legal rules that define when obligations become final and irrevocable. In Federal Reserve payment infrastructure, finality is supported by statute, regulation, Reserve Bank operating rules, and account relationships. In private crypto systems, blockchain confirmation may establish technical transfer, but it does not by itself create central bank settlement, Federal Reserve account finality, or legal-tender closure.[645]

This is why private payment instruments cannot be treated as equivalent to central bank money by functional resemblance alone. A stablecoin may hold reserves and promise redemption. A tokenized deposit may represent a bank liability in digital form. A private crypto asset may transfer value without a central intermediary. Each may support payment or settlement between parties. But none of those features alone supplies the public legal position of central bank money. The question is not whether the instrument is useful. The question is whether the instrument settles through the sovereign monetary foundation or merely references, depends upon, or substitutes for it at a private layer.[646]

The Federal Reserve's concern therefore arises when private payment instruments begin performing settlement-like functions at scale. At limited scale, a private instrument may operate as a commercial convenience. At systemic scale, however, the same instrument may affect liquidity demand, bank deposits, reserve flows, payment-system stability, run risk, operational resilience, consumer confidence, and the relationship between private money and public money. A privately issued dollar-referenced instrument may appear stable during ordinary conditions but become dependent on reserve liquidity, issuer solvency, redemption capacity, custody access, market confidence, and conversion pathways during stress.[647]

Stablecoins illustrate the settlement-anchor problem. A stablecoin may be designed to maintain a one-dollar reference and may be backed by high-quality reserves. But the stablecoin itself is not a Federal Reserve note, reserve balance, or United States coin or currency. Its apparent stability depends on the issuer's reserve management, redemption promises, legal structure, custodial arrangements, asset composition, supervision, and market confidence. A stablecoin can support private settlement, but it does not independently supply central bank settlement finality unless law and payment-system architecture expressly integrate it into an authorized settlement framework.[648]

Bank deposits also illustrate the hierarchy. Commercial bank deposits are widely used as money, but they remain liabilities of private banking institutions rather than direct obligations of the central bank. Their reliability depends on prudential regulation, deposit insurance, bank supervision, liquidity backstops, access to payment rails, and the ability to settle ultimately through central bank money. This architecture explains why central bank money anchors the system: it provides the final public settlement asset beneath private bank money and other payment claims.[649]

The same hierarchy applies to tokenized deposits, stablecoins, and private digital settlement instruments. Tokenization may change the technological form of a claim, but it does not automatically change the legal office of the claim. A tokenized deposit remains dependent on the issuing bank, governing law, account structure, payment-system access, supervision, and settlement framework. A stablecoin remains dependent on issuer reserves, redemption rights, custody arrangements, and regulatory recognition. A cryptocurrency remains dependent on network consensus, private keys, market value, and acceptance. None becomes central bank money by technical design alone.[650]

This distinction matters for legal-tender closure. Legal tender is established by sovereign authority. Central bank settlement is established through monetary and payment-system architecture. Private settlement is established through party agreement, platform rules, issuer commitments, or network mechanics. These are different legal events. A crypto transfer may settle expectations between private parties. A stablecoin may discharge a private invoice by agreement. A tokenized deposit may support payment between bank customers. But unless the transaction closes through lawful money, central bank money, or an authorized equivalent settlement asset, the transaction remains distinct from sovereign monetary closure.[651]

The Federal Reserve Board is therefore central because it supervises the boundary between private payment innovation and public settlement integrity. If private digital instruments become widely used as payment media, the Federal Reserve must evaluate whether settlement remains anchored to central bank money, whether liquidity remains available under stress, whether bank intermediation is weakened or transformed, whether reserve demand shifts, whether payment finality remains legally reliable, and whether financial stability is affected by private instruments that imitate money without carrying central bank status.[652]

This does not require hostility to payment innovation. The doctrine does not argue that private payment instruments cannot improve speed, programmability, accessibility, or operational efficiency. It argues that payment innovation must be evaluated against the settlement anchor. A system may become faster while becoming less final. It may become more programmable while becoming less stabilizable. It may become more decentralized while becoming less compatible with central bank liquidity support. It may improve private settlement while widening the gap between private acceptance and sovereign closure.[653]

The doctrinal rule is therefore clear:

Private payment instruments may move value, but central bank money anchors settlement. Value movement is not central bank finality. Dollar reference is not reserve balance. Private settlement is not sovereign closure.[654]

Accordingly, central bank money should be treated as the settlement anchor of the monetary system for purposes of the Legal Tender Closure Gap Doctrine. Cryptocurrency, stablecoins, tokenized deposits, payment tokens, and other digital instruments may perform useful private payment functions. They may reduce friction, improve speed, and support new settlement arrangements. But unless they settle through central bank money or an authorized legal equivalent, they do not independently supply the monetary finality that central bank money provides. That distinction is the Federal Reserve layer of the legal-tender closure gap.[655]

§VI.C. Fed-Specific Formulation

The Federal Reserve-specific formulation is this: **central bank money is not merely a payment medium; it is the settlement anchor of the monetary system. Stablecoins and crypto assets may reference, imitate, intermediate, or transmit dollar value, but they do not become central bank money unless lawfully integrated into the sovereign settlement layer.** This formulation preserves the Federal Reserve's institutional concern: the distinction between private value movement and public settlement finality.[656]

Central bank money performs a role that private payment instruments do not automatically perform. It supports monetary stability, financial stability, payment-system confidence, reserve settlement, and the safe and efficient operation of the payment system. The Federal Reserve has framed the modern dollar system around public confidence in money and payments, including the distinction between central bank money and private forms of money. That distinction remains central in the digital-asset context because new instruments may resemble money in use without acquiring the legal or institutional office of central bank money.[657]

The formulation also protects the hierarchy between public money and private money. Commercial bank deposits, stablecoins, tokenized deposits, payment balances, and crypto assets may each support value transfer in different contexts. But they do not occupy the same layer of the monetary system. Commercial bank deposits depend on banks, supervision, insurance, liquidity, and ultimate settlement in central bank money. Stablecoins depend on issuers, reserves, redemption commitments, custody arrangements, market confidence, and applicable regulation. Crypto assets depend on network design, private-key control, market acceptance, and exchangeability. Central bank money occupies the sovereign settlement layer.[658]

This is why dollar reference should not be confused with central bank money. A stablecoin may be designed to maintain a one-dollar value. It may be backed by reserves. It may redeem for dollars. It may settle quickly on-chain. It may support private payment use. But none of those features makes the stablecoin itself a Federal Reserve note, reserve balance, or central bank

liability. Dollar reference identifies the measurement target; it does not create central bank settlement status.[659]

Nor should technological settlement be confused with monetary settlement. A blockchain may confirm transfer. A smart contract may execute. A wallet may receive tokens. A platform may display finality. But technical finality does not necessarily equal legal finality, central bank settlement finality, or legal-tender closure. Federal Reserve payment-system finality depends on legal rules, account relationships, operating circulars, Regulation J, payment-system governance, and the status of the settlement asset. Private technical finality cannot substitute for the legal status of central bank money unless the instrument is lawfully integrated into that settlement framework.[660]

The phrase "lawfully integrated into the sovereign settlement layer" is therefore deliberate. Integration requires more than private adoption, market confidence, exchange listing, reserve disclosure, or widespread use. It requires competent legal authority, authorized institutional architecture, settlement rules, regulatory supervision, operational resilience, liquidity support, and clarity regarding finality. Without that architecture, a digital asset may support private settlement but remains outside the central bank settlement layer.[661]

This formulation is also necessary to avoid misreading stablecoin regulation. A stablecoin may be regulated for reserves, redemption, issuance, custody, consumer protection, AML/BSA compliance, sanctions screening, accounting, or payment-risk purposes. But regulation is not central bank status. A regulated stablecoin may become safer or more transparent, but it does not become central bank money merely because it is supervised. Federal Reserve analysis must therefore distinguish between reducing private-instrument risk and conferring public settlement status.[662]

The same point applies to bank integration. A bank may custody digital assets, support tokenized deposits, process stablecoin-related activity, hold reserves for issuers, provide settlement services, or interface with payment processors. Those activities may increase institutional visibility and supervisory control. But bank adjacency does not automatically elevate a private digital asset into central bank money. The Federal Reserve's concern is whether such integration affects deposits, reserves, liquidity, settlement finality, payment-system risk, and financial stability.[663]

The formulation also guards against systemic drift. If stablecoins or crypto assets become widely used as payment instruments, the public may begin to treat private settlement as though it were public monetary closure. That drift can create confusion about who bears redemption risk, who supplies liquidity under stress, whether the instrument can satisfy public obligations, whether settlement is final, whether reserves are available, and whether the payment asset is backed by central bank money or merely references it. The Federal Reserve layer prevents that confusion by preserving the boundary between private settlement instruments and the settlement anchor of the monetary system.[664]

Accordingly, the Federal Reserve-specific formulation does not oppose innovation. It supplies the condition for safe innovation: private instruments may improve payment speed, programmability, interoperability, and user experience, but they must not be mistaken for the public settlement asset unless the law and institutional architecture actually make them so. Innovation may occur at the payment layer. Closure must remain anchored at the sovereign settlement layer.[665]

The doctrinal rule is therefore:

Central bank money anchors settlement. Private digital instruments may reference the dollar, move dollar-denominated value, or intermediate payment activity, but they do not become central bank money by reference, imitation, adoption, or regulation alone.[666]

This rule preserves the Federal Reserve's role in payment-system integrity, settlement finality, reserve management, liquidity, financial stability, bank intermediation, and central bank money. It also aligns the Federal Reserve chapter with the Treasury chapter: Treasury closure requires dollar-measured public-law finality; Federal Reserve closure requires settlement architecture anchored to central bank money.[667]

Accordingly, the Legal Tender Closure Gap Doctrine should treat central bank money as the monetary system's settlement anchor and stablecoins or crypto assets as private instruments unless and until Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect. Operational integration, bank supervision, reserve custody, payment-rail access, or regulatory recognition cannot substitute for congressional monetary authority. Until Congress acts, such instruments may settle privately, but they do not independently supply central bank finality or legal-tender closure.[668]

§VI.D. Stablecoins as the Strongest Test Case

Stablecoins present the strongest counterargument to the Legal Tender Closure Gap Doctrine because they are designed to approximate payment functionality more closely than volatile cryptocurrencies. Unlike Bitcoin, Ether, or other market-priced digital assets whose payment use may be complicated by volatility, stablecoins are commonly structured to maintain reference to a sovereign currency, frequently the U.S. dollar. They may be used to transfer dollar-denominated value quickly, support merchant settlement, facilitate cross-border payments, intermediate digital-asset trading, or reduce volatility in blockchain-based transactions. For that reason, stablecoins appear, at first glance, to narrow the practical gap between private crypto payment and ordinary dollar payment.[669]

That appearance is precisely why stablecoins are the strongest test case. They are often perceived as "digital dollars," and that perception intensifies both monetary-source confusion and legal-tender-closure confusion. A user may see a stablecoin balance denominated as one dollar, transfer it quickly, redeem it through an issuer or platform, and treat the transaction as functionally equivalent to dollar payment. But functional resemblance is not legal identity. A

stablecoin may reference the dollar, but it is not automatically a Federal Reserve note, United States coin or currency, reserve balance, or central bank liability.[670]

The core distinction is between **denomination** and **office**. A stablecoin may imitate the dollar's denomination. It may be priced in dollars, redeemable for dollars, collateralized by dollar assets, or marketed as a dollar-equivalent payment instrument. But the dollar's legal office is created through constitutional monetary authority, congressional implementation, Federal Reserve note authority, Treasury payment architecture, and legal-tender statute. A privately issued stablecoin does not inherit that office merely because it uses dollar language, maintains reserves, or circulates through payment channels.[671]

This distinction is especially important because stablecoins may produce what this doctrine calls **monetary source confusion**. The user may believe that a stablecoin is "a dollar" because it is denominated in dollars or redeemable for dollars. But the source of the value is different. The dollar derives legal authority from the sovereign monetary system. A stablecoin derives operational value from issuer promises, reserve composition, redemption procedures, platform liquidity, custody arrangements, market confidence, regulatory treatment, and the continued credibility of the dollar itself. The stablecoin depends on the dollar's authority; it does not replace it.[672]

Stablecoins also produce **legal-tender closure confusion**. A stablecoin transfer may settle a private transaction between consenting parties, but private settlement is not legal-tender closure. Unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect, a stablecoin does not independently satisfy the legal office occupied by United States coins and currency, including Federal Reserve notes, for debts, public charges, taxes, and dues. A merchant may accept USDC. A contractor may receive it. A platform may settle in it. But acceptance, use, and circulation do not equal legal-tender status.[673]

The strongest stablecoin argument is that reserves and redemption make the instrument close enough to the dollar for payment purposes. That argument has practical force but legal limits. Reserve backing may reduce run risk if properly structured, but it does not transform a private token into central bank money. Redemption rights may provide a contractual or issuer-based path back to dollars, but a redemption claim is not the same as possessing lawful money. Payment efficiency may reduce friction, but speed is not sovereign closure. Each feature may improve utility, but none independently supplies legal-tender finality.[674]

The Federal Reserve layer sharpens this point. Central bank money anchors settlement. A stablecoin may be backed by assets, circulate on a blockchain, and settle privately among users, but it does not become central bank money unless Congress and the lawful monetary architecture expressly place it within the sovereign settlement layer. Operational integration, bank custody, payment-rail access, reserve disclosure, or supervisory treatment may improve safety or visibility. They do not substitute for congressional monetary authority.[675]

This is why stablecoins require careful treatment in payment-system analysis. They may reduce volatility compared to non-stable crypto assets, but they can introduce other risks: redemption pressure, reserve-quality risk, liquidity mismatch, issuer insolvency, operational failure, cyber

risk, custody failure, sanctions exposure, platform dependency, run dynamics, and contagion pathways into banks or payment systems. The stablecoin's promise is payment efficiency; the Federal Reserve's concern is whether that efficiency remains anchored to settlement finality, liquidity, reserve discipline, bank intermediation, and financial stability.[676]

Stablecoins also test Treasury's closure concern. Even where a stablecoin maintains a one-dollar reference, its use may still generate tax, reporting, accounting, payroll, money-transmission, sanctions, and remittance questions. A stablecoin payment may complete a private bargain, but public obligations may remain dollar-measured and dependent on Treasury-recognized remittance channels. Dollar reference may reduce valuation volatility. It does not eliminate the need to determine legal status, reporting obligations, sanctions exposure, or public-law closure.[677]

[681] **Doctrinal Clarification — Stablecoin Depegging and Treasury Closure Risk.**
The March 2023 USDC depegging event illustrates Treasury's concern that dollar reference does not equal sovereign monetary closure. After Silicon Valley Bank entered receivership, Circle disclosed that approximately $3.3 billion of USDC reserves were held at SVB, reportedly around 8% of total reserves at the time, triggering redemption pressure and a temporary break from USDC's one-dollar peg. The Federal Reserve later described the event as sparking "a wave of redemption requests," while market reporting showed USDC trading near $0.87 during the stress episode. The peg was restored after the Treasury, Federal Reserve, and FDIC announced measures enabling the FDIC to resolve SVB in a manner that fully protected depositors and gave them access to all funds beginning March 13, 2023. The doctrinal significance is not that USDC failed permanently; it did not. The significance is that a privately issued, dollar-referenced instrument required confidence in reserve custody, redemption pathways, bank liquidity, and public-sector stabilization to maintain dollar parity. The event confirms that stablecoins may reduce ordinary price volatility while still creating Treasury-relevant closure risk: dollar reference, reserve backing, and redemption promises do not independently supply legal-tender status, central bank finality, or sovereign monetary closure. See Board of Governors of the Federal Reserve System, *In the Shadow of Bank Runs: Lessons from the Silicon Valley Bank Failure and Its Impact on Stablecoins* (Dec. 17, 2025); Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC (Mar. 12, 2023); Circle, *$3.3 Billion of USDC Reserve Risk Removed, Dollar De-Peg Closes* (Mar. 13, 2023); CoinDesk Data, *Market Analysis: Silicon Valley Bank, Circle & USDC* (Mar. 13, 2023).

The doctrinal rule should therefore be stated narrowly. Stablecoins are not irrelevant, illegal, or categorically nonfunctional. They may be highly useful private payment instruments. They may improve settlement speed, programmability, cross-border transfer, and digital commerce. But their utility does not resolve the legal-tender closure question. The legal question is not whether stablecoins can move dollar-referenced value. They can. The question is whether they independently supply sovereign monetary finality. Unless Congress grants that status, they do not.[678]

Accordingly, stablecoins do not defeat the Legal Tender Closure Gap Doctrine. They prove why the doctrine is necessary. The closer an instrument comes to imitating dollar payment, the more important it becomes to preserve the boundary between private payment functionality and sovereign monetary authority. The stronger the resemblance, the greater the risk of category error. Stablecoins may imitate the dollar's denomination, but they do not inherit the dollar's office.[679]

The Federal Reserve-specific formulation therefore applies with full force:

Stablecoins may reference, imitate, or intermediate dollar value, but they do not become central bank money or legal tender unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect. Until then, stablecoins may settle privately, but they do not independently supply central bank finality.[680]

§VI.E. The Dollar-Reference Problem

A token that references the dollar may create the appearance of dollar equivalence. That appearance is the heart of the dollar-reference problem. A stablecoin may be denominated in dollars, redeemed for dollars, backed by dollar-denominated reserves, displayed in a wallet as a one-dollar unit, or used in commerce as a practical substitute for cash-equivalent settlement. But dollar reference is not dollar issuance. A token may point to the dollar, track the dollar, or promise redemption into dollars without becoming the dollar itself.[682]

The distinction is legal, not semantic. The United States dollar occupies a sovereign monetary position because Congress holds constitutional monetary authority, federal law defines United States coins and currency, Federal Reserve notes are authorized as obligations of the United States, and legal-tender status attaches by statute. A privately issued dollar-referenced token does not acquire that position merely because it is priced at one dollar or redeemable for one dollar. Reference describes the unit used for measurement. Issuance describes the source of monetary authority.[683]

This is why stablecoins create a heightened risk of monetary-source confusion. In ordinary user experience, a stablecoin may appear to be a digital form of the dollar. The user sees a balance labeled in dollars, transfers it instantly, receives it in a wallet, or uses it to settle a private transaction. The interface may make the instrument appear indistinguishable from dollar value. But legally, the token's value depends on issuer structure, reserve composition, redemption terms, custody arrangements, platform liquidity, regulatory treatment, and market confidence. The dollar's value does not depend on private issuer redemption in the same way.[684]

Dollar reference also creates legal-tender-closure confusion. A party may accept a stablecoin in satisfaction of an invoice and treat the private bargain as complete. But the fact that the token references the dollar does not mean that the payment closed through lawful money. Public obligations, tax liabilities, payroll remittances, public charges, and dues remain measured and closed through dollar-denominated, Treasury-recognized channels unless competent law provides otherwise. A stablecoin may settle a private obligation by agreement; it does not independently satisfy legal-tender closure.[685]

This distinction becomes especially important when stablecoin payment is described as "digital dollar" settlement. The phrase may be commercially useful, but it can obscure the legal boundary. A "digital dollar" in the Federal Reserve or sovereign monetary sense would require legal authority, public issuance, settlement architecture, and monetary finality. A privately issued stablecoin is instead a dollar-referenced private claim or instrument. It may be useful in

commerce, but its usefulness does not transform it into central bank money, legal tender, or sovereign settlement.[686]

The 2023 USDC depegging event demonstrates why dollar reference cannot be treated as dollar equivalence. USDC was designed to maintain a one-dollar reference, yet stress at Silicon Valley Bank temporarily impaired market confidence because a portion of Circle's reserves was held at the failed bank. The peg was restored after public-sector stabilization measures helped restore confidence in reserve access. The doctrinal point is not that USDC failed permanently. It did not. The point is that the token's stability depended on reserve custody, banking-system confidence, redemption expectations, and public-sector stabilization. That is materially different from legal-tender issuance or central bank money.[687]

The dollar-reference problem also reveals why regulation alone is insufficient to create monetary status. A stablecoin may be subject to reserve rules, issuer supervision, redemption requirements, custody controls, AML/BSA obligations, sanctions screening, disclosures, audits, accounting standards, or payment-system oversight. Those measures may reduce risk. They may improve transparency and resilience. But they regulate a private instrument; they do not necessarily convert it into sovereign money. Regulatory discipline may make the token safer, but safety is not legal-tender status.[688]

Nor does bank integration resolve the problem. A bank may custody stablecoins, provide reserve accounts, process stablecoin-related payments, connect stablecoin activity to payment rails, or support tokenized settlement. Such integration may increase visibility and operational discipline. But bank adjacency does not convert a private token into a Federal Reserve note, reserve balance, or legal-tender instrument. Without congressional authorization granting legal-tender status or equivalent sovereign monetary-closure effect, the token remains a private dollar-referenced instrument.[689]

The Federal Reserve layer sharpens the boundary. Central bank money anchors settlement because it provides finality through public monetary architecture. A stablecoin may move dollar-referenced value, but unless it settles through central bank money or an authorized sovereign settlement structure, it remains outside the central bank settlement layer. Dollar reference may assist pricing and usability. It does not supply central bank finality.[690]

This distinction also protects Treasury's closure concern. Even if a stablecoin maintains near-dollar parity, its use may still generate tax, reporting, accounting, payroll, sanctions, money-transmission, and remittance obligations. The legal system may still need to identify the payer, value the transaction, determine reporting duties, screen sanctions risk, classify intermediaries, and ensure public obligations are closed in dollars. The token's dollar reference may reduce ordinary volatility, but it does not erase legal residue.[691]

Accordingly, the dollar-reference problem should be understood as a boundary problem. The closer a token comes to imitating the dollar, the more carefully the law must preserve the distinction between reference and issuance, redemption and legal tender, reserve backing and central bank money, private settlement and sovereign closure. The doctrine does not deny that

stablecoins may support payment innovation. It denies that dollar-referenced private issuance can be treated as dollar issuance by implication.[692]

The governing rule is therefore direct:

Dollar reference is not dollar issuance. Dollar denomination is not legal-tender status. Private redemption is not sovereign monetary closure.[693]

A stablecoin may reference, imitate, or intermediate dollar value. It may reduce volatility and improve private settlement. But unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect, the token remains a private instrument dependent on the dollar rather than an exercise of sovereign dollar authority.[694]

§VI.E.1. Private Stabilization Is Not Sovereign Correction

Stablecoins may possess stabilization mechanisms, but those mechanisms should not be confused with sovereign correction capacity. A dollar-referenced stablecoin may rely on issuer reserves, redemption rights, custody arrangements, liquidity management, platform controls, market confidence, audits, reserve disclosures, banking partners, regulatory supervision, and market-maker participation to maintain parity with the U.S. dollar. These mechanisms may reduce ordinary price volatility and support payment functionality, but they are private-party or intermediary-dependent features. They are not equivalent to the sovereign monetary architecture of the United States.[695]

The distinction is structural. The U.S. dollar is supported by constitutional monetary authority, congressional implementation, Federal Reserve note authority, Treasury systems, central bank liquidity, bank supervision, legal-tender statute, tax receivability, payment-system finality, and public fiscal capacity. A stablecoin, by contrast, is generally supported by issuer promises, reserve composition, redemption procedures, custody arrangements, market confidence, platform access, and private operational controls. A stablecoin may be stabilized toward the dollar, but it is not stabilized as the dollar.[696]

This distinction matters because sovereign correction capacity is not merely a reserve function. It is a system-level public authority function. The United States government can legislate monetary status, regulate banks, supervise insured depository institutions, support liquidity through central bank facilities, administer Treasury payment systems, enforce tax collection, govern public obligations, and maintain payment-system continuity through lawful institutional channels. A stablecoin issuer may manage reserves and redemption, but it does not possess the full public-law architecture necessary to stabilize the monetary system under stress.[697]

The U.S. government also does not inherently control a stablecoin issuer's reserve composition, redemption timing, platform liquidity, custody access, smart-contract operation, user confidence, market-maker support, exchange conversion rules, or market exit behavior in the same manner that it governs legal tender, Federal Reserve notes, reserve balances, Treasury systems, bank supervision, central bank liquidity, fiscal authority, and payment-system finality. Regulation may

improve visibility and impose standards, but it does not automatically convert private stabilization mechanisms into sovereign correction levers.[698]

This is why dollar reference can create a dangerous appearance of equivalence. A stablecoin may display as one dollar, circulate as one dollar, redeem for one dollar, and settle private transactions as though it were one dollar. But parity is not authority. A one-dollar reference may describe the target value of the private instrument; it does not establish that the instrument carries the sovereign legal office of the dollar. The appearance of equivalence can conceal the fact that the stablecoin's stability depends on private reserve management, banking relationships, issuer solvency, platform functionality, market liquidity, and confidence in redemption.[699]

The March 2023 USDC depegging episode illustrates the point. Silicon Valley Bank was closed by California regulators and placed into FDIC receivership on Friday, March 10, 2023. Circle disclosed that approximately $3.3 billion of USDC reserves were held at SVB, and USDC fell below its one-dollar peg during the weekend. The formal federal stabilization response came on Sunday, March 12, 2023, when Treasury, the Federal Reserve, and FDIC announced actions enabling all SVB depositors to be fully protected and to access their funds beginning Monday, March 13.[700]

The timing is doctrinally significant. From SVB's closure to the federal stabilization announcement, the delay was approximately two days. From Circle's reserve-risk disclosure and the visible USDC depeg to the federal announcement, the interval was roughly twenty-four to thirty-six hours. From depeg to effective access to reserves, the interval was approximately two days. During that period, the stablecoin's private stabilization mechanisms did not immediately restore confidence. Parity returned after sovereign-adjacent intervention restored confidence in the banking-reserve layer supporting the private instrument.[701]

The episode also demonstrates measurable market stress. USDC reportedly traded as low as approximately $0.87, meaning holders who sold near the trough may have realized losses of roughly ten to thirteen cents per USDC sold. USDC's market capitalization reportedly fell from approximately $43.5 billion to approximately $37 billion during the stress window, a decline of roughly $6.5 billion. That figure should be understood conservatively as market-cap contraction, redemption pressure, and confidence stress rather than permanent realized loss for all holders, because many holders who retained USDC recovered parity after the peg was restored.[702]

The stress also transmitted beyond USDC itself. Because USDC served as collateral or reserve exposure within other digital-asset structures, the depeg affected collateral-linked stablecoin ecosystems. S&P Global reported that between March 11 and March 13, 2023, USDC reached approximately $0.87 while DAI reached approximately $0.85. That secondary depeg illustrates the contagion concern: a private stablecoin stress event may propagate through decentralized collateral structures, exchanges, liquidity pools, and payment expectations before public-sector action restores confidence in the underlying banking-reserve layer.[703]

This does not mean that USDC failed permanently. It did not. Nor does it mean that stablecoins are categorically unsafe, unlawful, or commercially useless. The point is narrower and stronger: the episode shows that a private stablecoin may lose dollar parity in hours, while stabilization

may depend on sovereign action outside the stablecoin's own control architecture. The stablecoin referenced the dollar, but its stability depended on reserve custody, banking access, redemption confidence, market liquidity, and public-sector stabilization of the bank holding the reserves.[704]

This distinction becomes more important as stablecoins move closer to mainstream payment infrastructure. If stablecoins are integrated at scale into U.S. payment architecture, private stabilization failures may become transmissible into the regulated financial system. A stablecoin depeg, redemption run, reserve impairment, custody failure, platform outage, liquidity mismatch, smart-contract failure, market-maker withdrawal, or confidence shock may affect payment processors, banks, merchants, payroll systems, DeFi collateral structures, exchanges, custodians, and public confidence channels. The greater the adoption, the greater the possibility that a privately controlled stability failure becomes a public-system stress event.[705]

The systemic concern is therefore not merely volatility. It is control. In a sovereign monetary system, public institutions possess correction levers: Congress may legislate monetary status; the Federal Reserve may provide central bank liquidity and govern reserve settlement; Treasury may administer public payment and fiscal systems; banking regulators may supervise depository institutions; and legal-tender law defines the monetary closure function. In a stablecoin architecture, stabilizing levers may remain distributed across private issuers, reserve custodians, exchanges, market makers, payment platforms, wallet providers, smart contracts, liquidity pools, and user confidence. The United States may inherit the public consequences of stablecoin failure without possessing equivalent direct control over the private mechanisms that produced the stress.[706]

This is the contagion dimension of the doctrine. A stablecoin that remains isolated within private digital-asset markets presents one category of risk. A stablecoin that becomes widely used in merchant payments, payroll systems, treasury management, cross-border payments, DeFi collateral, bank custody, payment processing, and settlement infrastructure presents a different category. Once embedded in mainstream financial architecture, private stabilization failures may no longer remain private. They may transmit through regulated institutions, payment rails, liquidity channels, collateral systems, customer confidence, and public-law expectations.[707]

The doctrine therefore distinguishes **stabilization mechanisms** from **correction authority**. Stabilization mechanisms may help a stablecoin maintain parity in ordinary conditions. Correction authority determines who can respond when parity fails, reserves become impaired, liquidity disappears, redemption queues form, platforms pause conversion, or confidence collapses. Private mechanisms may stabilize toward the dollar. Sovereign authority stabilizes the dollar system. These are not the same function.[708]

Stablecoin regulation can reduce this risk, but it cannot erase the distinction unless Congress expressly alters the monetary status of the instrument. Reserve requirements, redemption rights, custody standards, audits, disclosures, BSA/AML rules, sanctions screening, issuer supervision, and payment-system oversight may make stablecoins safer and more transparent. But safer private instruments remain private instruments. Regulation may discipline the issuer, the custodian, the platform, or the payment channel. It does not by itself make the stablecoin legal tender, central bank money, or sovereign settlement.[709]

This point is especially important for the Federal Reserve chapter. Central bank money anchors settlement because it carries public monetary authority and settlement finality within the sovereign monetary system. Stablecoins may reference that authority but do not independently possess it. When stablecoins are privately issued, privately redeemed, privately custodied, and privately stabilized, they remain dependent on the public dollar architecture they imitate. The dollar is not stabilized by a promise to redeem into something else; it is the thing into which private instruments seek redemption.[710]

The doctrinal formulation is therefore:

Private stabilization is not sovereign correction. A stablecoin may be stabilized toward the dollar, but it is not stabilized as the dollar. When private stabilization becomes systemically embedded, its failure can become public risk without becoming public money.[711]

Accordingly, the Legal Tender Closure Gap Doctrine should treat stablecoins as payment-relevant but correction-limited instruments. They may improve speed, programmability, transferability, and private settlement. They may reduce ordinary volatility compared with non-stable crypto assets. They may become subject to substantial regulation and may interact with banks and payment processors. But unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect, stablecoins remain private dollar-referenced instruments. They may settle privately, but they do not independently supply sovereign correction capacity, central bank finality, or legal-tender closure.[712]

§VI.F. Reserve Backing Is Not Legal Tender

A reserve-backed instrument may be safer than an unbacked digital asset, but reserve backing does not by itself confer legal-tender status. Reserve backing may reduce credit risk, redemption risk, volatility, or confidence risk depending on the quality, liquidity, custody, and legal treatment of the reserve assets. But a reserve-backed token remains legally distinct from the sovereign money it references unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect. A private instrument may be supported by dollars without becoming dollars.[713]

The distinction is between **support** and **status**. Reserve backing may support the value of a stablecoin by giving holders confidence that the issuer can redeem the token for dollars or dollar-equivalent assets. Legal-tender status, by contrast, is not a reserve arrangement. It is a sovereign legal designation grounded in constitutional monetary authority and federal statute. The presence of reserves may make a private instrument more credible; it does not supply the legal office occupied by United States coins and currency, including Federal Reserve notes.[714]

This distinction is critical because stablecoins are often presented as fully backed digital dollars. That phrase may be commercially understandable, but it is legally imprecise. A reserve-backed stablecoin may represent a claim against an issuer, a right to redemption, an interest in a contractual arrangement, or a privately issued payment instrument. It does not become the reserve asset itself merely because reserve assets exist. If a token is backed by Treasury bills, bank deposits, cash equivalents, or other reserve instruments, the token remains a private

instrument whose value depends on issuer performance, reserve custody, redemption mechanics, legal enforceability, and market confidence.[715]

Reserve backing also does not make the token central bank money. Central bank money derives from public monetary architecture: Federal Reserve note authority, reserve balances, central-bank settlement systems, lawful monetary issuance, and institutional finality. A stablecoin issuer may hold assets that are denominated in dollars or backed by dollar instruments, but the stablecoin holder generally holds a private instrument or claim, not a reserve balance at the Federal Reserve. The reserve may be dollar-denominated; the token is still privately issued.[716]

Nor does reserve backing eliminate legal residue. A reserve-backed stablecoin used as payment may still generate tax treatment, reporting duties, accounting classification, custody questions, sanctions screening, BSA/AML review, money-transmission analysis, payroll remittance obligations, valuation issues, or enforcement exposure depending on the transaction. Reserve backing may reduce price volatility, but it does not eliminate the legal need to identify who moved value, through what channel, under what obligations, and whether public-law consequences were closed in dollars.[717]

The USDC/Silicon Valley Bank episode illustrates why reserve backing should not be confused with sovereign closure. USDC was designed to maintain a one-dollar reference and was supported by reserves. Yet when Silicon Valley Bank was placed into receivership and Circle disclosed that approximately $3.3 billion of USDC reserves were held at SVB, market confidence weakened and USDC temporarily fell below its peg. The peg was restored only after public-sector action restored confidence in access to the underlying banking-reserve layer. The event demonstrates that reserve-backed instruments may still depend on custody access, bank stability, redemption confidence, liquidity, and public-sector intervention during stress.[718]

The doctrinal significance is not that reserve-backed stablecoins necessarily fail. The significance is that reserve backing is a private stabilization mechanism, not sovereign correction capacity. A reserve-backed stablecoin may be stabilized toward the dollar through issuer-managed assets, but it is not stabilized as the dollar through public monetary authority. The issuer's reserves may be real, audited, liquid, and prudently managed, but they remain part of a private stabilization architecture unless and until Congress grants the instrument sovereign monetary status.[719]

This distinction also prevents a common category error. Observers may assume that if every token is backed by one dollar or by dollar-equivalent assets, the token should legally function as a dollar. But the law does not treat collateralization as legal-tender designation. A bank deposit, money-market fund share, Treasury-backed instrument, stored-value balance, payment-platform credit, or stablecoin may represent dollar-denominated value, but each carries a different legal character. A claim on dollars is not identical to dollars. A redeemable instrument is not the same as legal tender.[720]

Reserve backing therefore improves one dimension of risk while leaving the closure question unresolved. It may reduce volatility risk. It may improve redemption confidence. It may support payment usability. It may reduce the likelihood of ordinary price dislocation. But it does not answer whether the instrument can satisfy public obligations, close tax remittances, settle

central-bank obligations, carry legal-tender status, or supply sovereign monetary finality. Those questions depend on law, not reserve composition alone.[721]

The Federal Reserve layer makes the boundary especially clear. The Fed's concern is not merely whether a stablecoin is backed. The concern is whether private reserve-backed instruments affect payment-system integrity, reserve demand, settlement finality, liquidity, financial stability, bank intermediation, and public confidence in central bank money. A reserve-backed stablecoin may reduce some private payment risks while creating new system-level risks if it becomes widely used as a settlement substitute outside central bank money.[722]

Treasury's concern is parallel. A reserve-backed stablecoin may support private settlement, but Treasury must still ask whether the transaction remains tax-measurable, reportable, sanction-screenable, remittable, enforceable, and connected to dollar-denominated public-law closure. Reserve backing does not eliminate the need for Treasury-recognized remittance channels. It does not make the stablecoin acceptable for public obligations unless competent law authorizes that treatment.[723]

Accordingly, reserve backing should be treated as a safety feature, not a monetary-status feature. It may be relevant to prudential regulation, issuer supervision, redemption rights, disclosure, consumer protection, accounting, and systemic-risk assessment. But it does not answer the legal-tender question. The legal-tender question asks whether the instrument itself has been granted sovereign monetary-closure status. Reserve backing alone cannot answer yes.[724]

The doctrinal rule is therefore direct:

Reserve backing may support redemption; it does not confer legal tender. Backing is not issuance. Collateral is not sovereign authority. Redemption capacity is not monetary closure.[725]

A reserve-backed stablecoin may be safer than an unbacked digital asset. It may be more useful for payment. It may be more stable during ordinary market conditions. But unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect, the instrument remains a private dollar-referenced payment instrument rather than sovereign money. It may settle privately; it does not independently supply legal-tender closure, central bank finality, or sovereign correction capacity.[726]

§VI.G. The Issuer-Dependency Problem

Stablecoin payment depends on institutional conditions that ordinary legal-tender payment does not require in the same way. A Federal Reserve note does not depend on a private issuer's solvency, reserve composition, redemption policy, wallet infrastructure, platform liquidity, blacklist authority, or contractual terms before it can occupy its legal-tender office. A stablecoin does. That difference creates the issuer-dependency problem: the payment instrument may appear to function like a dollar, but its stability and usability depend on a chain of private or

intermediary-controlled conditions that remain outside the direct sovereign monetary status of the dollar itself.[727]

The first dependency is **issuer solvency**. A stablecoin holder may treat a token as dollar-equivalent because the issuer represents that the token is redeemable for dollars or dollar-denominated assets. But that redemption expectation ultimately depends on the issuer's ability to honor claims, manage liabilities, administer redemption requests, maintain operational continuity, and preserve confidence under stress. If the issuer becomes insolvent, subject to legal constraint, operationally impaired, or unable to process redemptions at scale, the token's payment functionality may deteriorate even if the token continues to reference one dollar. Legal tender does not depend on private issuer solvency in this manner.[728]

The second dependency is **reserve quality**. A stablecoin may be backed by cash, bank deposits, Treasury bills, repurchase agreements, money-market instruments, commercial paper, or other reserve assets depending on the issuer's model and governing law. The quality, liquidity, duration, custody, encumbrance, and legal accessibility of those reserves matter. Reserves that appear sufficient in ordinary conditions may become stressed if banking partners fail, markets freeze, maturities mismatch redemption demand, or reserve assets cannot be liquidated without loss. Reserve backing may reduce risk, but it does not eliminate dependency on reserve composition and availability.[729]

The third dependency is **redemption rights**. A stablecoin may maintain parity because holders believe they can redeem the token for dollars. But redemption is not self-executing sovereign money. It depends on contractual terms, issuer policies, eligible participants, minimum redemption thresholds, timing windows, platform availability, bank access, identity verification, jurisdictional restrictions, sanctions screening, and the issuer's capacity to process redemptions under stress. A token that references one dollar may still trade below one dollar if market participants doubt whether, when, or through whom redemption can occur.[730]

The fourth dependency is **custodial arrangement**. Stablecoin reserves and customer tokens may involve banks, custodians, trust companies, omnibus accounts, segregated accounts, wallet providers, exchanges, payment processors, reserve managers, and other intermediaries. Each custody layer introduces legal and operational questions: who controls the assets, whether assets are segregated, whether reserves are bankruptcy remote, whether custodial claims are enforceable, whether records identify beneficial ownership, whether private keys are secure, and whether assets remain accessible during stress. A stablecoin payment therefore depends not merely on the token's code, but on the custody architecture beneath it.[731]

The fifth dependency is **banking relationships**. Stablecoin issuers and payment platforms often rely on banks for reserve custody, settlement accounts, conversion access, fiat on-ramps, off-ramps, payroll integration, merchant settlement, and Treasury-related remittance pathways. The USDC/Silicon Valley Bank episode illustrates the point: when a portion of USDC reserves was held at a failed bank, market confidence in the token's one-dollar peg weakened until public-sector action restored confidence in reserve access. The token's stability depended not only on blockchain functionality or issuer representations, but on the resilience and accessibility of the banking-reserve layer.[732]

The sixth dependency is **regulatory compliance**. Stablecoin payment may implicate BSA/AML obligations, sanctions screening, money-transmission regulation, tax reporting, accounting treatment, consumer protection, custody rules, reserve disclosure, and issuer supervision depending on the actor and transaction structure. Compliance may improve safety and legitimacy, but it also shows that stablecoin payment remains dependent on regulatory posture. A stablecoin may function differently depending on whether it is routed through a regulated issuer, exchange, hosted wallet, payment processor, merchant-service provider, payroll intermediary, or unhosted wallet.[733]

The seventh dependency is **freeze or blacklist authority**. Some stablecoins include mechanisms allowing issuers or authorized actors to freeze, block, blacklist, or restrict particular addresses or tokens. These tools may support sanctions compliance, fraud response, stolen-asset mitigation, court orders, or law-enforcement cooperation. But they also demonstrate that the token's payment functionality may depend on private or compliance-driven control mechanisms. A token may be technically transferable in the abstract while being functionally restricted in a particular wallet, jurisdiction, transaction path, or compliance context. That is not how legal tender operates as a sovereign monetary instrument.[734]

The eighth dependency is **cross-border recognition**. Stablecoins may circulate across jurisdictions faster than legal, regulatory, sanctions, insolvency, consumer-protection, and payment-system rules can harmonize. A token may be recognized by one platform, restricted by another, accepted in one jurisdiction, blocked in another, redeemable for one user, unavailable to another, or subject to different treatment depending on local law. Cross-border transferability may increase utility, but it also increases legal uncertainty. Dollar reference does not guarantee uniform legal recognition, public-obligation acceptance, or settlement finality across jurisdictions.[735]

The ninth dependency is **operational resilience**. Stablecoin payment depends on networks, smart contracts, wallet infrastructure, exchanges, APIs, custodians, bridges, validators, cloud services, cybersecurity controls, compliance systems, market makers, and issuer operations. A failure at any layer may disrupt payment functionality. Platform outages, bridge failures, smart-contract vulnerabilities, cyberattacks, private-key compromise, exchange pauses, or conversion delays may impair the ability to use or redeem the token. Stablecoin payment may therefore be operationally resilient only to the extent that the surrounding private infrastructure remains resilient.[736]

The tenth dependency is **contractual terms**. Stablecoin holders may be subject to issuer terms governing redemption eligibility, fees, suspension rights, account access, dispute resolution, governing law, user restrictions, sanctions compliance, reserve disclaimers, intermediary involvement, and platform limitations. These terms matter because they define the holder's legal relationship to the issuer and the conditions under which the token can be redeemed or used. Legal tender does not require a private terms-of-service agreement to occupy its sovereign monetary status. A stablecoin generally does.[737]

The following table organizes these dependencies and identifies their correlating effects on stability. Its purpose is not to suggest that every stablecoin will fail at every dependency point.

Rather, it shows that stablecoin payment functionality is conditional. Stability depends on the continued operation of private or intermediary-controlled systems, whereas legal-tender closure depends on sovereign monetary authority.

Table 11. Stablecoin Issuer Dependencies and Correlating Effects on Stability

Issuer Dependency	What the Stablecoin Depends Upon	Correlating Effect on Stability	Doctrinal Significance
1. Issuer Solvency	The issuer's ability to honor redemption claims, maintain operations, manage liabilities, and preserve confidence under stress.[728]	If issuer solvency weakens, redemption confidence may decline, causing discounting, withdrawal pressure, or depegging risk.[728]	Stablecoin stability depends on private institutional capacity, not sovereign monetary authority.[741]
2. Reserve Quality	The liquidity, safety, duration, custody, encumbrance, and legal accessibility of cash, Treasury bills, deposits, or other reserve assets.[729]	Higher-quality reserves may improve confidence; impaired, illiquid, mismatched, or inaccessible reserves may create redemption pressure or market distrust.[729]	Reserve backing may support value, but reserve composition does not confer legal-tender status.[713] [725]
3. Redemption Rights	The holder's ability to redeem tokens for dollars under issuer rules, eligibility requirements, timing limits, verification rules, and market conditions.[730]	Clear and reliable redemption rights support parity; uncertain or delayed redemption can cause the token to trade below its dollar reference.[730]	Redemption is a private claim mechanism, not sovereign monetary closure.[725]
4. Custodial Arrangements	Banks, custodians, trust accounts, omnibus wallets, segregated accounts, reserve managers, private-key controls, and recordkeeping systems.[731]	Strong custody may support confidence; weak custody, commingling, cyber risk, or unclear ownership may impair access and create legal uncertainty.[731]	Stablecoin payment depends on custody architecture beneath the token, not the token alone.[738]
5. Banking Relationships	Reserve banks, settlement accounts, fiat on-ramps/off-ramps, payroll channels, merchant settlement rails, and access to dollar liquidity.[732]	Banking disruption can impair reserve access, conversion, redemption, and confidence, as demonstrated by the USDC/SVB depegging episode.[732]	Dollar reference may depend on the resilience of the banking layer rather than on the stablecoin's own architecture.[732]
6. Regulatory Compliance	BSA/AML duties, OFAC screening, money-transmission obligations, tax reporting, accounting treatment, custody rules, and issuer supervision.[733]	Compliance improves legitimacy and visibility but may restrict transfers, delay redemptions, or create differentiated treatment across users and jurisdictions.[733]	Regulation may supervise the risk environment without converting the instrument into legal tender.[709]

7. Freeze or Blacklist Authority	Issuer or platform capacity to freeze, block, blacklist, or restrict addresses or tokens for sanctions, fraud, court-order, or compliance reasons.[734]	Freeze authority may reduce illicit-finance risk but can impair transferability, introduce counterparty risk, and create dependence on private control decisions.[734]	A privately controlled restriction mechanism differs from sovereign legal-tender functionality.[734]
8. Cross-Border Recognition	Treatment by foreign jurisdictions, exchanges, wallets, regulators, payment systems, sanctions regimes, and local commercial-law frameworks.[735]	Divergent legal treatment may create uneven redemption access, compliance burdens, blocked transfers, or uncertainty in cross-border settlement.[735]	Global transferability does not equal uniform legal recognition or sovereign monetary status.[735]
9. Operational Resilience	Networks, smart contracts, APIs, wallets, bridges, validators, exchanges, cloud systems, cybersecurity controls, and issuer operations.[736]	Operational failure may interrupt payment, redemption, conversion, custody access, or market confidence even when reserves remain intact.[736]	Technical reliability is a condition of private settlement, not proof of central bank finality.[740]
10. Contractual Terms	Issuer terms of service, redemption limits, suspension rights, fees, jurisdictional restrictions, dispute resolution, sanctions terms, and user eligibility rules.[737]	Contract terms may define or limit holder rights, redemption timing, access, remedies, and payment functionality.[737]	Stablecoin holders often rely on private contractual rights rather than sovereign monetary rights.[737]

Doctrinal Note

Table 11 identifies the institutional dependencies that support stablecoin payment functionality and explains their correlating effects on stability. These dependencies do not mean stablecoins are invalid or commercially ineffective. They show that stablecoin stability is conditional. A stablecoin may remain near parity when issuer solvency, reserve quality, redemption access, custody, banking relationships, compliance systems, operational infrastructure, and contractual terms hold. But those conditions are not equivalent to legal-tender status, central bank finality, or sovereign correction capacity.[738] [740]

Figure 8 Source and Data Availability: Figure 8, *Stablecoin Issuer Dependencies and Correlating Effects on Stability*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as **Table 11** is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/h6kxmnksz5/1*].

Public-Facing Bridge

The distinction is simple: **stablecoin payment is issuer-dependent; legal-tender closure is sovereign-authority-dependent.** Stablecoins may stabilize toward the dollar, but they are not stabilized as the dollar.[741]

Together, these dependencies reveal why stablecoins cannot be treated as legal-tender equivalents merely because they reference the dollar. A stablecoin may be safer than an unbacked crypto asset. It may be more stable than volatile cryptocurrencies. It may support faster private settlement. It may be widely accepted by platforms and merchants. But its payment function remains dependent on issuer solvency, reserve quality, redemption terms, custody, banking access, regulatory compliance, control features, cross-border recognition, operational resilience, and contract architecture. Those dependencies are not incidental. They are the structure through which the instrument maintains its dollar reference.[738]

The issuer-dependency problem also affects systemic risk. When stablecoins remain peripheral, issuer dependency may be primarily a private-market concern. But if stablecoins become embedded in mainstream payment architecture, payroll systems, merchant settlement, bank custody, treasury management, DeFi collateral, or cross-border payment channels, issuer dependency may become a public-stability concern. A failure in issuer solvency, reserve access, redemption processing, custody, compliance, or operational infrastructure may transmit stress into banks, payment processors, exchanges, merchants, payroll systems, and public confidence channels.[739]

This does not mean stablecoins should be dismissed as payment instruments. It means their payment function must be analyzed as **conditional** rather than sovereign. Stablecoins may settle private transactions when institutional conditions hold. They may maintain parity when issuer reserves, redemption mechanisms, custody arrangements, banking relationships, platform liquidity, and market confidence remain intact. But those conditions are not the same as legal-tender status, central bank finality, or sovereign correction capacity. Stablecoin settlement is therefore contingent in a way that legal-tender closure is not.[740]

The doctrinal rule is direct:

Stablecoin payment is issuer-dependent. Legal-tender closure is sovereign-authority-dependent. The first relies on private conditions; the second rests on public monetary law.[741]

Accordingly, the Legal Tender Closure Gap Doctrine should treat stablecoins as privately issued, dollar-referenced instruments whose payment functionality depends on institutional conditions external to the token itself. Stablecoins may reduce volatility and improve payment speed, but they do not independently supply the legal office of the dollar. Unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect, stablecoin payment remains private settlement subject to issuer dependency, not sovereign monetary closure.[742]

§VI.H. The Redemption Gap

The redemption gap arises where a token must be redeemed into dollars to achieve final monetary value. If a stablecoin or dollar-referenced digital asset depends on redemption into U.S. dollars, bank deposits, reserve assets, or another dollar-denominated claim to complete its monetary function, then its closure is derivative rather than original. The token may move value, reference value, or represent a claim on value, but it does not itself occupy the legal office of the dollar. Its final monetary value depends on the availability, enforceability, timing, and reliability of the redemption pathway.[743]

This distinction is central to the Federal Reserve layer of the doctrine. Central bank money does not require redemption into a separate private instrument before it can serve as settlement anchor. Federal Reserve notes and reserve balances occupy a public monetary position within the sovereign monetary architecture. A stablecoin, by contrast, often derives its practical monetary value from the holder's expectation that it can be redeemed, converted, or exchanged into dollars. That expectation may be commercially powerful, but it remains structurally different from original sovereign issuance.[744]

Redemption therefore reveals dependency. A token that must be redeemed into dollars to achieve final monetary value is not itself the final monetary layer. It is a bridge to that layer. The holder's confidence rests on whether the issuer will honor redemption, whether reserves are sufficient and liquid, whether custodians provide access, whether banks remain open and solvent, whether platforms process withdrawals, whether compliance screening permits redemption, and whether market liquidity supports conversion. The token's value may be stable while those conditions hold, but that stability is conditional rather than sovereign.[745]

The legal distinction is between **claim** and **closure**. A redemption right may give a holder a claim against an issuer or platform. Legal-tender closure gives a payment instrument sovereign monetary effect. These are not the same thing. A private claim may be enforceable, valuable, and useful in commerce, but the existence of a claim to dollars does not make the claim itself dollars. A redeemable stablecoin may be a dollar-referenced private instrument; it does not become United States coin, currency, Federal Reserve note, reserve balance, or legal tender merely because it can be exchanged for them.[746]

This distinction prevents a common analytical error. Observers may assume that if a stablecoin can be redeemed one-for-one for dollars, it is legally equivalent to dollars. But redemption is evidence of non-equivalence, not equivalence. If the instrument must be exchanged into dollars to achieve final monetary value, then the dollar remains the monetary endpoint and the stablecoin remains the derivative instrument. Redemption points downstream to the sovereign monetary layer; it does not collapse the derivative instrument into that layer.[747]

The redemption gap is also temporal. A holder may possess a stablecoin at one moment and receive dollars at a later moment. Between those points, the holder bears some combination of issuer risk, platform risk, custody risk, bank-access risk, liquidity risk, operational risk, sanctions-screening risk, and market-confidence risk. Even if the interval is short, the legal

structure is different from holding legal tender or central bank money. Redemption timing can matter during stress, especially where many holders seek conversion at the same time.[748]

The USDC/Silicon Valley Bank episode illustrates the temporal dimension of the redemption gap. USDC was designed to maintain a one-dollar reference, yet the market questioned access to a portion of its reserves after SVB was placed into receivership. USDC temporarily traded below parity until public-sector action restored confidence in access to the banking-reserve layer. The token's dollar reference did not itself eliminate redemption uncertainty. Market confidence returned only when the reserve-access problem was addressed through the banking and public-stabilization framework surrounding the token.[749]

The redemption gap also affects settlement finality. A blockchain transfer may be final within the network, but the recipient may still need redemption into dollars to achieve final monetary value for accounting, payroll, tax, public remittance, or balance-sheet purposes. Technical settlement and monetary closure are therefore different events. The token may arrive in the recipient's wallet, but the recipient's public-law obligations may still require dollar valuation, dollar reporting, dollar remittance, or dollar conversion. The redemption step exposes the continuing dependence on the sovereign unit of account.[750]

This is particularly important for payroll, merchant settlement, and public obligations. An employee paid in stablecoins may receive value, but the employer's withholding, Social Security, Medicare, FUTA, reporting, and deposit obligations remain measured and remitted through dollar-denominated systems. A merchant may accept stablecoins, but revenue recognition, tax reporting, accounting treatment, sanctions screening, and later conversion may still require dollar measurement. A private party may accept a token as consideration, but public obligations generally remain closed through recognized dollar payment channels unless law expressly provides otherwise.[751]

The redemption gap also distinguishes reserve backing from monetary status. Reserve backing may make redemption more reliable, but it does not eliminate the fact that redemption is necessary. If a stablecoin's value depends on the holder's ability to convert it into reserve assets, the reserve assets remain the underlying value source. The token is not the reserve; it is a claim, representation, or instrument connected to the reserve. A well-reserved stablecoin may reduce risk, but it does not become legal tender merely because its redemption pathway is credible.[752]

The same principle applies to bank custody and payment-system integration. A stablecoin may be held through a regulated custodian, traded on an exchange, used through a payment processor, or supported by bank relationships. Those arrangements may improve reliability and compliance. But they do not eliminate the redemption gap unless the instrument itself has been granted legal-tender status or equivalent sovereign monetary-closure effect by Congress. Operational integration may improve access to dollars; it does not make the token itself sovereign money.[753]

The redemption gap creates a systemic-risk concern when stablecoins become widely used. If large numbers of holders seek redemption at once, the issuer must liquidate or access reserves, custodians must process flows, banks must support withdrawals, platforms must maintain operations, and markets must absorb activity without destabilizing discounts. A redemption run

can therefore transmit stress across issuers, reserve custodians, banks, exchanges, DeFi collateral structures, payment processors, and confidence channels. The problem is not merely whether the token was backed; it is whether the redemption architecture can withstand scale and stress.[754]

This is why the redemption gap belongs in the Federal Reserve chapter. The Federal Reserve's concern is not only whether stablecoins can be useful in ordinary conditions. The concern is whether private redemption-based instruments can perform settlement-like functions at scale without weakening the role of central bank money, reserve settlement, liquidity discipline, payment-system finality, and financial stability. If final monetary value depends on redeeming into dollars, then the stablecoin remains anchored externally to the sovereign monetary system it imitates.[755]

The doctrinal rule is direct:

If a token must be redeemed into dollars to achieve final monetary value, then its closure is derivative rather than original. Redemption confirms dependence on the sovereign monetary layer; it does not confer that layer's authority.[756]

Accordingly, the Legal Tender Closure Gap Doctrine should treat redemption-dependent stablecoins as private instruments whose payment utility depends on access to the dollar system. They may settle private bargains, reduce volatility, and improve payment speed. But unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect, the need for redemption confirms the gap: the stablecoin may point toward the dollar, but the dollar remains the closing instrument.[757]

§VI.I. Proposed Stablecoin Rule

The proposed stablecoin rule is straightforward: **a stablecoin may function as a private payment instrument, but it should not be described as legal-tender equivalent unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect pursuant to its monetary authority under Article I, Section 8 of the United States Constitution.** This rule preserves the legal distinction between private settlement functionality and sovereign monetary closure.[758]

Stablecoins may support payment activity. They may reduce price volatility compared with non-stable crypto assets, improve transaction speed, facilitate cross-border transfers, support merchant acceptance, and provide programmable settlement functionality. A stablecoin may therefore be commercially useful and may function as a private payment instrument between consenting parties. But private usefulness does not establish legal-tender equivalence. A payment instrument may be useful, regulated, redeemable, reserve-backed, or widely accepted without becoming lawful money.[759]

The rule must be anchored in constitutional structure. Article I, Section 8 grants Congress the power to coin money and regulate the value thereof. Federal legal-tender status is implemented through federal statute, including the designation of United States coins and currency, including Federal Reserve notes, as legal tender for debts, public charges, taxes, and dues. Accordingly, the

legal-tender boundary cannot be crossed by implication through market adoption, regulatory treatment, payment-processor integration, bank custody, reserve backing, or stablecoin issuer representations.[760]

This clarification is necessary because stablecoins are often described in market language as "digital dollars." That phrase may describe user experience, denomination, or payment functionality, but it should not be treated as a legal conclusion. A dollar-referenced token is not a dollar merely because it targets dollar parity. A redeemable token is not legal tender merely because it can be exchanged for dollars. A reserve-backed token is not central bank money merely because the issuer holds dollar-denominated assets. The law must distinguish reference, redemption, and backing from sovereign monetary status.[761]

The proposed rule also protects against interpretive drift. If "legal-tender equivalent" were allowed to arise from payment utility, then privately issued instruments could acquire sovereign-adjacent status without congressional action. That would invert the constitutional order. Payment systems may evolve, and Congress may choose to authorize new monetary instruments. But until Congress acts, stablecoins remain private instruments whose legal effect depends on contract, issuer obligations, reserve architecture, redemption pathways, custody arrangements, regulatory compliance, and party acceptance.[762]

The Federal Reserve layer reinforces this boundary. Central bank money is the settlement anchor of the monetary system. Stablecoins may reference the dollar, circulate through wallets, settle privately, or rely on reserve assets, but they do not become central bank money by functional resemblance. Federal Reserve payment-system integration, bank relationships, reserve custody, or supervisory attention may reduce operational risk, but those features do not themselves grant central bank finality or legal-tender closure.[763]

Treasury's concern is parallel. A stablecoin payment may still generate tax reporting, payroll remittance, sanctions screening, BSA/AML review, money-transmission analysis, accounting treatment, valuation issues, and public-law obligations. Compliance supervision may attach to the transaction or its intermediaries, but compliance supervision is not monetary closure. A regulated stablecoin remains a regulated private instrument unless Congress grants it sovereign monetary status.[764]

The issuer-dependency and redemption-gap analyses further confirm the rule. A stablecoin's stability may depend on issuer solvency, reserve quality, redemption rights, custodial arrangements, banking relationships, operational resilience, freeze or blacklist authority, cross-border recognition, and contractual terms. If the instrument must be redeemed into dollars to achieve final monetary value, its closure is derivative rather than original. A derivative claim on dollars cannot be presumed equivalent to the sovereign dollar itself.[765]

Nor does reserve backing alter the conclusion. Reserve backing may make a stablecoin safer than an unbacked digital asset. It may improve confidence, support redemption, and reduce volatility. But backing is not issuance. Collateral is not sovereign authority. Redemption capacity is not monetary closure. Unless Congress expressly grants legal-tender status or equivalent sovereign

monetary-closure effect, a reserve-backed stablecoin remains a private dollar-referenced payment instrument.[766]

The proposed rule therefore permits stablecoin innovation while preserving monetary sovereignty. It does not prohibit private parties from accepting stablecoins. It does not deny that stablecoins may improve payment efficiency. It does not prevent Congress from legislating a lawful stablecoin framework. It simply prevents a category error: private payment functionality should not be described as legal-tender equivalence absent congressional authorization.[767]

Accordingly, the stablecoin rule may be stated in final form:

A stablecoin may function as a private payment instrument, but it should not be described as legal-tender equivalent unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect pursuant to Article I, Section 8 of the United States Constitution.[768]

This rule preserves payment innovation, regulatory supervision, and private contractual settlement while protecting the sovereign legal office of money. Stablecoins may settle private bargains. Legal tender closes sovereign monetary obligations. The two may interact, but they should not be collapsed.[769]

§VI.J. Counterargument and Response

A serious counterargument must be addressed. Stablecoins may become sufficiently regulated, reserved, supervised, and integrated into payment systems to perform a practical settlement function. Under this view, a properly regulated stablecoin could maintain high-quality reserves, provide reliable redemption rights, comply with BSA/AML and sanctions obligations, operate through regulated custodians and payment processors, integrate with banks, and support faster settlement than legacy payment systems. If the instrument reliably transfers dollar-referenced value between parties, the argument follows, it may function in practice as a settlement medium even if it is not formally legal tender.[770]

That counterargument has practical force. Stablecoins may reduce volatility compared with unbacked digital assets. They may improve payment speed, programmability, cross-border transferability, and interoperability across digital platforms. They may also become safer if subject to reserve requirements, redemption standards, issuer supervision, custody rules, disclosures, audits, operational-risk controls, BSA/AML obligations, sanctions screening, and payment-system oversight. A stablecoin can therefore become a highly useful private payment instrument and may, under appropriate regulatory conditions, perform a practical settlement function between consenting parties.[771]

But the response is equally direct: **practical settlement and legal-tender closure remain distinct unless law grants equivalent status.** A private instrument can settle a transaction by agreement without occupying the legal office of sovereign money. Contract law may permit parties to accept alternative consideration. Commercial law may recognize payment or discharge according to governing agreement and applicable rules. Payment infrastructure may process the

transaction efficiently. None of that means the instrument has become United States coin, currency, Federal Reserve note, central bank money, or legal tender for debts, public charges, taxes, and dues.[772]

The distinction turns on source of authority. Practical settlement arises from private agreement, issuer obligation, platform rules, payment-system design, redemption expectations, or market acceptance. Legal-tender closure arises from sovereign monetary authority. Article I, Section 8 gives Congress monetary power, and federal statute gives United States coins and currency, including Federal Reserve notes, legal-tender status. Stablecoin regulation, reserve backing, payment-rail access, or market use cannot substitute for that constitutional and statutory source.[773]

This is why the counterargument should not be rejected categorically, but bounded precisely. A stablecoin may become payment-relevant. It may become compliance-supervised. It may become reserve-backed. It may become operationally integrated into payment systems. It may become widely accepted in commerce. It may even become a preferred private settlement tool in certain markets. But unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect, the stablecoin remains a private settlement instrument rather than sovereign money.[774]

Reserve backing does not alter that conclusion. A token backed by cash, Treasury bills, deposits, or other high-quality liquid assets may be safer than an unbacked crypto asset. But backing is not issuance. Collateral is not sovereign authority. A redeemable claim on dollars is not the same as the dollar itself. The existence of reserves may support parity and redemption confidence, but it does not independently confer the legal-tender status that federal law assigns to United States coins and currency.[775]

Redemption also does not collapse the distinction. If a token must be redeemed into dollars to achieve final monetary value, then its closure is derivative rather than original. The stablecoin points toward the sovereign monetary layer; it does not become that layer. The need for redemption confirms dependence on issuer solvency, reserve quality, custody, banking relationships, platform access, and market confidence. Those dependencies may be well managed, but they remain private or intermediary-controlled conditions rather than sovereign monetary closure.[776]

Payment-system integration likewise does not supply legal-tender status by implication. A stablecoin may move through exchanges, custodians, payment processors, banks, merchant-service providers, payroll processors, or regulated platforms. That integration may make the instrument more usable, more visible, and more compliant. But operational integration is not congressional monetization. A payment rail can carry a private instrument without converting that instrument into legal tender.[777]

The Federal Reserve layer reinforces the boundary. Central bank money is the settlement anchor of the monetary system. Stablecoins may reference dollar value, imitate payment functionality, and circulate through payment infrastructure, but they do not become central bank money by resemblance, reserve backing, or supervision. Unless law integrates the instrument into the

sovereign monetary layer with equivalent closure effect, stablecoin settlement remains private settlement, not central bank finality.[778]

Treasury's layer reaches the same result from a different direction. A stablecoin payment may still generate tax reporting, payroll remittance, sanctions screening, AML/BSA review, money-transmission treatment, accounting classification, valuation issues, and public-law obligations. The fact that public-law consequences remain after private payment indicates that settlement has not disappeared into ordinary legal-tender closure. Compliance regulation may supervise the payment environment; it does not transform the payment instrument into lawful money.[779]

The strongest response to the counterargument is therefore not that stablecoins cannot settle anything. They can. The stronger response is that settlement occurs at different legal layers. A stablecoin may settle private expectations between parties. It may settle a platform balance. It may settle a merchant invoice by agreement. It may settle a digital-asset transaction inside a closed ecosystem. But legal-tender closure asks a different question: whether the instrument carries sovereign monetary authority sufficient to close obligations as lawful money.[780]

Accordingly, the doctrine should accept the practical-settlement premise while rejecting the legal-equivalence conclusion. Stablecoins may become highly regulated private payment instruments capable of performing practical settlement functions. But absent congressional authorization, practical settlement remains legally distinct from legal-tender closure.[781]

The governing rule is therefore:

A stablecoin may settle privately as payment infrastructure, but it should not be described as legal-tender equivalent unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect under Article I, Section 8.[782]

This response preserves innovation without surrendering monetary precision. Stablecoins may be useful. They may be regulated. They may be reserve-backed. They may become deeply integrated into payment systems. But the legal office of money is not acquired through usefulness, adoption, supervision, or infrastructure integration. It is conferred through sovereign authority.[783]

§VI.K. Doctrinal Claim

Stablecoins may improve payment functionality, but they do not eliminate the legal-tender closure gap unless sovereign law closes the gap. This is the central claim of Chapter VI. A stablecoin can reduce volatility, improve transaction speed, enable programmable settlement, support cross-border transfers, and function as a private payment instrument between consenting parties. But payment functionality is not monetary authority. Practical settlement is not legal-tender closure. Dollar reference is not dollar issuance. Reserve backing is not central bank money. Redemption capacity is not sovereign monetary finality.[784]

The stablecoin question therefore cannot be answered solely by asking whether the instrument works in commerce. Many private instruments can work in commerce. Parties may accept checks, bank deposits, stored-value balances, payment-platform credits, tokenized claims, commodities, services, or other consideration depending on contract, commercial law, and market practice. But legal-tender closure asks a narrower and higher-order question: whether the instrument carries sovereign monetary status sufficient to close obligations as lawful money. That status is not created by usefulness, adoption, technology, reserve backing, regulation, or market confidence.[785]

Stablecoins present the strongest test case because they come closest to imitating the dollar's payment function. They are typically designed to maintain parity with a sovereign currency, often the U.S. dollar. They may be backed by reserve assets, redeemable through issuers, held through custodians, routed through payment processors, and integrated into exchanges, wallets, banks, merchant systems, payroll systems, or decentralized finance structures. For that reason, they may appear to narrow the practical payment gap more effectively than volatile cryptocurrencies.[786]

But the stronger the resemblance, the greater the risk of legal confusion. A stablecoin may look like a dollar in a wallet interface. It may be denominated in dollars. It may be redeemable for dollars. It may be accepted by a merchant as dollar value. It may settle faster than certain legacy payment systems. Yet none of those features answers whether the token has been granted legal-tender status. A stablecoin may imitate the dollar's denomination while lacking the dollar's legal office.[787]

The Federal Reserve layer confirms this distinction. Central bank money functions as the settlement anchor of the monetary system. Stablecoins may reference, imitate, or intermediate dollar value, but they do not become central bank money by reference, adoption, reserve backing, supervision, or payment-system integration alone. Unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect, the stablecoin remains a private instrument dependent on the dollar rather than a sovereign monetary instrument equivalent to the dollar.[788]

The Treasury layer reaches the same conclusion. Stablecoin payments may still generate tax reporting, payroll remittance, sanctions screening, BSA/AML review, money-transmission analysis, accounting treatment, valuation questions, and public-law obligations. If the payment leaves behind legal residue that must be measured, reported, screened, remitted, or enforced through dollar-denominated channels, then private settlement has not collapsed into sovereign monetary closure. Compliance supervision may make the transaction more visible, but it does not transform the instrument into lawful money.[789]

The issuer-dependency analysis also supports the claim. Stablecoin payment depends on institutional conditions: issuer solvency, reserve quality, redemption rights, custodial arrangements, banking relationships, regulatory compliance, freeze or blacklist authority, cross-border recognition, operational resilience, and contractual terms. These dependencies may be well managed, regulated, or disclosed, but they remain dependencies. Legal tender does not require the same private issuer chain before occupying its sovereign monetary office.[790]

The redemption gap makes the point even sharper. If a token must be redeemed into dollars to achieve final monetary value, then its closure is derivative rather than original. Redemption confirms that the stablecoin points toward the sovereign monetary layer. It does not prove that the stablecoin is that layer. A redeemable claim on dollars may be valuable and useful; it is not identical to dollars unless sovereign law grants equivalent status.[791]

The USDC/Silicon Valley Bank episode illustrates the practical significance of the doctrine. USDC was dollar-referenced and reserve-backed, yet market confidence weakened when a portion of Circle's reserves was held at SVB during its receivership. The token temporarily lost parity, and confidence was restored after public-sector action helped stabilize the banking-reserve layer. The doctrinal significance is not that USDC failed permanently. It did not. The significance is that a private stablecoin may depend on banking access, reserve custody, redemption confidence, and public stabilization mechanisms outside the token's own control architecture.[792]

This demonstrates why private stabilization is not sovereign correction. Stablecoins may possess mechanisms that help maintain parity: reserves, redemption rights, custody arrangements, market makers, audits, reserve reports, banking relationships, compliance controls, or issuer procedures. But those mechanisms are private-party or intermediary-dependent. They are not equivalent to Congress's monetary authority, Treasury's fiscal systems, the Federal Reserve's central bank money, payment-system finality, bank supervision, or sovereign legal-tender status.[793]

The doctrinal claim therefore protects both innovation and monetary sovereignty. It does not deny that stablecoins may have a legitimate role in payment innovation. It does not deny that stablecoins may be regulated, reserved, audited, supervised, or integrated into payment systems. It does not deny that private parties may accept stablecoins as consideration. It simply prevents a category error: a privately issued, dollar-referenced instrument should not be described as legal-tender equivalent unless sovereign law confers that status.[794]

Accordingly, the chapter's rule may be stated as follows:

Stablecoins may improve payment functionality, but they do not eliminate the legal-tender closure gap unless sovereign law closes the gap.[795]

A stablecoin may settle privately. It may reduce friction. It may accelerate payment. It may preserve approximate dollar value under ordinary conditions. It may operate within a regulated framework. But unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect pursuant to Article I, Section 8, the stablecoin remains a private dollar-referenced instrument. It may support settlement; it does not independently supply sovereign closure.[796]

That is the stablecoin form of the Legal Tender Closure Gap Doctrine: payment functionality may improve, but monetary closure remains sovereign.[797]

§VII. Private Settlement, Contractual Discharge, and Monetary Non-Closure

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§VII.A. Definition

Private settlement without monetary closure occurs when parties accept a non-sovereign digital asset as payment, thereby resolving their private bargain, while the legal system continues to treat the transfer as property disposition, taxable event, contract performance, compliance event, payment substitute, or regulated value movement rather than legal-tender discharge. The concept separates two legal moments that are often collapsed in digital-asset discourse: first, the private moment in which parties agree that value has been exchanged; and second, the sovereign monetary moment in which an obligation is closed through lawful money, legal tender, central bank money, or an instrument granted equivalent monetary-closure effect by competent congressional authority.[798]

The first moment is private settlement. Private settlement occurs when parties agree that a transfer satisfies their bargain. A merchant may accept cryptocurrency for goods. A contractor may accept a stablecoin for services. A creditor may agree to accept a digital asset in satisfaction of a private debt. An employee may receive digital-asset compensation where permitted by applicable law. In those circumstances, the private relationship may be resolved by agreement, performance, accord, satisfaction, substituted performance, or other applicable contract and commercial-law doctrines. The parties may treat the transaction as complete between themselves.[799]

The second moment is monetary closure. Monetary closure asks whether the payment instrument itself carries sovereign legal authority sufficient to close the obligation as lawful money. In the United States, that inquiry is anchored in Congress's Article I monetary authority and federal legal-tender statute. United States coins and currency, including Federal Reserve notes, occupy a legal office that private digital assets do not independently possess. The fact that a private party accepts a digital asset does not convert that asset into legal tender for debts, public charges, taxes, and dues.[800]

This distinction is necessary because a digital-asset payment may be effective for one legal purpose while remaining incomplete for another. The transfer may satisfy a private invoice, but still generate gain or loss recognition for the payer. It may compensate a worker, but still require wage valuation, withholding, employment-tax deposits, and Form W-2 reporting in dollars. It may settle a merchant transaction, but still require accounting treatment, fair-market-value measurement, sanctions screening, or money-transmission analysis. It may move value on a blockchain, but still require attribution, recordkeeping, reporting, or enforcement review.[801]

The definition therefore rejects two opposite errors. The first error is to claim that crypto payment is legally meaningless merely because it is not legal tender. That is too narrow. Parties may agree to accept non-sovereign assets as consideration, and the legal system may recognize

consequences arising from that agreement. The second error is to claim that private acceptance makes the asset monetary equivalent to legal tender. That is too broad. Private settlement may resolve the bargain while leaving public-law obligations, tax consequences, compliance duties, and monetary-closure questions unresolved.[802]

The doctrine is especially important where a transaction involves stablecoins. A stablecoin may reference the dollar, reduce volatility, improve payment speed, and support private settlement. But if the stablecoin remains dependent on issuer solvency, reserve quality, redemption rights, custody, banking relationships, operational resilience, regulatory compliance, or contractual terms, then its payment effect remains issuer-dependent rather than sovereign-authority-dependent. A token that must be redeemed into dollars to achieve final monetary value confirms derivative closure, not original monetary closure.[803]

Private settlement without monetary closure is therefore a structural category, not a moral judgment against digital assets. It does not assert that cryptocurrency, stablecoins, or other digital assets are invalid, unlawful, or commercially useless. It asserts that their legal effect must be placed in the correct layer. Private parties may settle between themselves. Regulators may tax, report, screen, monitor, supervise, or enforce against the transaction. But unless Congress grants legal-tender status or equivalent sovereign monetary-closure effect, the digital asset remains outside the legal office of sovereign money.[804]

The definition also explains why post-payment legal residue matters. If a transaction were fully closed through sovereign money in the ordinary legal-tender sense, the payment event would not ordinarily require the same downstream property-disposition analysis, basis tracking, valuation reconstruction, payroll withholding, sanctions review, money-transmission classification, issuer-dependency analysis, or redemption inquiry merely because the payment medium was used. When those consequences remain, they show that private settlement occurred without complete monetary closure.[805]

The operative rule is therefore:

Private settlement without monetary closure occurs when the parties accept a non-sovereign digital asset as payment, but the legal system continues to treat the transfer as something other than legal-tender discharge.[806]

This definition becomes the foundation for the remaining chapter. It allows courts, regulators, policymakers, payment processors, financial institutions, and private parties to identify the correct legal posture of a digital-asset payment. The question is not merely whether the parties accepted the asset. The question is whether the acceptance produced sovereign monetary closure. If the transaction remains taxable, reportable, redeemable, screenable, enforceable, issuer-dependent, dollar-measured, or dependent on Treasury-recognized remittance channels, then the private bargain may be settled, but monetary closure has not independently occurred.[807]

§VII.B. The Three-Layer Closure Model

The Legal Tender Closure Gap Doctrine requires a layered model because digital-asset payment can produce different legal consequences at different levels of analysis. A single transaction may be complete between the parties, recognized by the legal system, and still fail to achieve sovereign monetary closure. The mistake this doctrine seeks to prevent is the collapse of those layers into one conclusion. Private acceptance does not automatically become legal-system finality, and legal-system recognition does not automatically become sovereign monetary closure.[808]

The Three-Layer Closure Model separates the analysis into three distinct inquiries: **party-level closure, legal-system recognition, and sovereign monetary closure.** Each layer asks a different question, applies a different legal logic, and produces a different consequence. The model therefore allows courts, regulators, policymakers, merchants, payment processors, banks, stablecoin issuers, and private parties to determine what has actually been closed and what remains legally unresolved.[809]

Layer One is party-level closure. Party-level closure occurs when the parties agree that the transaction is complete between themselves. A merchant may accept Bitcoin for goods. A contractor may accept Ether for services. A landlord may accept a stablecoin for rent. A creditor may accept a digital asset in satisfaction of a private invoice or debt. At this layer, the legal question is not whether the asset is legal tender. The question is whether the parties agreed to accept the asset as consideration, substituted performance, accord and satisfaction, or another form of private settlement recognized by contract or commercial law.[810]

Party-level closure is therefore consensual and relational. It depends on the bargain between the parties, the terms of performance, the identity of the payor and payee, the asset tendered, the time and method of transfer, and whether the recipient agreed to accept the asset as satisfaction. If the merchant accepts Bitcoin for goods, the merchant may treat the transaction as complete for purposes of the private sale. But that private completion does not determine whether the transfer is treated as legal tender, whether gain or loss occurred, whether reporting is required, whether sanctions screening applies, or whether public-law obligations have been closed.[811]

Layer Two is legal-system recognition. Legal-system recognition occurs when the law recognizes that something legally relevant happened, even if sovereign monetary closure did not occur. The legal system may recognize a transfer of property, contract performance, taxable disposition, wage payment, income event, accounting entry, reportable transaction, compliance event, sanctions-relevant transfer, money-transmission activity, or evidentiary fact. At this layer, the law does not ignore the transaction merely because the payment instrument is not legal tender. Instead, it classifies the event according to the legal regime triggered by the facts.[812]

For example, tax law may require valuation and reporting when cryptocurrency is used to purchase goods or services. The payer may need to determine basis, amount realized, fair market value, gain or loss, and holding period. The recipient may need to recognize income measured in U.S. dollars. If the transfer involves wages, the employer may still need to determine

withholding, Social Security, Medicare, FUTA, Form W-2 reporting, and federal deposit obligations. The transaction may therefore be recognized by the legal system as meaningful while still not being treated as legal-tender discharge.[813]

Legal-system recognition may also occur through compliance, sanctions, and money-transmission frameworks. A digital-asset payment may implicate BSA/AML duties, FinCEN money-transmission treatment, OFAC sanctions review, hosted-wallet controls, exchange activity, payment-processor obligations, or suspicious-activity monitoring depending on the actors and structure involved. This recognition confirms that the transaction is legally visible. It does not convert the payment instrument into sovereign money.[814]

Layer Two is therefore reconstructive. It asks what the transaction did from the perspective of tax, property, contract, employment, accounting, payment, sanctions, money transmission, and enforcement law. It may require the legal system to identify the parties, value the transfer, determine timing, classify the asset, assess reporting duties, trace wallet activity, review sanctions exposure, and decide whether regulated intermediaries participated. This layer explains why digital-asset payment can leave legal residue after private settlement has occurred.[815]

Layer Three is sovereign monetary closure. Sovereign monetary closure occurs only when the obligation is discharged through legal tender, lawful money, central bank money, or another instrument expressly granted equivalent sovereign monetary-closure effect by Congress pursuant to its Article I monetary authority. This layer asks the legal-tender question: whether the payment instrument carries sovereign monetary status sufficient to close the obligation within the monetary order.[816]

In the United States, sovereign monetary closure is anchored in constitutional and statutory authority. Article I, Section 8 gives Congress monetary power, and federal law provides that United States coins and currency, including Federal Reserve notes, are legal tender for debts, public charges, taxes, and dues. Federal Reserve notes also derive their monetary status from federal statutory authority. The legal-tender function is therefore not created by private agreement, market adoption, reserve backing, payment efficiency, or regulatory supervision. It is created by sovereign law.[817]

This layer is different from both party-level closure and legal-system recognition. A merchant may accept Bitcoin and thereby close the private bargain. Tax law may recognize the transfer as a taxable disposition or income event. FinCEN or OFAC may recognize compliance or sanctions consequences. But none of those recognitions means the Bitcoin payment achieved legal-tender closure. The same is true for stablecoins. A stablecoin may be accepted privately, regulated extensively, backed by reserves, and redeemable into dollars. Yet unless Congress grants legal-tender status or equivalent sovereign monetary-closure effect, the stablecoin remains outside sovereign monetary closure.[818]

The Three-Layer Closure Model can therefore be summarized as follows:

Layer One asks whether the parties accepted the payment. Layer Two asks how the legal system recognizes the transfer. Layer Three asks whether sovereign monetary closure occurred.[819]

This model prevents category error. Without the model, an analyst may conclude that because a transaction is privately complete, it is legally closed in all respects. That is incorrect. Or the analyst may conclude that because a transaction is taxed, reported, screened, or regulated, the payment instrument has been recognized as money. That is also incorrect. A transaction can be privately complete and legally recognized while still lacking legal-tender closure.[820]

The Bitcoin merchant example illustrates the model. At Layer One, the merchant accepts Bitcoin for goods, and the parties treat the sale as complete. At Layer Two, tax law may treat the payer as disposing of property and require valuation, gain or loss analysis, and reporting; the merchant may recognize income measured in dollars; compliance questions may arise depending on the transaction channel. At Layer Three, unless the payment instrument has legal-tender status, the transaction has not closed through sovereign monetary authority.[821]

A stablecoin example reaches the same result. At Layer One, a contractor accepts USDC for services, and the private bargain may be satisfied. At Layer Two, the transfer may generate tax, accounting, reporting, sanctions, money-transmission, custody, or redemption consequences. At Layer Three, USDC's dollar reference, reserve backing, and redemption pathway do not independently confer legal-tender closure. The contractor may receive private settlement, but sovereign monetary closure depends on lawful money or congressional authorization granting equivalent status.[822]

The model also clarifies why the phrase "payment" is insufficient by itself. Payment may describe party acceptance, legal recognition, or sovereign closure depending on context. In digital-asset transactions, precision requires asking which layer is being discussed. A payment can satisfy a private bargain, trigger tax consequences, and still fail to constitute legal-tender discharge. The word "payment" therefore should not be treated as a single-layer legal conclusion.[823]

Accordingly, the Three-Layer Closure Model provides the operating framework for the remainder of the doctrine. Digital assets may move value and resolve private obligations. The legal system may recognize the transfer for tax, contract, property, payroll, compliance, sanctions, reporting, and enforcement purposes. But sovereign monetary closure remains distinct. It occurs only when the obligation is closed through legal tender, central bank money, lawful money, or an instrument expressly given equivalent closure status by Congress.[824]

The doctrinal rule is direct:

Private settlement may close the bargain. Legal-system recognition may classify the transfer. Sovereign monetary closure requires lawful monetary authority.[825]

§VII.C. Crypto Payment Across the Three Layers

A crypto payment may satisfy **Layer One** of the Three-Layer Closure Model because parties may agree between themselves that a digital asset transfer completes the bargain. A merchant may accept Bitcoin for goods, a contractor may accept a stablecoin for services, or a creditor may accept a digital asset in satisfaction of a private invoice. In those circumstances, the payment may function as agreed consideration, substituted performance, accord and satisfaction, or contractual settlement between the parties. The private bargain may therefore be complete even though the payment instrument is not legal tender.[826]

This first layer is governed by party consent and transaction context. The relevant inquiry is whether the payee agreed to accept the digital asset, whether the payment matched the agreed terms, whether the transfer occurred through the designated channel, whether the value or quantity tendered satisfied the bargain, and whether any conditions attached to acceptance. If the parties agreed that a specified amount of Bitcoin, Ether, USDC, or another digital asset would satisfy the private obligation, then party-level closure may occur when the recipient accepts the transfer as performance.[827]

But Layer One closure does not answer the full legal question. A private transaction can be complete between the parties while still generating legal consequences beyond the bargain. The fact that the merchant accepted Bitcoin does not determine the payer's tax basis, the recipient's income recognition, the transaction's fair-market value, the existence of gain or loss, the timing of disposition, the need for reporting, the presence of sanctions risk, or whether a regulated intermediary participated. Private acceptance is therefore relevant but not dispositive.[828]

A crypto payment may also partially satisfy **Layer Two** depending on contract terms, tax treatment, compliance treatment, enforceability, and the legal regime triggered by the facts. At Layer Two, the legal system recognizes that the transfer occurred and classifies its consequences. The same transaction may be recognized as contract performance for one purpose, property disposition for another, income realization for another, wage payment for another, and a compliance-relevant value transfer for another.[829]

Tax law illustrates this partial-recognition function. When cryptocurrency is used to purchase goods or services, the payer may be treated as disposing of property, requiring basis calculation, fair-market-value determination, and gain or loss analysis. The recipient may recognize income measured in U.S. dollars. If the payment is compensation for labor, wage valuation, payroll withholding, employment-tax obligations, Form W-2 reporting, and federal deposit rules may remain. Thus, the legal system may recognize the crypto payment while still translating its consequences into the sovereign unit of account.[830]

Contract law similarly may recognize crypto payment as performance while preserving disputes over sufficiency, valuation, timing, delivery, wallet address, mistake, volatility, or agreed risk allocation. If the contract specifies payment in a digital asset, the legal issue may be whether the promised asset was delivered in the promised amount and manner. If the contract specifies dollar payment but the creditor accepts crypto, the issue may involve substituted performance, accord

and satisfaction, modification, waiver, or acceptance of alternative consideration. In either case, legal recognition does not automatically mean monetary closure.[831]

Compliance law adds another Layer Two pathway. A digital-asset payment may be recognized as a BSA/AML event, FinCEN money-transmission question, OFAC sanctions concern, reporting obligation, accounting matter, custody issue, or enforcement-relevant transaction depending on the actors and structure involved. An exchange-mediated payment, hosted-wallet payment, payroll-processor payment, merchant-direct payment, stablecoin payment, DeFi-routed payment, or unhosted wallet transfer may each create different legal-system recognition issues.[832]

Layer Two is therefore conditional and plural. A crypto payment may satisfy one legal characterization while leaving another unresolved. It may satisfy contract performance but still generate tax residue. It may generate tax reporting but not satisfy payroll remittance. It may move through a regulated intermediary but still lack legal-tender status. It may be screened for sanctions but still depend on redemption into dollars for final monetary value. Layer Two recognition is not a single conclusion; it is a set of legal consequences attached to the transfer.[833]

By contrast, a crypto payment does not automatically satisfy **Layer Three**. Layer Three asks whether the obligation was discharged through legal tender or sovereign-recognized monetary finality. This is the monetary-closure question. It is not answered by showing that the parties accepted the asset, that the transfer was recorded on a blockchain, that the asset had market value, that a stablecoin referenced the dollar, that reserves existed, that the transaction was taxed, or that a regulator supervised the payment channel.[834]

Layer Three requires sovereign monetary authority. In the United States, that authority is grounded in Article I, Section 8 of the Constitution and implemented through federal monetary statutes. United States coins and currency, including Federal Reserve notes, occupy legal-tender status by law. Private digital assets do not independently acquire that status through private agreement, market adoption, reserve backing, redemption rights, payment efficiency, exchange listing, bank custody, regulatory compliance, or public familiarity.[835]

This is the essential closure gap. A digital asset may close the private bargain at Layer One. It may trigger legal recognition at Layer Two. But unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect, the digital asset does not independently close the obligation at Layer Three. The instrument may be valuable, functional, regulated, taxable, reportable, or redeemable. Those qualities may matter, but they do not substitute for lawful monetary authority.[836]

Stablecoins sharpen this point because they may appear to satisfy all three layers simultaneously. A merchant may accept USDC at Layer One. Tax law, accounting rules, sanctions screening, payment-processing rules, or money-transmission law may recognize the transfer at Layer Two. Yet USDC's dollar reference, reserve backing, redemption promise, and payment functionality do not automatically satisfy Layer Three. Unless Congress grants legal-tender status or equivalent sovereign monetary-closure effect, the stablecoin remains a private dollar-referenced instrument rather than sovereign monetary closure.[837]

The same analysis applies to volatile cryptocurrencies, though the practical issues differ. Bitcoin or Ether may satisfy a private bargain if accepted by the parties. The legal system may recognize disposition, income, gain or loss, reporting duties, compliance concerns, or contract performance. But market value, network confirmation, and private acceptance do not make the asset lawful money. Technical transfer and monetary closure remain distinct events.[838]

This three-layer analysis protects legal precision. It allows the doctrine to recognize that crypto payments can be real, useful, enforceable, taxable, and regulated without overstating their monetary status. It also prevents the opposite error: denying legal significance merely because the payment instrument is not legal tender. The correct position is layered: crypto payment may settle privately, may be legally recognized, and still may not produce sovereign monetary closure.[839]

Accordingly, the rule for crypto payment across the three layers is:

A crypto payment may satisfy Layer One. It may partially satisfy Layer Two depending on contract terms, tax treatment, compliance treatment, and enforceability. It does not automatically satisfy Layer Three.[840]

This rule provides the operational core of Chapter VII. It explains why the legal system may respect party autonomy, enforce private bargains, tax dispositions, regulate intermediaries, screen sanctions risk, and require public-law reporting while still preserving the boundary between private settlement and sovereign monetary closure.[841]

§VII.D. Contractual Discharge and Private-Law Recognition

Private parties may agree that cryptocurrency satisfies an obligation, but the legal effect of that agreement depends on contract terms and governing law. This principle follows directly from the Three-Layer Closure Model. At Layer One, parties may decide that a non-sovereign digital asset is acceptable consideration. At Layer Two, the legal system may recognize the transaction as contract performance, substituted performance, accord and satisfaction, property transfer, taxable disposition, income event, or compliance-relevant value movement. But unless the instrument is legal tender or has been granted equivalent sovereign monetary-closure effect, private contractual discharge does not automatically become Layer Three monetary closure.[842]

Contractual discharge therefore requires precision. If the obligation is originally denominated in dollars but the creditor agrees to accept cryptocurrency, the parties should specify whether the cryptocurrency is being accepted as payment in kind, substituted performance, accord and satisfaction, conditional payment, or absolute discharge. That distinction matters because a creditor may accept an asset provisionally pending confirmation, receipt, conversion, or valuation. A debtor may believe the obligation has been discharged upon broadcast to the blockchain, while the creditor may believe discharge occurs only upon network confirmation, wallet receipt, exchange conversion, or express acceptance. Contract drafting must resolve that timing problem before dispute arises.[843]

The first required term is **the accepted asset**. A crypto payment agreement should identify the exact digital asset accepted: Bitcoin, Ether, USDC, USDT, tokenized deposit, proprietary token, or another specified asset. Generic references to "crypto," "digital assets," or "stablecoins" are insufficient for high-value transactions because different assets carry different volatility, redemption, custody, sanctions, tax, network, and settlement risks. If the agreement accepts only one asset, it should say so. If substitutions are permitted, the agreement should define who may approve substitution and whether the substitute asset is valued at market price, dollar equivalent, or agreed quantity.[844]

The second required term is **the valuation time**. Cryptocurrency value may fluctuate between invoice issuance, payment initiation, transaction broadcast, block confirmation, wallet receipt, exchange conversion, and creditor acceptance. Stablecoins reduce but do not eliminate this issue, particularly during depegging events, redemption delays, liquidity disruptions, exchange pauses, or reserve-access stress. A well-drafted agreement should therefore specify the valuation time: invoice time, quote time, transfer time, confirmation time, receipt time, conversion time, or another defined moment. Without that term, the parties may later dispute whether the payment satisfied the required dollar value.[845]

The third required term is **the dollar equivalent**. If the debt is denominated in dollars but paid in cryptocurrency, the agreement should state whether the debtor must transfer a fixed quantity of crypto or crypto equal to a fixed dollar amount. This distinction is critical. A fixed-quantity obligation allocates price risk differently than a fixed-dollar-equivalent obligation. If the agreement requires $10,000 worth of Bitcoin, the parties must identify the pricing source, valuation timestamp, exchange rate, and whether fees are included. If the agreement requires 0.10 BTC, the parties must clarify whether that quantity discharges the obligation regardless of later dollar movement.[846]

The fourth required term is **the blockchain or network used**. Many digital assets circulate across multiple networks, wrappers, bridges, token standards, or custodial ledgers. USDC, for example, may circulate on multiple chains, and sending an asset over the wrong network may result in delay, loss, recovery costs, or dispute. A crypto payment agreement should identify the approved network, wallet address format, chain, token contract, memo or tag requirements, and whether bridge or wrapped assets are acceptable. Network ambiguity can turn an otherwise valid payment attempt into a failed or disputed performance event.[847]

The fifth required term is **transfer confirmation requirements**. Blockchain transfers may be broadcast before they are confirmed, confirmed before they are practically final, or reversed or reorganized under rare network conditions depending on the chain. The agreement should state how many confirmations are required, whether confirmation by a block explorer is sufficient, whether the creditor's wallet receipt controls, whether internal custodial ledger credit counts, and whether the creditor may reject a transaction with suspicious provenance or sanctions exposure. Confirmation should be defined as a legal condition, not assumed as a technical fact.[848]

The sixth required term is **responsibility for transaction fees**. Digital-asset transfers may involve network fees, gas fees, exchange withdrawal fees, conversion spreads, custody fees, payment-processor fees, and bridge fees. The agreement should specify whether the debtor must deliver the net amount after fees, whether fees reduce the credited payment amount, whether the creditor bears conversion cost, and who absorbs increased fees during congestion. Without fee allocation, the parties may disagree over whether the full obligation was satisfied.[849]

The seventh required term is **failed transaction treatment**. A crypto payment may fail because of wrong address, wrong network, insufficient gas, stale quote, exchange hold, compliance review, sanctions screening, custodian delay, bridge failure, smart-contract issue, or blockchain congestion. The agreement should state whether failed transfers constitute nonpayment, whether cure is permitted, who bears loss from erroneous address entry, whether delay triggers default, and whether payment is suspended during exchange or custodian review. This drafting issue is especially important because digital-asset transfers may be technically irreversible even when legally mistaken.[850]

The eighth required term is **refund treatment**. If goods are returned, services are cancelled, an overpayment occurs, or a contract is rescinded, the parties should specify whether refunds are made in the original crypto asset, dollar equivalent, stablecoin, bank transfer, or another agreed medium. They should also define valuation time for refund purposes and allocate appreciation or depreciation risk. If a buyer pays Bitcoin that later appreciates, a refund in Bitcoin differs materially from a refund of the original dollar value. Refund drafting prevents the payment medium from becoming a second dispute after the underlying commercial dispute.[851]

The ninth required term is **tax responsibility**. The parties should clarify that each party remains responsible for its own tax reporting, income recognition, basis tracking, gain or loss calculation, payroll treatment, information reporting, withholding obligations, and professional tax advice where applicable. Crypto payment may settle a private bargain while still creating property-disposition, income, wage, or reporting consequences. A contract cannot erase federal tax law by agreement between private parties. It can, however, allocate responsibility for documentation, valuation records, tax forms, and cooperation.[852]

The tenth required term is **the discharge trigger**. The agreement should specify whether discharge occurs upon transaction broadcast, network confirmation, wallet receipt, exchange credit, stablecoin redemption, conversion into dollars, creditor's express acceptance, or expiration of a rejection window. This term is the contractual heart of the closure question. If discharge occurs upon transfer, the creditor bears later conversion and volatility risk. If discharge occurs upon conversion, the debtor bears execution and liquidity risk until the asset becomes dollars. If discharge occurs only upon express acceptance, the parties should identify how acceptance is communicated and whether silence counts as acceptance.[853]

These contractual terms do not transform cryptocurrency into legal tender. They simply define private-law effect. Parties may agree that a digital asset satisfies their bargain, but that agreement operates within the private-law layer unless sovereign law supplies monetary closure. Even a perfectly drafted crypto payment clause may leave tax, sanctions, reporting, compliance, payroll,

accounting, and valuation consequences. Contract drafting can identify when the parties are finished with each other; it cannot, by itself, confer legal-tender status on the asset used.[854]

This is why private-law recognition should be treated as necessary but limited. Necessary, because courts and commercial actors need terms that define performance, valuation, timing, risk allocation, and remedies. Limited, because contractual freedom does not rewrite the monetary order. A private agreement may say that Bitcoin satisfies an invoice, but it cannot make Bitcoin legal tender for public charges, taxes, and dues. A private agreement may accept USDC, but it cannot make USDC central bank money. Party autonomy can close the bargain; sovereign authority closes the monetary layer.[855]

The doctrinal rule is therefore:

A crypto payment agreement may define private discharge, but it should specify the asset, valuation method, network, confirmation standard, fee allocation, failure treatment, refund method, tax responsibility, and exact discharge trigger. Private contractual discharge is not legal-tender closure.[856]

Accordingly, cryptocurrency payment clauses should be drafted as risk-allocation instruments. Their purpose is to reduce ambiguity at Layer One and Layer Two. They should not be drafted or described as though they produce Layer Three monetary closure unless Congress has expressly granted the payment instrument legal-tender status or equivalent sovereign monetary-closure effect.[857]

§VII.E. UCC and State Commercial Law Considerations

State commercial law may recognize private contractual settlement without treating the settlement instrument as legal tender. This distinction is essential to the Legal Tender Closure Gap Doctrine because commercial-law recognition and monetary status operate at different legal layers. A state-law framework may enforce a bargain, recognize a transfer, allocate risk, validate electronic control, or determine whether an obligation has been satisfied between private parties. But state commercial law cannot, by itself, convert a non-sovereign digital asset into United States legal tender or confer sovereign monetary-closure status.[858]

The first consideration is **contractual satisfaction by agreement**. Parties may agree that a cryptocurrency, stablecoin, tokenized claim, controllable electronic record, or other digital asset satisfies a private obligation. If the agreement clearly identifies the accepted asset, amount, valuation method, timing, network, confirmation standard, and discharge trigger, state contract and commercial law may recognize the transaction as performance. That recognition, however, remains private-law recognition. It does not mean the asset has acquired legal-tender status.[859]

The second consideration is **accord and satisfaction**. If a debtor tenders a digital asset in satisfaction of a disputed, unliquidated, or otherwise negotiated obligation, and the creditor accepts that substitute performance under the applicable legal standard, the obligation may be discharged as between the parties. The important point is that the discharge arises from agreement, compromise, acceptance, or substituted performance—not from the monetary status

of the digital asset itself. Accord and satisfaction may close a private dispute while leaving tax, reporting, compliance, and monetary-status questions intact.[860]

The third consideration is **the transfer of controllable electronic records or digital assets**. Revised UCC Article 12 provides a model commercial-law framework for certain digital assets by defining and addressing "controllable electronic records." This framework may help determine control, transfer, rights of purchasers, and commercial enforceability for certain electronic records. But Article 12 is not a legal-tender statute. It may support private-law transferability and commercial certainty without transforming the relevant digital asset into sovereign money. State enactments may also vary, which reinforces the need to distinguish commercial-law recognition from federal monetary status.[861]

The fourth consideration is **money-transmission implications**. A private party accepting crypto for its own goods or services may present one posture, while a business transmitting crypto for others, routing payments, controlling hosted wallets, providing exchange services, or facilitating conversion may present another. State money-transmission laws and federal FinCEN rules may apply depending on the actor's business model and control over value movement. These regimes may regulate the transaction environment, but money-transmission regulation does not make the transmitted asset legal tender.[862]

The fifth consideration is **commercial reasonableness**. Where digital-asset payment is used in a commercial setting, disputes may arise over whether the parties acted reasonably in selecting a network, relying on an exchange-rate source, accepting confirmation thresholds, managing wallet-address risk, processing refunds, responding to failed transfers, or allocating volatility and fee risk. Commercial reasonableness may help courts evaluate conduct, course of dealing, course of performance, usage of trade, good faith, and remedies. But commercial reasonableness is an enforceability and risk-allocation concept, not a monetary-status doctrine.[863]

The sixth consideration is **consumer disclosure requirements**. If a merchant accepts cryptocurrency or stablecoins from consumers, disclosure issues may arise regarding volatility, valuation time, refund method, network fees, irreversibility, failed transfers, custody, chargebacks, tax consequences, and customer support. Consumer-protection law may require clear presentation of material terms depending on the jurisdiction, platform, and transaction structure. Disclosure may make digital-asset payment more transparent, but disclosure does not supply legal-tender closure.[864]

The seventh consideration is **refund and chargeback treatment**. Traditional card payments and certain electronic transfers may involve established reversal, error-resolution, chargeback, or consumer-protection procedures. Direct blockchain transfers may not operate through the same reversal architecture. A merchant accepting digital assets should therefore specify whether refunds are issued in the original asset, dollar equivalent, stablecoin, bank transfer, store credit, or another agreed medium. The refund rule should also identify valuation timing and who bears appreciation or depreciation risk. This is a private-law risk-allocation problem, not evidence of legal-tender equivalence.[865]

The eighth consideration is **governing-law disputes**. Digital-asset transactions may involve parties, wallets, exchanges, custodians, nodes, platforms, issuers, or payment processors across multiple jurisdictions. A contract should identify governing law, forum, dispute-resolution procedure, service-of-process method, and any applicable platform or issuer terms. Without clear governing-law terms, parties may dispute which state's commercial law controls the transaction, whether Article 12 has been enacted or modified, whether money-transmission rules apply, and how digital-asset rights should be characterized.[866]

The ninth consideration is **merchant acceptance terms**. A merchant that accepts cryptocurrency or stablecoins should define acceptance conditions in advance: accepted assets, accepted networks, wallet address, required confirmations, exchange-rate source, quote expiration, fee allocation, refund policy, cancellation rules, sanctions or suspicious-wallet rejection rights, and whether acceptance occurs automatically or only after express confirmation. Merchant acceptance terms determine Layer One private settlement and may shape Layer Two legal recognition. They do not create Layer Three monetary closure.[867]

The tenth consideration is **enforceability of crypto-denominated obligations**. Parties may denominate an obligation in a digital asset rather than dollars, or they may denominate the obligation in dollars payable in a digital asset. The difference matters. A crypto-denominated obligation allocates volatility risk differently than a dollar-denominated obligation payable in crypto. Courts may need to determine whether damages should be measured in the asset, the dollar value at breach, the dollar value at judgment, specific performance, restitution, or another remedy. This demonstrates why crypto payment clauses should be drafted with precision. Enforceability of a crypto-denominated obligation does not imply legal-tender status for the asset.[868]

State commercial law therefore performs an important but limited function. It may validate private bargains, recognize digital-asset transfer, determine control, allocate risk, interpret merchant terms, and provide remedies. But it does not alter the federal monetary order. State law may recognize that a private payment occurred. It may even treat the private obligation as discharged by agreement. But federal legal-tender status remains grounded in constitutional monetary authority and federal statute.[869]

This distinction protects federalism and monetary clarity at the same time. States may develop commercial-law rules for digital-asset transactions, controllable electronic records, merchant acceptance, private contracts, and consumer protection. Those rules may improve certainty in digital commerce. But the legal office of money remains federal. State recognition of private settlement cannot be mistaken for sovereign monetary closure.[870]

The doctrinal rule is therefore:

State commercial law may recognize private contractual settlement, transfer, control, and enforceability of digital assets. It may not, without federal monetary authority, transform those assets into legal tender or sovereign monetary closure.[871]

Accordingly, UCC and state commercial-law analysis should be placed at Layer One and Layer Two of the Three-Layer Closure Model. It may explain how the parties settled, whether performance occurred, whether rights transferred, and what remedies follow. It does not answer Layer Three unless federal sovereign monetary law supplies legal-tender status or equivalent monetary-closure effect.[872]

§VII.F. Contractual Discharge Is Not Sovereign Monetary Closure

A contract may provide that cryptocurrency acceptance discharges an obligation between the parties. That proposition is fully consistent with private-law autonomy. Parties may define the medium of performance, accept noncash consideration, modify payment terms, compromise a disputed obligation, or agree that a specified digital asset satisfies a private debt. If the agreement is valid under governing contract and commercial law, the creditor's acceptance of cryptocurrency may discharge the debtor's obligation as between those parties.[873]

But contractual discharge is not universal monetary closure. The legal effect of a private agreement is relational. It binds the parties because they agreed to be bound. Legal tender, by contrast, operates by sovereign authority. It does not depend on whether a particular private creditor prefers, trusts, values, or accepts the instrument. The difference is foundational: private discharge arises from consent; monetary closure arises from law.[874]

This distinction prevents the parties' bargain from being overread. If a merchant accepts Bitcoin for goods, the buyer and merchant may treat the sale as complete. If a contractor accepts USDC for services, the parties may agree that the invoice has been satisfied. If a lender accepts a digital asset in satisfaction of a private debt, the debtor may receive contractual discharge. But those outcomes do not mean the payment instrument has become legal tender for all debts, public charges, taxes, or dues. The contract closes the private relationship; it does not alter the monetary status of the asset.[875]

Contractual discharge therefore belongs primarily to Layer One of the Three-Layer Closure Model. It answers the party-level question: did the parties agree that the transfer completed the bargain? Depending on the terms and governing law, the answer may be yes. But Layer One closure does not automatically satisfy Layer Two legal-system recognition or Layer Three sovereign monetary closure. A transaction can be privately discharged while still generating tax, reporting, accounting, sanctions, money-transmission, payroll, valuation, or enforcement consequences.[876]

Layer Two may recognize the contractual discharge while classifying the transaction differently for other legal purposes. The law may treat the crypto transfer as contract performance, accord and satisfaction, substituted performance, or acceptance of alternative consideration. At the same time, tax law may treat the payer as disposing of property, may require fair-market-value measurement, may recognize gain or loss, and may require income recognition by the recipient. The same payment may therefore close the private contract while leaving property and tax consequences unresolved.[877]

Employment and payroll illustrate the boundary sharply. An employer and employee may agree that compensation will be paid in cryptocurrency where otherwise permitted by applicable law. That agreement may satisfy the private compensation term between employer and employee. Yet federal withholding, Social Security, Medicare, FUTA, wage reporting, and tax-deposit obligations remain measured and remitted through dollar-denominated systems. The crypto transfer may discharge the private wage promise, but it does not itself close the employer's derivative public-law obligations.[878]

Commercial-law recognition produces the same result. The UCC and state commercial law may recognize private settlement, alternative consideration, controllable electronic records, performance, risk allocation, and remedies. A state-law framework may validate the transfer and enforce the parties' agreement. But state commercial law does not confer federal legal-tender status. It may determine whether a private obligation was satisfied; it cannot transform a non-sovereign digital asset into United States coin, currency, Federal Reserve note, or sovereign monetary closure.[879]

Nor can contract drafting overcome public-law limits. Parties may agree that discharge occurs upon broadcast, network confirmation, wallet receipt, exchange credit, conversion, or express acceptance. They may allocate transaction fees, valuation risk, network risk, failed-transfer risk, refund treatment, and tax documentation. Those provisions are useful and often necessary. But even the most precise crypto-payment clause remains a private-law instrument. It defines the parties' rights; it does not legislate monetary status.[880]

This point is especially important where stablecoins are involved. A contract may provide that USDC, USDT, or another stablecoin satisfies an invoice. The stablecoin may reference the dollar, reduce volatility, and improve payment efficiency. But stablecoin acceptance by contract does not eliminate issuer dependency, redemption dependency, reserve dependency, custody dependency, or the need for legal-tender status if sovereign monetary closure is claimed. The parties may accept the stablecoin as private settlement; they cannot, by contract alone, make it legal tender.[881]

The same principle governs accord and satisfaction. A creditor may accept a digital asset in compromise of a disputed or unliquidated claim. If the elements of accord and satisfaction are met under governing law, the private obligation may be discharged. But the discharge comes from compromise and acceptance, not from sovereign monetary status. The transaction may still require tax valuation, reporting, sanctions review, or compliance analysis. Accord and satisfaction closes the dispute between parties; it does not close the monetary order.[882]

The doctrine therefore distinguishes **binding effect** from **monetary effect**. Contractual discharge has binding effect because the parties agreed to a particular performance. Legal tender has monetary effect because sovereign law grants the instrument closure status. A private contract may decide what counts as performance in that relationship. It cannot decide what counts as legal tender for the United States monetary system.[883]

This distinction also protects against public-facing confusion. Commercial language may describe a crypto payment as “paid,” “settled,” “completed,” or “discharged.” Those terms may be accurate at the party level. But they should not be used to imply universal monetary closure unless the instrument carries legal-tender status or equivalent sovereign monetary-closure effect granted by Congress. Otherwise, private settlement terminology risks being mistaken for sovereign monetary status.[884]

Accordingly, contractual discharge should be treated as a private-law event with limited scope. It may be enforceable. It may be commercially meaningful. It may resolve a bargain. It may trigger legal consequences. But it does not eliminate the legal-tender closure gap unless the payment instrument itself has sovereign monetary status. A contract may close the obligation between the parties; it cannot close the monetary system.[885]

The doctrinal rule is therefore direct:

Contractual discharge binds by agreement. Legal tender closes by sovereign authority. Crypto acceptance may satisfy the parties’ bargain, but it does not create universal monetary closure.[886]

§VII.G. Regulatory Recognition / Monetary Closure Distinction

A crypto payment may be recognized by multiple legal and regulatory bodies without thereby becoming legal tender. This distinction is central to the Legal Tender Closure Gap Doctrine. Regulatory recognition means that a regulator, court, tax authority, or commercial-law system has identified some legal consequence arising from the transaction. Monetary closure means that the payment instrument itself carries sovereign legal authority sufficient to close an obligation as lawful money. These are different legal events. A transaction may be recognized, taxed, regulated, reported, screened, litigated, or enforced against while the payment instrument remains outside legal-tender status.[887]

The first recognition pathway is the **Securities and Exchange Commission**. If a crypto transaction involves capital formation, investment-contract facts, managerial reliance, profit expectation, token distribution, issuer promotion, pooling of value, yield promises, or other securities features, the SEC may analyze the transaction under federal securities law. That recognition may identify an offering, sale, investment contract, fraud theory, disclosure issue, registration issue, or secondary-market question. But securities-law recognition does not make the payment instrument legal tender. It identifies investment posture; it does not confer monetary closure.[888]

The second recognition pathway is the **Commodity Futures Trading Commission**. If the transaction involves commodity-market conduct, fraud, manipulation, leveraged retail commodity transactions, derivatives, futures, swaps, clearing, exchange activity, or market infrastructure, the CFTC may recognize the digital asset or related conduct within its statutory and regulatory perimeter. CFTC recognition may determine that a digital asset is a commodity or that market conduct is subject to commodity-law enforcement. But commodity status is not

legal-tender status. A commodity may be valuable, tradable, regulated, and enforceable without becoming lawful money.[889]

The third recognition pathway is the **Internal Revenue Service**. The IRS may recognize cryptocurrency as property, treating use of a digital asset to purchase goods or services as a disposition that can trigger basis calculation, fair-market-value measurement, gain or loss recognition, income inclusion, wage treatment, information reporting, withholding, or payroll-tax consequences. IRS recognition confirms that the transaction matters legally. But tax recognition does not convert the asset into money. In fact, the need to value the transaction in dollars often confirms that the asset remains legally dependent on the sovereign unit of account.[890]

The fourth recognition pathway is **Treasury**, including AML, BSA, OFAC, reporting, sanctions, and fiscal-continuity concerns. Treasury may recognize the transaction as a movement of value requiring monitoring, reporting, sanctions review, suspicious-activity analysis, remittance control, tax-collection visibility, or public-law enforcement. Treasury recognition may be especially important where digital assets move through private, pseudonymous, cross-border, decentralized, or intermediary-dependent channels. But Treasury supervision of value movement does not mean the instrument being moved is legal tender. Compliance supervision is not monetary closure.[891]

The fifth recognition pathway is **FinCEN**. FinCEN may recognize money-services-business or money-transmission implications depending on whether an actor is using virtual currency for its own purchase, accepting crypto as a merchant, transmitting value for others, administering convertible virtual currency, operating an exchange, providing hosted-wallet services, routing digital-asset payments, or facilitating conversion. FinCEN recognition attaches to the actor, business model, transmission function, custody role, or value-transfer channel. It does not transform the underlying digital asset into United States coin, currency, Federal Reserve notes, or legal tender.[892]

The sixth recognition pathway is the **Federal Reserve**. The Federal Reserve may recognize crypto or stablecoin activity as relevant to payment-system integrity, settlement finality, reserves, liquidity, bank intermediation, financial stability, central bank money, or the interaction between private payment instruments and public settlement architecture. This recognition may be particularly important where stablecoins become integrated with banks, payment processors, custodians, reserve arrangements, or settlement infrastructure. But payment-system concern does not confer legal-tender status. A stablecoin may be relevant to the payment system without becoming central bank money.[893]

The seventh recognition pathway is the **courts**. Courts may recognize crypto payment through contract interpretation, accord and satisfaction, substituted performance, property rights, damages, restitution, mistake, fraud, conversion, insolvency, custody disputes, or enforcement of crypto-denominated obligations. Judicial recognition may determine whether a private obligation was satisfied between parties, whether a transfer occurred, whether a party breached, or how damages should be measured. But court recognition of a private bargain does not alter the federal monetary status of the asset. Courts may enforce a crypto payment agreement without holding that the crypto asset is legal tender.[894]

The eighth recognition pathway is **state regulation and commercial law**. State regulators may recognize money-transmission issues, consumer-protection duties, licensing obligations, custody requirements, disclosure duties, or digital-asset commercial-law rules. State commercial law may recognize transfers of controllable electronic records, merchant acceptance, risk allocation, refunds, governing-law issues, and enforceability of digital-asset obligations. These frameworks can improve private-law certainty, but they cannot convert non-sovereign digital assets into federal legal tender. State recognition is not sovereign monetary closure.[895]

Each regulatory body may therefore identify part of the transaction. The SEC may identify investment posture. The CFTC may identify market posture. The IRS may identify property disposition or income. Treasury may identify fiscal, sanctions, AML, BSA, or reporting consequences. FinCEN may identify transmission or money-services concerns. The Federal Reserve may identify payment-system and central-bank-money concerns. Courts may identify contract performance or private discharge. State regulators may identify licensing, commercial-law, or consumer-protection consequences. Each recognition is real. None necessarily makes the payment legal tender.[896]

This distinction prevents regulatory recognition from being mistaken for monetary elevation. A crypto payment may be taxed without becoming money. It may be reported without becoming legal tender. It may be screened without becoming lawful currency. It may be regulated by the SEC or CFTC without becoming sovereign money. It may be supervised by Treasury or FinCEN without acquiring monetary status. It may be relevant to the Federal Reserve's payment-system concerns without becoming central bank money. It may be enforced in court without becoming universal monetary closure.[897]

The analytical error arises when recognition is treated as equivalence. Because multiple agencies may regulate different aspects of crypto activity, observers may assume that regulatory attention has matured the instrument into a money equivalent. But regulatory attention often proves the opposite. The more the legal system must classify, value, report, screen, supervise, enforce, and reconstruct the transaction, the more visible the legal-tender closure gap becomes. Legal tender does not require this kind of post-payment translation to occupy its sovereign monetary office.[898]

This is especially important for stablecoins. A stablecoin may receive attention from Treasury, FinCEN, banking regulators, the Federal Reserve, state money-transmission authorities, tax authorities, and courts. It may be reserve-backed, redeemable, supervised, widely used, or integrated into payment systems. Yet unless Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect pursuant to Article I, Section 8, regulatory recognition remains recognition of a private instrument and its risk environment, not conversion into sovereign money.[899]

The doctrine therefore requires a boundary rule:

Regulatory recognition identifies legal consequences. Monetary closure requires sovereign monetary authority.[900]

Accordingly, crypto payment should be analyzed by asking what each legal system has recognized and what each recognition does. If the SEC recognizes securities features, that answer governs securities posture. If the CFTC recognizes commodity-market conduct, that answer governs market posture. If the IRS recognizes property disposition or income, that answer governs tax posture. If Treasury, FinCEN, or OFAC recognize compliance concerns, those answers govern the risk environment. If courts or state law recognize contract discharge, that answer governs private-law settlement. But none of those recognitions alone answers Layer Three. Legal-tender closure remains a sovereign monetary question.[901]

The final rule is therefore direct:

A crypto payment may be recognized by regulators, tax authorities, courts, and commercial-law systems without becoming legal tender. Recognition is not closure. Regulation is not monetization. Compliance is not sovereign monetary authority.[902]

§VII.H. Core Formulation

The core formulation of Chapter VII is direct: **a transaction can be legally recognized without being monetarily closed.** This sentence captures the central distinction between private settlement, legal-system recognition, and sovereign monetary closure. A transaction may be real, enforceable, taxable, reportable, regulated, screened, litigated, or commercially meaningful without the payment instrument acquiring legal-tender status. Recognition identifies that the legal system has noticed, classified, or acted upon the transaction. Monetary closure asks whether the payment instrument itself carries sovereign authority to close the obligation as lawful money.[903]

This formulation is necessary because digital-asset transactions often produce legal consequences before they produce, or without ever producing, monetary closure. A merchant may accept Bitcoin for goods. A contractor may accept USDC for services. A creditor may accept Ether in satisfaction of a private debt. In each case, the parties may treat the bargain as complete. Contract law may recognize performance, substituted performance, accord and satisfaction, or discharge by agreement. But private-law recognition does not answer whether the asset has become legal tender.[904]

Tax law reinforces the formulation. A crypto payment may be recognized as a disposition of property, income event, wage payment, or reportable transaction. The IRS may require fair-market-value determination, basis calculation, gain or loss recognition, income inclusion, payroll withholding, information reporting, or tax remittance. These consequences confirm that the transaction is legally recognized. They do not confer monetary status. To the contrary, the need to translate the transaction into dollars demonstrates that legal recognition and monetary closure remain distinct.[905]

Compliance law reaches the same result. A transaction may be recognized for BSA/AML review, FinCEN money-transmission analysis, OFAC sanctions screening, suspicious-activity monitoring, recordkeeping, reporting, or enforcement. Treasury, FinCEN, OFAC, and other agencies may identify risks, actors, channels, counterparties, wallets, intermediaries, or reporting

obligations. But compliance recognition regulates the risk environment. It does not convert the payment instrument into United States coin, currency, Federal Reserve notes, central bank money, or legal tender.[906]

Securities and commodities law also confirm the boundary. If securities features are present, the SEC may recognize investment-contract posture, issuer conduct, disclosure obligations, registration issues, or antifraud concerns. If commodity-market issues are present, the CFTC may recognize commodity status, derivatives activity, fraud, manipulation, leverage, or market infrastructure. Those recognitions may be legally significant and enforceable. But securities recognition and commodity recognition are not legal-tender recognition. They classify regulatory posture; they do not supply sovereign monetary closure.[907]

The Federal Reserve layer makes the formulation especially important. A stablecoin, tokenized claim, or digital asset may become relevant to payment-system integrity, settlement finality, bank intermediation, liquidity, reserves, and financial stability. That recognition places the transaction or instrument within the Fed's systemic field of concern. But even Federal Reserve concern over payment functionality does not make the instrument central bank money. Payment-system relevance is not legal-tender status.[908]

State commercial law and courts may also recognize the transaction without monetarily closing it. A court may enforce a crypto-denominated obligation, interpret merchant acceptance terms, determine whether accord and satisfaction occurred, allocate refund risk, or calculate damages. State commercial law may recognize controllable electronic records, transfer, control, private settlement, or enforceability. Those recognitions may bind the parties. But state-law recognition cannot convert a non-sovereign digital asset into federal legal tender.[909]

This distinction prevents the central category error in crypto-payment analysis. The question is not whether the transaction is legally invisible. It is not invisible. The question is whether legal visibility equals monetary finality. It does not. A transaction may be visible to tax law, contract law, commercial law, securities law, commodities law, sanctions law, money-transmission law, and payment-system supervision while still lacking sovereign monetary closure.[910]

The formulation also prevents the opposite error. Because a crypto payment does not automatically achieve legal-tender closure, one might wrongly conclude that it lacks legal effect altogether. That is also incorrect. Private parties may accept non-sovereign assets as consideration. Courts may enforce contracts involving digital assets. Regulators may classify, tax, screen, or supervise transactions. The doctrine does not deny legal effect. It locates that effect in the proper layer.[911]

Accordingly, the rule should be stated as follows:

A crypto transaction can be legally recognized without being monetarily closed. Legal recognition identifies consequences; monetary closure requires sovereign authority.[912]

This rule supplies the doctrinal bridge between private settlement and public monetary law. It permits legal systems to recognize digital-asset transactions for contract, tax, compliance, regulatory, evidentiary, and commercial purposes while preserving the legal-tender boundary. A transaction may settle the bargain. It may trigger legal consequences. But unless Congress grants legal-tender status or equivalent sovereign monetary-closure effect, recognition remains recognition, not closure.[913]

§VII.I. Doctrinal Claim

The doctrinal claim of Chapter VII is that a crypto payment may close expectations between parties, and may even discharge a private obligation by agreement, without closing the obligation in the sovereign monetary sense. This claim preserves the distinction between private-law settlement and public monetary closure. A debtor and creditor may agree that Bitcoin, Ether, USDC, or another digital asset satisfies their bargain. A merchant may accept crypto for goods. A contractor may accept a stablecoin for services. A court may recognize that performance occurred. But those facts do not, standing alone, establish that the payment instrument carries legal-tender status or sovereign monetary finality.[914]

The claim begins with party autonomy. Private parties generally may define the terms of their bargain, including the consideration accepted, the medium of performance, the conditions of discharge, the valuation method, and the timing of acceptance. If the creditor agrees that a digital asset satisfies the obligation, then the obligation may be discharged between the parties under applicable contract and commercial law. That discharge is real. It may be enforceable. It may bar further private claims on the original obligation. But its force arises from agreement, not from sovereign monetary authority.[915]

This distinction is central because contractual discharge is relational. It binds the parties who agreed to it. Legal tender, by contrast, carries sovereign monetary effect within the broader legal order. The difference is not merely technical. A private contract may say that USDC satisfies a service invoice, or that Bitcoin satisfies a purchase price. That agreement may resolve the parties' expectations. But it does not make the stablecoin or cryptocurrency legal tender for all debts, public charges, taxes, or dues. Private law can settle the bargain; it cannot unilaterally redefine the monetary system.[916]

The Three-Layer Closure Model explains the point. At **Layer One**, party-level closure may occur because the parties accept the crypto payment as performance. At **Layer Two**, the legal system may recognize the transaction as contract performance, property disposition, taxable event, income recognition, compliance event, money-transmission issue, or enforceable private discharge. But at **Layer Three**, sovereign monetary closure requires lawful money, legal tender, central bank money, or an instrument expressly granted equivalent monetary-closure effect by Congress pursuant to Article I, Section 8.[917]

A crypto payment may therefore be legally meaningful without being monetarily final. That is the core insight. The transaction may be recognized by contract law, tax law, commercial law, securities law, commodities law, AML/BSA rules, OFAC sanctions frameworks, FinCEN

guidance, Federal Reserve payment-system analysis, or state commercial-law regimes. But recognition by one or more legal systems does not collapse into legal-tender status. Legal recognition identifies consequences. Monetary closure requires sovereign authority.[918]

Tax treatment demonstrates the claim in operational form. If cryptocurrency is used to purchase goods or services, the legal system may treat the payer as disposing of property. That treatment may require fair-market-value measurement, basis calculation, gain or loss recognition, and reporting. The recipient may recognize income measured in U.S. dollars. If the payment is compensation, payroll withholding, employment-tax deposits, and wage reporting may remain. Thus, the private obligation may be satisfied while public-law consequences remain unresolved, dollar-measured, and dependent on Treasury-recognized channels.[919]

Stablecoins sharpen the doctrinal claim because they create the strongest appearance of closure. A stablecoin may reference the dollar, reduce ordinary volatility, and function efficiently as a private payment instrument. A creditor may accept it as dollar-equivalent in a private transaction. But dollar reference is not dollar issuance. Reserve backing is not legal tender. Redemption capacity is not central bank money. If the stablecoin must be redeemed into dollars to achieve final monetary value, then its closure is derivative rather than original.[920]

The issuer-dependency problem further confirms the distinction. Stablecoin payment may depend on issuer solvency, reserve quality, redemption rights, custodial arrangements, banking relationships, regulatory compliance, freeze or blacklist authority, cross-border recognition, operational resilience, and contractual terms. These dependencies may be well managed, but they remain private or intermediary-controlled conditions. Legal-tender closure, by contrast, rests on sovereign monetary authority.[921]

The regulatory-recognition distinction reaches the same conclusion. A crypto payment may be recognized by the SEC if securities features are present, by the CFTC if commodity-market issues are present, by the IRS as property disposition or income, by Treasury through AML/BSA or OFAC obligations, by FinCEN through money-transmission treatment, by the Federal Reserve through payment-system concerns, by courts through contract interpretation, and by state regulators through commercial-law or money-transmission frameworks. Each recognition may identify part of the transaction. None necessarily makes the payment legal tender.[922]

This doctrine therefore rejects two forms of overstatement. First, it rejects the claim that crypto payment is legally meaningless merely because it is not legal tender. Private parties may accept it, courts may enforce it, and regulators may recognize its legal consequences. Second, it rejects the claim that private acceptance, regulatory attention, taxation, reserve backing, or payment efficiency transforms crypto into sovereign money. Both extremes miss the layered structure of closure.[923]

The correct formulation is narrower and stronger: **crypto can close expectations without closing the monetary order.** It can satisfy a private obligation by agreement while leaving public-law consequences open. It can move value while requiring tax valuation. It can settle a private invoice while remaining subject to sanctions screening. It can be recognized by regulators

while lacking legal-tender status. It can be useful payment technology without becoming sovereign monetary authority.[924]

Accordingly, Chapter VII's doctrinal claim is as follows:

A crypto payment may close expectations between parties, and may even discharge a private obligation by agreement, without closing the obligation in the sovereign monetary sense.[925]

This claim preserves the practical reality of crypto payment while preventing monetary category error. It allows private parties to settle, courts to interpret, regulators to supervise, and tax authorities to measure consequences. But it maintains the legal-tender boundary: sovereign monetary closure occurs only through lawful money, legal tender, central bank money, or an instrument expressly granted equivalent closure status by Congress.[926]

The final rule is therefore direct:

Private agreement may close the bargain. Legal recognition may classify the transaction. Only sovereign monetary authority closes the obligation in the monetary sense.[927]

§VIII. Constitutional and Sovereignty Implications

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§VIII.A. Money as Sovereign Architecture

Money is not merely an economic instrument. It is sovereign closure architecture. A constitutional monetary system does more than facilitate exchange, measure value, or support commercial activity. It preserves public authority over the instruments that conclusively discharge obligations within the legal order. The power to define money, regulate its value, and determine what instruments carry legal-tender effect is therefore not simply a technical function of finance. It is a structural function of sovereignty.[928]

This premise begins with Article I, Section 8 of the United States Constitution. Congress is given authority to coin money and regulate the value thereof. That monetary authority sits within the constitutional architecture because the power to define the instrument of final settlement affects taxation, public obligations, federal debt, private contracts, banking, payment systems, fiscal continuity, and national economic coherence. A republic cannot preserve monetary sovereignty if the instruments that conclusively close obligations are defined by private market adoption alone.[929]

Legal tender gives monetary authority operational form. Federal law provides that United States coins and currency, including Federal Reserve notes, are legal tender for debts, public charges, taxes, and dues. That statutory designation matters because it identifies the instruments that carry sovereign closure effect. A private party may accept other forms of value by agreement, but legal tender supplies the public monetary baseline. It answers not merely what may be accepted, but what the legal order recognizes as carrying lawful monetary discharge capacity.[930]

Money therefore performs a closure function that ordinary assets do not. A commodity may be valuable. A security may represent an investment interest. A digital asset may transfer value. A stablecoin may reference the dollar. A contract may recognize noncash consideration. But none of those features alone establishes sovereign monetary closure. Money, in the legal-tender sense, is the instrument through which obligations may be conclusively resolved within the sovereign monetary order. It is not merely value; it is lawful finality.[931]

This distinction explains why the Legal Tender Closure Gap Doctrine is necessary. Cryptocurrency and stablecoins may perform payment-like functions. They may move value quickly, settle private expectations, and be accepted by willing counterparties. They may also be taxed, reported, screened, regulated, litigated, and enforced. But those recognitions do not answer whether the instrument possesses sovereign closure authority. A transaction can be legally recognized without being monetarily closed.[932]

A constitutional monetary system must therefore preserve the distinction between **private settlement** and **sovereign closure**. Private settlement arises from agreement. The parties decide that a particular asset, token, service, or performance satisfies their bargain. Sovereign closure arises from public law. The legal order determines which instruments conclusively discharge obligations as money. The first binds because parties consent; the second closes because sovereign authority has spoken.[933]

This distinction is especially important in digital-asset payment systems. A decentralized cryptocurrency may be transferred without state intermediation. A stablecoin may maintain a dollar reference through reserves and redemption mechanisms. A tokenized instrument may circulate through payment infrastructure. Yet unless Congress grants legal-tender status or equivalent sovereign monetary-closure effect, these instruments remain private or derivative settlement mechanisms. They may point toward the dollar, imitate payment functionality, or rely on dollar-denominated reserves, but they do not independently occupy the sovereign legal office of money.[934]

The Federal Reserve layer further confirms the architecture. Central bank money functions as the settlement anchor of the monetary system. Federal Reserve notes and reserve balances occupy a public monetary position that private instruments do not acquire by resemblance, utility, reserve backing, or regulatory supervision. Stablecoins may reference the dollar and support private settlement, but they do not become central bank money merely because they are designed to maintain parity. Dollar reference is not dollar issuance. Reserve backing is not legal tender. Redemption capacity is not sovereign monetary closure.[935]

Treasury's role confirms the same structure from the public-law side. Tax collection, payroll remittance, AML/BSA supervision, sanctions enforcement, reporting obligations, and public payment systems depend upon dollar-denominated measurement and Treasury-recognized closure channels. A crypto payment may resolve a private bargain, but if tax, payroll, sanctions, reporting, or remittance obligations remain unresolved, dollar-measured, or dependent on conversion, the transaction has not disappeared into sovereign monetary finality.[936]

Money as sovereign architecture also preserves fiscal continuity. Public obligations cannot depend solely on privately issued instruments whose stability rests on issuer solvency, reserve quality, redemption timing, custody, platform access, banking relationships, smart-contract performance, or market confidence. Those instruments may be useful, and they may become regulated. But public fiscal systems require closure mechanisms that remain under sovereign monetary authority rather than private stabilization architecture.[937]

This is why legal tender is not merely a legacy concept. It is a public boundary. It prevents payment utility from being mistaken for monetary authority. It preserves the distinction between an asset that parties may accept and an instrument that the monetary system recognizes as lawful final settlement. Without that boundary, private instruments could acquire sovereign-adjacent effects through adoption, integration, or linguistic drift rather than through constitutional authority.[938]

Accordingly, the doctrine's sovereign architecture claim may be stated directly:

Money is the legal architecture through which sovereign authority defines the instruments of final obligation closure.[939]

This claim does not deny private innovation. It does not prevent parties from accepting cryptocurrency or stablecoins. It does not prevent regulators from supervising digital-asset payment channels. It does not prevent Congress from authorizing new monetary instruments. It simply insists that the power to define final monetary closure must remain anchored in sovereign law.[940]

The final rule is therefore:

Money is not merely what moves value. Money is what sovereign law recognizes as capable of conclusively closing obligations within the monetary order.[941]

§VIII.B. Private Payment Is Not the Problem

The doctrine does not argue that private settlement is unlawful. Private parties may settle obligations through barter, foreign currency, credits, commodities, digital assets, contractual setoff, substituted performance, accord and satisfaction, or other agreed forms of consideration where permitted by governing law. Private law has long recognized that parties may define the terms of their bargain and may agree that something other than legal tender satisfies the obligation between them. The problem is not private settlement itself. The problem arises when private settlement is socially, commercially, or institutionally misread as legal tender.[942]

This distinction is essential because payment and money are not identical concepts. A party may accept an asset as payment without that asset becoming money in the sovereign legal sense. A farmer may accept equipment in exchange for services. A creditor may accept stock, commodities, credits, foreign currency, or digital assets in compromise of a debt. A merchant may accept Bitcoin or a stablecoin for goods. These arrangements may be enforceable as private agreements. But enforceability by agreement does not confer universal monetary status on the thing accepted.[943]

The doctrine therefore preserves party autonomy. It does not prevent private actors from choosing alternative settlement media. It does not deny that digital assets may carry market value. It does not claim that cryptocurrency acceptance is void, meaningless, or categorically unlawful. To the contrary, the doctrine recognizes that private parties may close expectations between themselves using non-sovereign instruments. A crypto transfer may satisfy Layer One of the Three-Layer Closure Model when the recipient agrees to accept it as performance.[944]

The legal issue begins when Layer One closure is mistaken for Layer Three closure. If the parties agree that Bitcoin satisfies a private invoice, the private bargain may be complete. But the Bitcoin does not thereby become legal tender for debts, public charges, taxes, and dues. If a contractor accepts USDC for services, the contract may be satisfied between the parties. But USDC's acceptance does not transform it into Federal Reserve money, United States currency, or

sovereign monetary closure. Private acceptance cannot do the work of congressional monetary authority.[945]

Private settlement may also trigger Layer Two recognition without becoming sovereign money. The IRS may treat the use of cryptocurrency as a property disposition or income event. Treasury, FinCEN, and OFAC may recognize compliance, sanctions, AML/BSA, reporting, or money-transmission consequences. Courts may recognize contract performance, substituted performance, accord and satisfaction, or damages. State commercial law may recognize transfer, control, merchant terms, or enforceability. These forms of recognition are legally significant, but they do not establish legal-tender status.[946]

Barter illustrates the principle. A barter transaction may be valid and taxable. Parties may exchange goods or services and discharge private obligations by agreement. Yet the bartered asset does not become legal tender merely because the transaction is recognized by tax law or contract law. The same logic applies to digital assets. A cryptocurrency payment may be accepted, valued, taxed, reported, or enforced without becoming sovereign money.[947]

Foreign currency provides a second illustration. Private parties may agree to settle obligations in foreign currency. That agreement may be enforceable according to contract terms and governing law. But foreign currency does not become United States legal tender merely because a private contract denominates payment in euros, yen, pesos, or pounds. The foreign currency may function as agreed consideration; it does not occupy the legal office of U.S. coins, currency, or Federal Reserve notes within the United States monetary order.[948]

Credits, commodities, and setoff provide additional examples. A commercial party may accept store credit, account credit, commodity delivery, mutual setoff, or other noncash consideration as satisfaction of an obligation. These mechanisms may reduce debt, discharge contractual duties, or resolve private accounts. But their legal effect arises from contract, commercial practice, accounting, or governing law. They do not become legal tender merely because they close a private balance.[949]

Cryptocurrency should be treated within that same architecture. A non-sovereign digital asset may function as private consideration. It may settle a private bargain. It may be useful in commerce. It may be regulated. It may be reportable. It may be taxed. But the legal-tender closure question remains separate: did sovereign law grant the instrument monetary-closure status? If not, the instrument remains private settlement, not sovereign money.[950]

This distinction matters because public discourse often compresses “accepted as payment” into “money.” That compression creates monetary-source confusion. The fact that a business accepts a digital asset does not mean the digital asset has acquired sovereign legal status. The fact that a stablecoin references the dollar does not mean it is the dollar. The fact that a token can be redeemed into dollars does not mean the token itself is legal tender. Market usage may establish practical settlement habits; it does not amend the monetary law.[951]

The danger becomes more pronounced at scale. When private settlement instruments become widely used, social perception may begin to treat them as monetary equivalents. Merchants may describe them as "digital dollars." Platforms may present them as cash substitutes. Users may treat wallet balances as though they were legal tender. But public familiarity does not supply Article I authority. Commercial normalization cannot substitute for congressional designation.[952]

The doctrine's concern is therefore not hostility to private payment. It is protection against monetary category error. Private settlement is permissible because parties may agree to exchange value. Legal tender is sovereign because public law defines the instruments that conclusively close obligations in the monetary order. Confusing the two risks allowing private instruments to acquire sovereign-adjacent meaning through usage, branding, or infrastructure integration rather than through constitutional authority.[953]

Accordingly, the rule is precise:

Private payment is not the problem. Misreading private payment as legal tender is the problem.[954]

This rule allows lawful experimentation while preserving the monetary boundary. Parties may settle privately using barter, foreign currency, credits, commodities, digital assets, or setoff. Regulators may recognize and supervise those transactions. Courts may enforce them. Tax authorities may measure them. But unless Congress grants legal-tender status or equivalent sovereign monetary-closure effect, private settlement remains private settlement. It may close the bargain, but it does not close the monetary order.[955]

§VIII.C. Parallel Closure Systems

If cryptocurrency payment use scales broadly without legal clarity, society may develop a parallel settlement environment that appears monetary but lacks sovereign closure authority. This is not a prediction that private digital-asset payment is inherently unlawful or commercially useless. Rather, it identifies a structural risk: private settlement systems may begin performing money-like functions in social and commercial practice while remaining outside the legal architecture that gives money its sovereign closure effect.[956]

A parallel closure system emerges when parties increasingly treat non-sovereign instruments as if they close obligations in the same manner as legal tender. Merchants may accept crypto or stablecoins as routine payment. Platforms may denominate balances in dollar-referenced tokens. Payroll providers may offer digital-asset compensation. Contractors may invoice in stablecoins. Consumers may treat wallet balances as spendable money. These practices may function efficiently at the private-payment layer, but they do not necessarily produce legal-tender discharge, central bank finality, or Treasury-recognized public-law closure.[957]

The danger is not private settlement itself. Private parties may settle by barter, foreign currency, commodities, credits, setoff, or digital assets where governing law permits. The danger arises when the social meaning of payment drifts away from the legal meaning of monetary closure. If users begin to treat private digital settlement as equivalent to lawful money, the public may

assume that obligations have been closed in the monetary sense when the legal system still treats the transaction as property disposition, taxable event, compliance event, contract performance, or payment substitute.[958]

This drift creates a parallelism problem. In the official monetary system, legal tender, Federal Reserve notes, central bank money, Treasury payment channels, tax remittance systems, banking supervision, and payment-system finality operate within a sovereign closure architecture. In the parallel system, digital assets, stablecoins, hosted wallets, exchanges, payment processors, DeFi protocols, bridges, and unhosted wallets may create a separate settlement environment. That environment may move value rapidly, but speed of transfer does not equal sovereign finality.[959]

The problem intensifies when stablecoins are involved because stablecoins may appear closer to lawful money than volatile cryptocurrencies. A dollar-referenced token may display as one dollar, be accepted by merchants, be used in payroll or settlement systems, and be described commercially as a "digital dollar." But the token may still depend on issuer solvency, reserve quality, redemption rights, custody, banking relationships, operational resilience, contractual terms, and regulatory permissions. It may stabilize toward the dollar without being stabilized as the dollar.[960]

A parallel closure system therefore may look monetary while remaining legally derivative. It may rely on redemption into dollars, conversion through exchanges, issuer reserves, payment processors, bank partners, market makers, custodians, and platform rules. If those conditions hold, users may experience the system as money-like. If those conditions fail, the system reveals its dependency on the sovereign monetary layer it had appeared to bypass. The USDC/SVB depegging event illustrates this dependency: a dollar-referenced stablecoin temporarily lost parity when confidence in reserve access weakened, and confidence returned after public-sector action stabilized the banking-reserve layer.[961]

The sovereign risk is not simply that private instruments may fail. Private instruments can fail without threatening monetary sovereignty if they remain clearly private. The deeper risk is that private instruments may become socially embedded as money-like closure devices while the state lacks equivalent direct control over the issuer, reserve structure, redemption timing, platform liquidity, smart-contract operation, or market exit behavior. When private stabilization becomes systemically embedded, its failure can become public risk without becoming public money.[962]

This risk is especially acute where public-law obligations are generated inside the parallel environment but must be closed outside it. A crypto or stablecoin payment may complete a private bargain, but taxes, payroll remittances, sanctions screening, BSA/AML reporting, accounting treatment, and public obligations may still require dollar measurement and Treasury-recognized remittance channels. If the parallel settlement layer grows faster than the public closure layer can identify, value, report, screen, and remit transactions, the legal-tender closure gap becomes systemic rather than transactional.[963]

A parallel closure system may also weaken institutional interpretability. Regulators may see fragments of the transaction rather than a unified monetary event. The IRS may see property disposition. FinCEN may see transmission. OFAC may see sanctions risk. The Federal Reserve may see payment-system exposure. State regulators may see licensing or commercial-law questions. Courts may see contract performance. Each recognition may be correct, but none alone supplies sovereign monetary closure. Fragmented recognition can produce the appearance of legality without the substance of monetary finality.[964]

The constitutional concern is therefore one of closure authority. Article I, Section 8 places monetary authority in Congress, and federal law identifies United States coins and currency, including Federal Reserve notes, as legal tender. A private settlement ecosystem cannot acquire equivalent closure authority through scale, convenience, branding, reserve backing, payment-platform integration, or social familiarity. If sovereign monetary closure is to be extended to a digital instrument, that extension must occur through lawful constitutional and statutory authority, not market drift.[965]

This does not require suppressing digital payment innovation. It requires legal clarity. The law may permit private digital settlement, regulate payment channels, supervise issuers, require reserves, impose reporting, enforce sanctions, govern custody, and protect consumers without describing the instrument as legal-tender equivalent. The objective is not to prevent private settlement; it is to prevent the emergence of an unacknowledged parallel monetary architecture that performs closure-like functions without sovereign closure authority.[966]

Accordingly, the doctrine should distinguish between **parallel payment functionality** and **parallel monetary authority**. Payment functionality may develop through private systems. Monetary authority may not. Private systems may move value, coordinate settlement, and improve efficiency. But legal-tender closure remains a sovereign function. The fact that a private network becomes useful does not mean it becomes public money.[967]

The doctrinal rule is therefore:

A parallel settlement environment may move value and close private expectations, but it does not become a sovereign closure system unless sovereign law grants that status.[968]

If cryptocurrency payment use scales broadly without legal clarity, the result may be a society in which private actors increasingly behave as though a parallel monetary system exists, while public law continues to treat the underlying transfers as property dispositions, contracts, taxable events, compliance events, redemption claims, or payment substitutes. That divergence is the architecture of the legal-tender closure gap at scale.[969]

§VIII.D. Democratic Accountability

Legal tender is accountable through public law. In the United States, the monetary instruments that carry legal-tender effect are not created by private market consensus, platform preference, developer coordination, or issuer branding. They arise through constitutional and statutory authority. Article I, Section 8 vests Congress with monetary authority, federal statute defines

United States coins and currency as legal tender, and Federal Reserve notes operate within a statutory central-bank framework. This architecture matters because the instrument that conclusively discharges obligations is tied to public law, public institutions, and democratic accountability.[970]

Cryptocurrency networks may possess governance structures, but those structures are not equivalent to sovereign monetary authority. A blockchain protocol may define supply rules, validation mechanics, transaction ordering, consensus requirements, upgrade pathways, fee structures, or execution logic. Those rules may be transparent, durable, and technically enforceable. Yet protocol rules are not statutes. They do not arise from Article I monetary authority, and they do not carry the democratic legitimacy of congressional designation.[971]

Developers may also exercise practical influence over crypto networks. They may propose upgrades, maintain code repositories, implement security patches, resolve vulnerabilities, coordinate forks, or shape technical roadmaps. That influence may be necessary for network operation, but it is not the same as public monetary governance. Developers are not Congress. They do not stand for election, do not enact statutes, do not answer to public appropriations processes, and do not possess constitutional authority to define legal tender.[972]

Validators and miners may likewise provide functional governance. They may secure networks, validate transactions, order blocks, participate in consensus, adopt or reject software updates, and influence network continuity. In proof-of-work and proof-of-stake systems, these actors may determine whether the network remains operational and which rules become practically effective. But validation authority is not sovereign monetary authority. A validator or miner may maintain a ledger; it does not thereby acquire the power to define lawful money for the United States.[973]

Foundations and protocol-affiliated organizations may also influence network direction. They may fund development, publish standards, coordinate community decisions, support ecosystem grants, guide branding, or influence policy discussions. These bodies may improve continuity and technical stewardship. But they remain private or quasi-private governance structures. Even where they act responsibly, their authority does not derive from the Constitution, federal statute, public election, or sovereign monetary delegation.[974]

Issuers present a different but related accountability issue. A stablecoin issuer may control issuance, redemption, reserves, disclosures, banking relationships, freeze or blacklist authority, contractual terms, and customer access. Those functions may be regulated and may support payment utility. But issuer governance is still issuer governance. Reserve reports, audits, redemption policies, or compliance controls may improve trust, yet they do not transform a private issuer into a public monetary authority.[975]

Exchanges and wallet providers also shape practical access to crypto payment systems. Exchanges may list or delist assets, pause withdrawals, restrict conversions, set trading rules, manage liquidity, conduct compliance screening, and control fiat on-ramps and off-ramps. Wallet providers may shape user access, custody, private-key control, interface design, transaction routing, and recovery options. These entities may be critical to payment functionality, but their

governance is contractual, operational, and platform-based. It is not democratic monetary accountability.[976]

Private governance processes may create additional coordination layers. Token-holder votes, decentralized autonomous organizations, multisignature committees, governance forums, foundation boards, protocol councils, emergency committees, market-maker arrangements, and exchange-led coordination may all influence digital-asset systems. These mechanisms may be functional and may reflect forms of community participation. But participation by token ownership, technical access, capital weight, or platform presence is not equivalent to constitutional representation. Governance by protocol participation is not governance by public law.[977]

Market consensus may also discipline crypto networks. If users lose confidence, value may fall. If participants prefer one fork, that fork may become dominant. If exchanges or custodians reject an asset, liquidity may decline. Market consensus can be powerful, but it is not democratic accountability. Price discovery, liquidity, user adoption, and market exit are not substitutes for public law, legislative authority, judicial review, administrative accountability, or constitutional structure.[978]

The distinction is not that crypto governance is fake or irrelevant. It can be very real. Protocol rules may bind users technologically. Developers may shape network evolution. Validators and miners may determine ledger continuity. Issuers may affect redemption and payment functionality. Exchanges and wallets may determine practical access. Markets may discipline failures quickly. These are functional governance systems. But functional governance is not sovereign authority.[979]

This distinction matters because monetary closure is a public function. The instrument that conclusively discharges obligations affects creditors, debtors, taxpayers, workers, merchants, financial institutions, courts, public agencies, and the national fiscal system. It determines how obligations close within the legal order. That function cannot be left to private governance structures merely because those structures are technically efficient or commercially adopted.[980]

Legal tender is accountable because it remains anchored to public law. Congress may legislate. Courts may interpret. Agencies may administer. The Federal Reserve may operate within statutory authority. Treasury may administer fiscal systems. Public officials remain subject to constitutional boundaries, statutory mandates, oversight, administrative process, and judicial review. This does not make the system perfect, but it makes it publicly accountable in a way private crypto governance is not.[981]

A parallel crypto settlement environment therefore raises a democratic-accountability concern when it begins to appear monetary. If private networks, issuers, validators, exchanges, or wallet providers become the practical gatekeepers of payment closure for large segments of commerce, society may begin relying on privately governed settlement architecture without the accountability mechanisms that attach to sovereign money. The concern is not merely technological. It is constitutional: who controls the instrument through which obligations are conclusively discharged?[982]

Stablecoins intensify the issue because they may appear to preserve dollar accountability while shifting operational control to private actors. A dollar-referenced token may look like public money, but its functionality may depend on issuer solvency, reserve management, redemption policy, custody, banking relationships, freeze authority, platform access, and contractual terms. These are not the same accountability pathways that govern legal tender or central bank money.[983]

Accordingly, the doctrine must distinguish **functional governance** from **democratic monetary authority**. Crypto networks may be governed. Stablecoin issuers may be supervised. Exchanges may be licensed. Wallet providers may be regulated. Validators may secure networks. Protocols may function. But none of those facts, standing alone, confers the democratic authority required to define legal tender or sovereign monetary closure.[984]

The doctrinal rule is therefore:

Crypto governance may organize private settlement. Democratic monetary authority defines sovereign closure. The first may be functional; the second must be public.[985]

Legal tender remains accountable through public law because sovereign money carries public obligation-closing power. Crypto networks may create powerful payment systems, but their governance mechanisms are not equivalent to Article I monetary authority. Until Congress expressly grants legal-tender status or equivalent sovereign monetary-closure effect, private crypto governance remains private governance, and crypto settlement remains private settlement rather than sovereign monetary closure.[986]

§VIII.E. The Constitutional Risk

The constitutional risk is not that cryptocurrency exists. The existence of private digital assets, decentralized networks, stablecoins, tokenized claims, and alternative payment instruments does not itself threaten the constitutional monetary order. Private parties have long used non-sovereign instruments, barter, foreign currency, commodities, credits, contractual setoff, and other agreed consideration to settle obligations between themselves. The constitutional concern arises only when private digital settlement is socially, commercially, or institutionally misread as though it carries the same closure authority as lawful money.[987]

This distinction is essential. A constitutional monetary system may tolerate private settlement. It may regulate private settlement. It may tax, report, supervise, enforce, and adjudicate private settlement. But it cannot permit the legal meaning of sovereign money to drift silently into private instruments without constitutional authorization. The issue is not whether Bitcoin, Ether, stablecoins, or other digital assets may be used by consenting parties. The issue is whether the public begins to treat those instruments as though they possess the same obligation-closing authority as United States coins, currency, Federal Reserve notes, or central bank money.[988]

The Constitution places monetary authority in public hands because money performs a public closure function. Article I, Section 8 grants Congress authority to coin money and regulate its value. Federal law then identifies United States coins and currency, including Federal Reserve notes, as legal tender for debts, public charges, taxes, and dues. That framework is not merely a technical banking rule. It is a constitutional boundary that determines which instruments can conclusively close obligations within the monetary order.[989]

Cryptocurrency becomes constitutionally sensitive when private usage begins to simulate that boundary. If merchants, platforms, payroll providers, contractors, exchanges, stablecoin issuers, payment processors, or users begin treating digital settlement as equivalent to lawful money, a parallel monetary expectation may form. The asset may not be legal tender, but public behavior may begin to assume that it functions as if it were. That assumption creates the constitutional risk: monetary authority may be imitated through market practice before it is granted through public law.[990]

This risk is strongest where stablecoins are involved. A stablecoin may be denominated in dollars, redeemable into dollars, backed by dollar-denominated reserves, accepted by merchants, displayed in wallet interfaces, and described commercially as a "digital dollar." These features may make stablecoins appear closer to lawful money than volatile cryptocurrencies. But dollar reference is not dollar issuance. Reserve backing is not legal tender. Redemption capacity is not sovereign monetary closure. A stablecoin may stabilize toward the dollar while remaining outside the sovereign legal office of the dollar.[991]

The constitutional risk is therefore a risk of **category migration**. A private instrument begins as a payment convenience. It becomes a settlement habit. It becomes a commercial expectation. It becomes embedded in platforms, payroll systems, merchant services, wallets, exchanges, and cross-border transfers. Eventually, the public may begin to treat the instrument as money not because Congress granted it monetary status, but because commercial practice normalized its use. That path allows monetary meaning to migrate from constitutional authority to market infrastructure.[992]

This is not merely semantic. The instrument that closes obligations determines who bears risk, who supplies finality, who controls settlement, who provides liquidity under stress, who supervises systemic stability, who receives tax remittance, who enforces sanctions, who protects consumers, and who maintains public confidence. If private digital instruments are treated as legal-tender equivalents without sovereign authorization, then private governance structures may begin exercising monetary-adjacent power without democratic accountability.[993]

Crypto networks may be governed by protocol rules, developers, validators, miners, foundations, issuers, exchanges, wallet providers, private governance processes, and market consensus. These systems may be functional. Some may be transparent. Some may be technically resilient. But they are not equivalent to sovereign monetary authority. They do not arise from Article I, do not carry statutory legal-tender designation, do not operate as public monetary law, and do not possess the same democratic accountability as Congress, Treasury, the Federal Reserve, courts, or federally governed payment systems.[994]

The constitutional risk is also fiscal. If private digital settlement scales without clarity, tax, payroll, sanctions, reporting, AML/BSA, and remittance obligations may continue to depend on dollar measurement and Treasury-recognized channels while private transactions occur in parallel payment environments. The public-law obligations may remain sovereign, but the settlement behavior may become private and fragmented. That divergence may weaken the state's ability to identify, value, report, capture, enforce, and close obligations generated inside private digital settlement systems.[995]

The risk is also institutional. Regulators may each recognize only part of the transaction. The IRS may see property disposition or income. FinCEN may see money transmission. OFAC may see sanctions exposure. The Federal Reserve may see payment-system risk. State regulators may see commercial-law or licensing issues. Courts may see contract discharge. Each recognition may be correct, but none alone supplies sovereign monetary closure. Fragmented recognition can make a private settlement system appear legally mature while still lacking constitutional monetary authority.[996]

The risk is also public-facing. Citizens may not distinguish between a token that references the dollar and the dollar itself. They may not distinguish between a payment platform balance and central bank money. They may not distinguish between a privately accepted asset and legal tender. If the law does not preserve the distinction clearly, public understanding may collapse payment functionality into monetary authority. That collapse is precisely what the Legal Tender Closure Gap Doctrine is designed to prevent.[997]

The doctrine therefore does not oppose private payment innovation. It does not prohibit digital-asset settlement. It does not deny the commercial utility of stablecoins or cryptocurrency. It simply insists that monetary closure remain a sovereign act. Private systems may move value. Private parties may settle expectations. Regulators may supervise risk. Courts may enforce contracts. But the authority to define what conclusively closes obligations as money must remain anchored in constitutional and statutory law.[998]

Accordingly, the constitutional risk may be stated as follows:

The danger is not that cryptocurrency exists. The danger is that private digital settlement may be mistaken for lawful monetary closure without Congress having granted that status.[999]

This formulation preserves both innovation and constitutional order. It permits private settlement while preventing private instruments from acquiring sovereign meaning by implication. It allows payment systems to evolve while preserving the legal-tender boundary. It recognizes that a crypto payment may close expectations between parties while refusing to treat that private closure as universal monetary finality.[1000]

The final rule is therefore direct:

Private digital settlement may be lawful, useful, and enforceable. But unless sovereign law grants closure status, it remains private settlement, not constitutional money.[1001]

§VIII.F. Doctrinal Claim

The doctrinal claim of Chapter VIII is that the danger is not private acceptance; the danger is the public misclassification of private acceptance as sovereign monetary closure. Private parties may agree to accept cryptocurrency, stablecoins, barter, foreign currency, credits, commodities, contractual setoff, or other forms of consideration in satisfaction of private obligations. That private acceptance may be valid, enforceable, taxable, reportable, and commercially meaningful. But it does not become sovereign monetary closure merely because the parties treat the bargain as complete.[1002]

The distinction is not hostile to innovation. It preserves legal architecture. A private payment system may increase speed, reduce transaction friction, support programmability, expand cross-border settlement, and improve user experience. Those improvements may be real. But payment efficiency does not answer the legal-tender question. The constitutional question is not whether a private instrument can move value. It is whether that instrument carries sovereign authority to conclusively close obligations as lawful money.[1003]

Private acceptance operates through consent. Sovereign monetary closure operates through public law. A merchant may accept Bitcoin. A contractor may accept USDC. A creditor may accept Ether. A platform may denominate balances in stablecoins. Each transaction may close expectations between the parties. But legal tender closes because sovereign law grants the instrument closure status. The source of authority is different, and that difference must remain visible.[1004]

The danger arises when social practice collapses that distinction. If enough merchants, platforms, payroll providers, exchanges, wallets, issuers, and consumers begin treating private digital assets as money-equivalent, the public may assume that private acceptance has matured into monetary authority. That assumption creates constitutional drift. It allows market habit, interface design, payment convenience, or commercial branding to simulate legal-tender meaning without Congress having granted that status.[1005]

This risk is strongest where the private instrument appears dollar-like. A stablecoin may display as one dollar, redeem for dollars, be backed by dollar-denominated reserves, and circulate through payment systems. But dollar reference is not dollar issuance. Reserve backing is not legal tender. Redemption capacity is not sovereign monetary closure. A stablecoin may stabilize toward the dollar while remaining outside the sovereign legal office of the dollar.[1006]

Public misclassification also creates fiscal and regulatory risk. A crypto payment may close a private bargain while leaving tax, payroll, sanctions, BSA/AML, reporting, valuation, accounting, money-transmission, and remittance consequences unresolved. If the public treats the payment as fully closed because it was privately accepted, the legal system may still need to reconstruct the transaction across multiple public-law domains. That reconstruction burden demonstrates that private acceptance did not become sovereign monetary closure.[1007]

The misclassification problem also affects institutional accountability. Legal tender is accountable through public law. Crypto networks, stablecoin issuers, exchanges, validators, wallet providers, developers, foundations, and market participants may create functional governance systems. Some may be sophisticated, transparent, and commercially reliable. But functional governance is not democratic monetary authority. Private governance may organize settlement; it does not define sovereign closure.[1008]

Accordingly, the doctrine does not ask policymakers to prohibit private digital settlement. It asks them to name the legal layer correctly. If private parties accept crypto, the transaction may be analyzed as contract performance, property disposition, income recognition, taxable event, compliance event, payment substitute, or private discharge. But unless sovereign law grants legal-tender status or equivalent monetary-closure effect, the transaction should not be described as closing in the sovereign monetary sense.[1009]

The doctrinal rule is therefore direct:

The danger is not private acceptance; the danger is the public misclassification of private acceptance as sovereign monetary closure.[1010]

This formulation preserves lawful private settlement while protecting constitutional monetary authority. Private acceptance may close expectations. Legal recognition may classify consequences. Regulation may supervise risk. But sovereign monetary closure requires public law. Without that distinction, private payment systems may acquire monetary meaning by social drift rather than constitutional authorization.[1011]

§IX. Long-Horizon Systemic Substitution Risk

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§IX.A. Chapter Purpose — From Private Closure to Systemic Substitution

This chapter examines the long-horizon systemic risks that may arise if cryptocurrency or stablecoins become mainstream payment media while remaining private settlement instruments rather than sovereign monetary-closure instruments. The inquiry does not begin from hostility to digital assets. It begins from the legal architecture developed in the preceding chapters: private payment may close expectations between parties, legal systems may recognize the transfer, regulators may supervise the transaction, and yet sovereign monetary closure may remain absent unless lawful money or an instrument granted equivalent closure status by Congress supplies finality.[1012]

Recent legislative efforts, including the **Guiding and Establishing National Innovation for U.S. Stablecoins Act**, or **GENIUS Act**, and the **Digital Asset Market Clarity Act**, or **CLARITY Act**, represent significant attempts to address the most visible public concerns in the digital-asset market. The GENIUS Act supplies a federal framework for payment stablecoin issuance, issuer qualification, reserve structure, redemption rights, supervision, compliance, and related regulatory treatment. The CLARITY Act addresses digital-asset market structure, securities and commodities boundaries, digital commodity transactions, intermediary registration, custody, anti-fraud authority, decentralized-finance treatment, and allocation of oversight between the SEC and CFTC.[1013]

These efforts are substantial. They address many of the questions that the public, markets, and regulators have asked: who may issue; who must register; who must supervise; who must report; who must comply; what reserves must support payment stablecoins; what intermediaries must do; how custody should be treated; what conduct is prohibited; and which federal agency governs which activity. In that sense, the GENIUS Act and CLARITY Act respond to real first-order problems in the digital-asset perimeter.[1014]

But those questions do not exhaust the long-horizon architecture. The purpose of this chapter is not to argue that cryptocurrency cannot function as payment. It can. Nor is the purpose to accuse Congress, regulators, private actors, innovators, employers, merchants, stablecoin issuers, financial institutions, payment processors, or crypto users of wrongdoing. The concern is architectural: private innovation may create public-system dependency before public law has supplied sufficient closure, reporting, remittance, compliance, and continuity architecture to preserve sovereign monetary finality at scale.[1015]

The novelty is not private settlement itself. Private parties have long resolved obligations through agreed substitutes, including barter, foreign currency, commodities, credits, setoff, negotiable

instruments, contractual modifications, and other non-legal-tender forms of consideration. The novelty is the possibility of mass-scale, programmable, high-velocity, non-sovereign settlement architecture becoming a routine substitute for sovereign monetary closure across commerce, payroll, remittances, credit, public-law obligations, merchant services, platform balances, and cross-border value movement.[1016]

The core premise is therefore:

The main issue is not whether a private transaction can close between two parties. The main issue is what happens when private closure begins replacing sovereign closure at scale.[1017]

The GENIUS Act and CLARITY Act help regulate the perimeter around digital assets. They address issuer conduct, market classification, reserve expectations, trading infrastructure, intermediary responsibility, illicit-finance controls, custody, disclosure, and regulatory jurisdiction. Those measures were necessary. But necessary perimeter regulation is not the same as long-horizon systemic forecasting. A statute may regulate issuance without fully resolving mass-adoption closure effects. It may regulate intermediaries without modeling public-law remittance strain. It may clarify SEC-CFTC boundaries without answering when private settlement begins to substitute for legal-tender finality in ordinary commerce.[1018]

That distinction matters because regulated private settlement is still private settlement unless sovereign law supplies closure status. A payment stablecoin may be issued by a permitted issuer, backed by prescribed reserves, subject to redemption obligations, supervised by regulators, and routed through compliant intermediaries. Those features may reduce risk and improve legitimacy. But they do not necessarily make the instrument legal tender, central bank money, or sovereign monetary closure. Regulation may make the perimeter safer; it does not automatically transform private payment into public money.[1019]

Similarly, digital-asset market-structure legislation may clarify whether a token, transaction, intermediary, exchange, broker, dealer, custodian, or platform falls under SEC or CFTC jurisdiction. It may improve disclosure, custody, registration, anti-fraud enforcement, and market integrity. But market-structure clarity does not itself answer the monetary-closure question. A digital asset may be lawfully traded, properly classified, and supervised within a market regime while still lacking legal-tender authority when used as payment.[1020]

Although these legislative frameworks include oversight mechanisms and study provisions relevant to digital-asset risk, those mechanisms do not appear to supply a comprehensive legal-tender closure standard for mass private settlement adoption. By regulating issuance, markets, intermediaries, custody, disclosure, and compliance without expressly resolving the closure consequences of mass private settlement adoption, the statutory framework may leave second-order systemic effects insufficiently modeled: the gradual shift of practical authority over payment, obligation, settlement, remittance, and finality into architectures that are useful, lawful, and regulated, but not equivalent to sovereign money.[1021]

This chapter therefore operates as a **risk map**, not a prediction. It does not forecast inevitable displacement, collapse, or adoption. It identifies how private settlement substitution could generate public-system stress if adoption reaches sufficient scale before sovereign closure architecture, reporting systems, tax remittance, sanctions enforcement, banking intermediation, payment-system safeguards, and continuity mechanisms mature. The relevant question is not whether digital assets can be regulated. They can. The relevant question is whether regulation of the instrument and its perimeter is sufficient when the instrument begins functioning as a substitute settlement layer for obligations that ultimately depend on sovereign closure.[1022]

The systemic risk is cumulative. A single merchant accepting cryptocurrency does not threaten monetary sovereignty. A single contractor accepting a stablecoin does not destabilize Treasury remittance. A single exchange facilitating conversion does not create a parallel closure system. But widespread adoption across payroll, merchant settlement, remittances, supplier payments, credit obligations, platform economies, custodial balances, DeFi collateral, and cross-border payment channels could change the scale of the question. At that point, the issue becomes whether the public monetary architecture can still identify, value, tax, report, screen, remit, enforce, and close obligations generated inside private digital settlement networks.[1023]

The chapter's inquiry is therefore narrow but essential:

Do current digital-asset statutes regulate the instrument, issuer, intermediary, and market without fully accounting for the long-horizon systemic effects and dependency risks of private settlement becoming a mass-scale substitute for sovereign monetary closure?[1024]

That question does not diminish the GENIUS Act or CLARITY Act. It completes the diagnostic. Those statutes address many first-order regulatory concerns. This chapter asks whether second-order constitutional, monetary, fiscal, national-security, payment-system, banking-intermediation, sanctions-enforcement, payroll-remittance, and systemic-continuity risks remain unresolved when private settlement begins to scale as a substitute for public monetary finality.[1025]

The chapter's purpose may therefore be stated in final form:

Chapter IX shifts the doctrine from transactional analysis to systemic substitution analysis. It asks what happens when private closure becomes common enough to resemble monetary closure, while still lacking the sovereign authority, public accountability, tax-remittance architecture, payment-system finality, and constitutional closure status of lawful money.[1026]

§IX.B. Systemic Substitution Risk Defined

Systemic substitution risk occurs when private crypto or stablecoin settlement begins performing the social, commercial, and operational role of money across enough transactions that public systems dependent on dollar-denominated legal-tender closure begin to experience stress.[1027] The risk does not require cryptocurrency to become legal tender, nor does it require Congress, Treasury, the Federal Reserve, courts, or regulators to recognize the instrument as sovereign money. It requires only that private actors begin using crypto assets or stablecoins with sufficient

frequency, scale, and institutional reliance that the private settlement layer begins to substitute functionally for the public monetary layer.

The distinction is critical. Legal tender remains a status conferred by sovereign law. United States coins and currency, including Federal Reserve notes, retain their federal legal-tender position for debts, public charges, taxes, and dues.[1028] A private crypto asset or stablecoin does not acquire that status merely because merchants accept it, vendors invoice in it, employers compensate with it, workers receive it, households remit it, platforms transmit it, or counterparties agree to settle with it. Yet systemic risk may arise before legal status changes. The danger is not formal legal displacement. The danger is functional displacement without equivalent sovereign closure.

Systemic substitution risk therefore lives in the gap between legal identity and operational use. A crypto asset may remain legally classified as property for federal tax purposes, may remain subject to Bank Secrecy Act analysis when transmitted through covered intermediaries, may remain within sanctions-screening obligations when involving blocked persons or prohibited jurisdictions, and may remain outside legal-tender status while still becoming socially and commercially useful enough to serve as a substitute payment medium.[1029] At that point, the monetary system is not threatened because crypto has become lawful money. It is stressed because private settlement has begun to imitate money at scale while leaving public systems to translate, reconcile, tax, screen, report, value, and close the residual consequences in dollars.

This doctrine therefore defines systemic substitution risk as the cumulative public-law stress created when non-sovereign settlement instruments become sufficiently common in wages, invoices, vendor payments, remittances, trade settlement, payroll arrangements, consumer payments, and private debts that dollar-denominated legal-tender closure becomes delayed, fragmented, or indirectly dependent upon private conversion mechanisms.[1030] In the isolated transaction, this may appear harmless. A customer pays in Bitcoin. A contractor receives a stablecoin. A vendor accepts a crypto transfer. A freelancer invoices in a digital asset. A payroll provider facilitates partial compensation in cryptocurrency. Each event may be privately accepted, technologically confirmed, commercially useful, and enforceable under the governing agreement. But when multiplied across millions of transactions, those private closures begin to create a parallel settlement environment whose outputs must still be reconciled against public obligations.

That is why the mainstream payment risk of cryptocurrency is not primarily transactional failure. It is systemic substitution.[1031]

The ordinary policy debate often assumes that the central question is whether crypto can successfully settle a payment between two willing parties. That question is too narrow. In many cases, crypto can close the private transaction efficiently. A blockchain may confirm transfer. A wallet may display receipt. A stablecoin issuer may maintain redemption functionality. A merchant platform may mark the invoice paid. A payroll interface may record compensation. A contractor may treat the obligation as satisfied. But private success at the transactional layer does not answer whether the public system has achieved legal, fiscal, regulatory, and monetary closure.

The deeper risk is that crypto payments may close private transactions efficiently while exporting delayed consequences to public systems. Those consequences include valuation, taxation, reporting, payroll withholding, remittance, sanctions screening, custody classification, accounting treatment, consumer-risk allocation, suspicious-activity monitoring, and the satisfaction of derivative public obligations.[1032] A merchant may accept a crypto payment, but the tax system may still require dollar valuation. An employee may receive digital assets as compensation, but employment-tax obligations remain measured, withheld, reported, and remitted through dollar-denominated federal systems. A cross-border stablecoin transfer may satisfy the expectations of sender and recipient, but sanctions law still requires screening against prohibited counterparties and jurisdictions. A platform may enable private settlement, but FinCEN may still evaluate whether the activity constitutes money transmission or otherwise triggers Bank Secrecy Act obligations.[1033]

The substitution risk is fiscal, monetary, infrastructural, and strategic at the same time. The United States does not merely require money for private exchange; it requires dollar-denominated closure for taxation, public charges, payroll remittance, government receivables, federal debt operations, and the integrity of fiscal measurement. If private settlement migrates at scale into non-sovereign instruments, the public system must continuously translate privately settled value back into dollars. That translation process introduces timing risk, valuation risk, basis risk, reporting risk, liquidity risk, and enforcement risk. The problem is not that private actors cannot agree among themselves. The problem is that public obligations do not disappear because private settlement occurred through a non-sovereign medium.[1034]

Payment systems are not merely commercial conveniences; they are critical channels through which households, firms, employers, financial institutions, and public authorities maintain continuity under stress. A privately operated crypto or stablecoin settlement layer may be technologically resilient in certain respects, but it may also distribute payment activity across wallets, exchanges, custodians, smart contracts, bridges, offshore platforms, and decentralized protocols whose visibility, compliance posture, incident-response capacity, and jurisdictional accountability vary widely. If private settlement becomes widespread before public closure mechanisms are mature, national resilience may depend on infrastructure that public authorities do not fully supervise, cannot easily interrupt, and may not be able to restore during cyber disruption, sanctions evasion, liquidity stress, issuer failure, or platform insolvency.[1035]

Dollar-denominated legal-tender closure is not only a domestic convenience; it is part of the architecture through which the United States preserves sanctions effectiveness, financial-intelligence visibility, public-credit integrity, and monetary-policy transmission. If private crypto or stablecoin settlement becomes common enough to displace ordinary reliance on dollar-based closure, then adversaries, sanctioned actors, criminal networks, ransomware groups, and regulatory-arbitrage networks may exploit the gap between private transfer and public recognition. The national-security concern is not merely illicit finance in isolated transactions. It is the possible emergence of a parallel settlement environment in which value moves socially as money while public authority must chase the consequences after the fact.

Legal systems must distinguish between private autonomy and public monetary authority. Parties may agree to settle obligations by many means: goods, services, credits, negotiable instruments,

foreign currency, digital assets, or stablecoins. That freedom matters. But private settlement does not itself confer sovereign monetary status. A doctrine that fails to preserve this boundary risks allowing functional use to override legal architecture. If enough private actors treat non-sovereign instruments as money, courts, regulators, accountants, employers, tax authorities, and payment intermediaries may be pressured to normalize the instrument's monetary role without the formal legal act necessary to supply sovereign closure.

This is why stablecoins deserve special attention. Stablecoins may appear to reduce substitution risk because they reference the dollar, promise redemption, and may be backed by reserve assets. In reality, they may intensify the risk if users begin treating dollar-referenced private claims as though they were dollars themselves. Dollar reference is not dollar issuance. Reserve backing is not central bank money. Redemption rights are not legal tender. A stablecoin can improve the efficiency of private settlement while still leaving the legal-tender closure question unresolved.[1036] If stablecoins become deeply embedded in payroll, vendor settlement, cross-border remittances, consumer payments, and trade finance, the public system may become increasingly dependent upon private issuers, custodians, reserve managers, redemption practices, and compliance architectures to preserve the appearance of dollar continuity.

The doctrinal danger is therefore not that crypto payments fail to work. It is that they may work well enough to mask the difference between private settlement and sovereign closure. A failing payment system announces its deficiency. A successful private substitute may conceal it. The more efficiently crypto or stablecoins close private bargains, the more easily users may forget that taxation, sanctions, reporting, payroll remittance, accounting, custody, consumer protection, and public-obligation closure remain anchored to the sovereign monetary order. That concealment is the essence of systemic substitution risk.

The risk may be stated in sequence.

First, private parties begin accepting crypto or stablecoins for ordinary obligations. Second, repeated use normalizes the instrument as a substitute settlement medium. Third, platforms, employers, merchants, vendors, and households build workflows around the substitute medium. Fourth, private settlement begins to occur faster than public-law translation. Fifth, public systems must absorb the lag through valuation, reporting, taxation, compliance, and enforcement. Sixth, the monetary order experiences stress not because legal tender has been formally displaced, but because legal-tender closure has become operationally downstream of private settlement.

At small scale, this remains manageable. At systemic scale, it becomes a national-security issue.

Accordingly, systemic substitution risk should be understood as a second-order risk. The first-order transaction may succeed. The buyer pays. The seller accepts. The transfer settles. The invoice closes. The obligation appears complete. The second-order system, however, must still determine taxable value, income characterization, reporting treatment, sanctions exposure, custody status, accounting recognition, remittance obligations, suspicious-activity obligations, and public-law finality. The private bargain closes immediately; the sovereign system closes later, indirectly, and through translation. That delay is the risk.

The Legal Tender Closure Gap Doctrine therefore frames systemic substitution risk as follows:

Cryptocurrency's mainstream payment risk is not transactional failure; it is systemic substitution.

In other words, the risk is not that crypto cannot close private transactions. The risk is that crypto may close private transactions efficiently while leaving sovereign systems to absorb the delayed consequences of valuation, taxation, reporting, remittance, sanctions screening, custody classification, accounting treatment, and public-obligation closure.[1037] If that pattern becomes widespread, the United States does not face a simple classification problem. It faces a closure problem: a growing separation between where private value appears to settle and where public monetary authority must still complete the legal consequences of settlement.

That is the systemic substitution risk this chapter names.

§IX.C. Scenario Assumption — Private Closure Outpaces Sovereign Closure

This chapter proceeds from a neutral scenario assumption: private parties increasingly use cryptocurrency or stablecoins to settle wages, invoices, goods, services, vendor payments, trade obligations, remittances, and private debts. The assumption is not that cryptocurrency becomes legal tender, nor that Congress affirmatively grants private digital assets sovereign monetary status. The assumption is more limited and more realistic: private actors begin using crypto assets or stablecoins often enough that, in ordinary commercial life, those instruments perform the practical role of payment before public law has completed the work of monetary closure.[1038]

At the private layer, these transactions appear complete. The employee receives compensation. The merchant marks the invoice paid. The contractor accepts settlement. The vendor records the receivable as satisfied. The household remittance arrives. The digital wallet reflects receipt. The blockchain records transfer. The platform confirms execution. From the standpoint of the parties, value has moved and the bargain appears resolved. The transaction has achieved private closure.

But private closure is not the same as sovereign closure. A crypto asset or stablecoin may be accepted by willing parties, recorded by a network, transmitted by a platform, or recognized under a contract without becoming United States legal tender. Federal law continues to assign legal-tender status to United States coins and currency, including Federal Reserve notes, for debts, public charges, taxes, and dues.[1039] That statutory closure function does not migrate to a private instrument merely because the instrument is useful, liquid, dollar-referenced, technologically efficient, or widely accepted. The legal question therefore does not end when the private transaction appears complete. It begins again at the sovereign layer.

At the sovereign layer, the instrument often must be translated back into dollars for tax, payroll, accounting, sanctions, reporting, audit, and legal-enforcement purposes. If an employee receives cryptocurrency as wages, the transfer may satisfy the private compensation arrangement, but federal tax law still requires dollar-measured wage treatment, withholding analysis, employment-

tax treatment, and reporting.[1040] If a merchant receives cryptocurrency for goods or services, the merchant may treat the invoice as paid, but federal tax law still requires valuation of the digital asset in U.S. dollars and application of property-transaction principles.[1041] If an intermediary accepts and transmits convertible virtual currency or other value that substitutes for currency, Bank Secrecy Act obligations may attach depending on the actor, business model, and transaction structure.[1042] If the payment involves a sanctioned person, blocked jurisdiction, or prohibited transaction, sanctions obligations do not disappear because the transfer occurred in virtual currency rather than fiat currency.[1043]

This produces the central systemic risk:

Private closure scales faster than sovereign closure can absorb.

The risk is not that every private crypto payment fails. Many such payments may succeed at the private level. Indeed, the risk becomes more serious precisely when they succeed. A failing private settlement instrument is self-limiting because users abandon it. A successful private settlement instrument can scale quietly. It can normalize payment practices, alter commercial expectations, embed itself into payroll and vendor workflows, and create a parallel layer of private transactional completion before public systems have fully reconciled the consequences.

The result is an absorption problem. Public systems remain responsible for determining taxable value, wage characterization, basis, gain or loss, withholding obligations, information reporting, suspicious-activity monitoring, sanctions exposure, accounting treatment, custody classification, auditability, and enforcement posture. Yet those systems operate downstream from the moment of private transfer. The private layer moves first. The sovereign layer translates later. If the volume of private crypto or stablecoin settlement remains modest, the translation burden may remain administratively manageable. If the volume becomes mainstream, the translation burden may become structural.

This is the point at which the doctrine moves from transactional analysis to systems analysis. One transaction may raise valuation questions. One payroll arrangement may raise withholding questions. One remittance may raise sanctions-screening questions. One vendor payment may raise accounting questions. But millions of such transactions create a different category of risk. The public system must absorb not a single exception, but a broad migration of payment behavior into instruments that do not themselves carry legal-tender closure. At scale, the issue is no longer whether a particular crypto payment was privately accepted. The issue is whether the public monetary order can maintain timely, uniform, enforceable closure when private settlement occurs through instruments requiring later dollar translation.

Stablecoins sharpen this assumption because they may appear to solve the problem while preserving it. A dollar-referenced stablecoin may reduce volatility, improve payment convenience, and make private settlement appear closer to ordinary dollar payment. But dollar reference is not dollar issuance. Redemption is not legal tender. Reserve backing is not central bank money. Private settlement efficiency is not sovereign monetary finality. Unless competent law grants equivalent closure status, the stablecoin remains a private settlement instrument

whose public-law consequences must still be measured, supervised, reported, screened, audited, and closed through the sovereign legal order.[1044]

The same point applies to cryptocurrency more broadly. A blockchain record may establish that a transfer occurred. It does not, by itself, determine income recognition, payroll compliance, sanctions legality, suspicious-activity reporting, contractual discharge, custody status, accounting classification, or legal-tender closure. Technical finality and legal finality are not the same thing. A network may finalize a transaction in seconds while the legal system continues to evaluate the transaction's public consequences for days, months, or years. That temporal separation is one of the hidden risks of mainstream payment substitution.

The scenario assumption is therefore neutral, not adversarial. It does not presume bad faith by crypto users, stablecoin issuers, merchants, employees, contractors, or payment providers. It assumes only that private actors pursue speed, convenience, liquidity, lower friction, cross-border utility, or platform-native efficiency. Those incentives are commercially rational. But rational private adoption can still create public stress if the legal architecture required for sovereign closure lags behind the speed of private settlement.

The doctrinal concern is not that private parties settle obligations by agreement. Private settlement is a normal feature of contract and commercial life. The concern is that private settlement through non-sovereign instruments may become sufficiently common that the public system is forced into a permanent reconciliation posture. In that posture, the dollar remains the legal unit of public closure, but private settlement increasingly occurs outside direct dollar instruments. The system then depends on continuous conversion, valuation, reporting, and enforcement translation to reconnect private transactional completion to sovereign monetary authority.

That is the central scenario of this chapter: private closure moves first; sovereign closure follows behind. The employee is paid before payroll remittance is closed. The merchant receives crypto before tax consequences are calculated. The remittance arrives before sanctions exposure is fully screened. The vendor accepts settlement before accounting treatment is settled. The blockchain records transfer before legal characterization is complete. The private world sees completion. The sovereign system sees unfinished work.

The Legal Tender Closure Gap Doctrine identifies that lag as the core national-security implication of mainstream crypto payment use. A monetary system does not fail only when legal tender is formally displaced. It may also experience stress when legal tender remains formally supreme but becomes operationally downstream of private settlement instruments. In that condition, sovereign closure is not abolished. It is delayed, translated, fragmented, and forced to absorb consequences after private closure has already occurred.[1045]

Accordingly, this chapter proceeds from the following scenario assumption:

Private parties increasingly close transactions with crypto assets and stablecoins before the sovereign system can complete dollar-denominated legal, fiscal, regulatory, and enforcement closure.

That is the risk architecture. Private closure scales. Sovereign closure absorbs. The gap between the two becomes the systemic pressure point.

§IX.D. Payroll-Tax and Public Revenue Continuity Risk

Payroll is one of the clearest stress points in the Legal Tender Closure Gap Doctrine because wages occupy two legal positions at once. At the private layer, wages are compensation owed by an employer to an employee for labor performed. At the public layer, wages are also revenue infrastructure. They are the recurring base through which federal income-tax withholding, Social Security contributions, Medicare contributions, unemployment-tax obligations, wage reporting, and Treasury deposit flows are measured, collected, and reconciled.[1046] A wage payment is therefore not merely a private transfer of value. It is a recurring fiscal event through which the federal government receives revenue, funds social-insurance systems, maintains payroll-tax continuity, and preserves the administrative link between labor compensation and public finance.

This dual character makes payroll uniquely vulnerable to systemic substitution risk. If cryptocurrency or stablecoins become common wage media, employees may be privately paid in crypto, dollar-referenced tokens, or other digital assets. The employee may receive value. The employer may treat the compensation obligation as satisfied. The payroll platform may record payment. The wallet may confirm receipt. The private wage bargain may appear complete. Yet the federal tax system does not close merely because the employee has received a digital asset. Under IRS guidance, virtual currency paid as wages is subject to federal income-tax withholding, Federal Insurance Contributions Act taxes, Federal Unemployment Tax Act obligations, and Form W-2 reporting, with the value measured in U.S. dollars at the date of receipt.[1047]

That rule reveals the closure gap in its clearest fiscal form. Crypto can be the wage medium, but dollars remain the tax-closure medium. The employer may compensate the worker in cryptocurrency or stablecoins, but the employer's federal public obligations are still denominated, measured, deposited, reported, and enforced through the dollar-based tax system.[1048] The wage instrument may move outside ordinary dollar rails, but the derivative tax obligations do not. They remain attached to the sovereign monetary order.

The first systemic concern is payroll-tax remittance stress. Employers that pay wages in crypto may need to calculate the fair-market value of the asset in U.S. dollars, determine withholding and employment-tax obligations, and ensure that the required federal deposits are made on time through Treasury-recognized channels.[1049] If the employer receives revenue in crypto, pays employees in crypto, or uses a payroll structure where digital assets are part of the compensation workflow, the employer may need to convert sufficient value into dollars before timely remittance. This creates an operational dependency that does not exist in the same way when wages and payroll-tax deposits move through dollar-native systems.

The issue is not merely administrative inconvenience. Federal payroll taxes are periodic, high-volume, time-sensitive obligations. Employers must withhold federal income tax from wages, withhold and pay Social Security and Medicare taxes, pay federal unemployment tax where applicable, report wages and taxes, and deposit employment taxes according to applicable

deposit schedules.[1050] If crypto wage payments become mainstream, payroll-tax compliance may increasingly depend on the employer's ability to value, liquidate, convert, and deposit at the correct time. In a stable market, that dependency may be manageable. Under volatility, liquidity stress, exchange disruption, issuer failure, custody interruption, cyber incident, or sanctions exposure, it may become a public-revenue continuity problem.

The second systemic concern is employer liquidity-conversion dependency. When wages are paid in a non-dollar instrument, the employer's public tax obligations remain dollar-measured even if the compensation medium is not dollars. A company may promise or deliver crypto compensation to workers while still needing liquid dollars to remit withholding and employment taxes. If the asset declines in value after wage payment but before conversion, if a stablecoin temporarily depegs, if an exchange freezes withdrawals, or if custody access is interrupted, the employer may face a mismatch between private compensation completion and public remittance capacity. The employee has been paid; the tax deposit is still due. The private obligation may have closed; the public obligation has not.

This timing mismatch creates a form of payroll-liquidity risk. In ordinary payroll, employers may still face cash-management burdens, but the wage medium and tax-closure medium are generally aligned. In crypto payroll, the employer may create two parallel layers: a private wage layer denominated or paid in digital assets, and a public tax layer requiring dollar measurement and remittance. The wider the separation between those layers, the more the federal revenue system depends on conversion channels, market liquidity, custody availability, valuation integrity, and payroll-provider compliance.

The third systemic concern is public revenue inflow exposure. Federal payroll-tax collection depends on predictable, recurring, dollar-denominated inflows. Treasury's tax-collection architecture relies on financial institutions, Federal Reserve Banks, Treasury Tax and Loan depositaries, and electronic federal tax-payment systems to receive and process federal tax payments.[1051] If wage payments migrate at scale into crypto rails, public revenue inflows may become more dependent on private conversion timing. The Treasury may still ultimately receive dollars, but those dollars may arrive after passing through additional private-market steps: asset valuation, liquidation, stablecoin redemption, exchange settlement, banking transfer, and tax deposit. Each added step becomes a potential point of delay, disruption, or loss.

This risk is especially important because payroll-tax obligations are not incidental federal receipts. Social Security and Medicare financing depends heavily on taxes imposed on wages and self-employment income.[1052] If crypto wages became common enough to alter the timing, reliability, or enforceability of payroll-tax remittance, the issue would not merely affect individual employer compliance. It could introduce stress into the continuity of public programs tied to payroll-tax flows. The doctrinal concern is therefore not that crypto wages would abolish payroll taxes. The concern is that payroll-tax continuity may become more dependent on private-market conversion architecture.

The fourth systemic concern is Treasury cash-flow predictability. Public finance depends not only on ultimate collection, but on the reliable timing and measurability of collection. Federal tax deposits move through regulated payment and deposit systems designed to support Treasury cash

management, revenue accounting, and public-fund continuity.[1053] If private wage settlement bypasses direct dollar payment while leaving tax deposits to be reconstructed later through conversion, the sovereign system may experience increased forecasting friction. The problem is not that the employer lacks a legal obligation to pay. The problem is that the employer's ability to satisfy that obligation may depend more heavily on private asset markets and private intermediaries than the public revenue system was designed to absorb at scale.

Table 12. Payroll-Tax and Public Revenue Continuity Risks Under Crypto Wage Settlement

Risk Category	Systemic Concern	Closure-Gap Mechanism	Public-Sector Implication
Payroll-tax remittance stress	Employers may need to convert crypto or stablecoins into dollars before timely federal tax deposits can be made.[1049]	Private wage payment may close before public payroll-tax obligations are deposited through Treasury-recognized channels.[1050]	Timely federal revenue collection may become more dependent on conversion liquidity, employer cash management, and deposit-system access.[1051]
Employer liquidity-conversion dependency	Employers may face liquidity risk if the asset's value changes, a stablecoin depegs, custody access is interrupted, or exchange liquidity becomes unavailable before withholding and remittance.[1047]	The wage medium and tax-closure medium diverge: employees may receive crypto while tax obligations remain dollar-measured.[1048]	Public obligations remain due even when private compensation has already occurred, creating mismatch risk between wage satisfaction and tax remittance.[1050]
Social Security and Medicare funding pressure	Payroll-tax continuity may be stressed if wage payments migrate outside direct dollar rails at meaningful scale.[1052]	FICA obligations remain tied to wage measurement and federal employment-tax collection even if compensation is paid in crypto.[1046]	Social-insurance funding reliability may become indirectly exposed to private settlement systems, conversion timing, and employer remittance capacity.[1052]
Public revenue continuity exposure	Public revenue inflows may depend increasingly on valuation, liquidation, redemption, banking transfer, and deposit timing.[1051]	Treasury receives usable dollars only after private-market translation from the wage instrument into the tax-closure medium.[1053]	Revenue timing, predictability, and auditability may weaken under high-volume crypto payroll adoption.[1053]
Treasury cash-flow predictability risk	Tax deposits may become less directly synchronized with wage payment events.[1050]	Private closure occurs when the employee is paid; sovereign closure occurs later when federal tax deposits are made and reported.[1051]	Treasury cash-management assumptions may face additional timing, reconciliation, and forecasting friction.[1053]
Payroll-provider compliance dependency	Employers may rely on third-party crypto payroll providers for valuation, withholding calculation, conversion, reporting, custody, and deposit support.[1054]	Compliance becomes mediated by private platform architecture rather than occurring entirely within ordinary dollar payroll rails.[1054]	Public revenue continuity may depend on provider controls, custody access, cybersecurity, books-and-records integrity, and regulatory compliance.[1054]
Audit and evidentiary reconstruction risk	Wage valuation, timing, wallet attribution, employee receipt, withholding records, and conversion records may become harder to verify across wallets, exchanges, custodians, and payroll platforms.[1055]	Blockchain transfer finality does not automatically establish tax characterization, wage valuation, withholding accuracy, or payroll compliance.[1055]	Enforcement agencies may face greater reconstruction burdens during audits, investigations, employer insolvency, platform failure, or sanctions review.[1055]

Doctrinal Note

Table 12 identifies payroll as a sovereign-closure stress point because wages operate simultaneously as private compensation and public revenue infrastructure. These risks do not mean crypto or stablecoin wage settlement is necessarily invalid, unlawful, or commercially

ineffective. They show that crypto payroll is conditional upon a separate public-revenue closure process. An employee may receive crypto or stablecoins, and the private compensation obligation may appear complete, but federal payroll-tax obligations remain dollar-measured, deposit-driven, reported, and separately administered. Payroll therefore illustrates the doctrine's central distinction: private wage settlement may occur through a digital asset, but public revenue closure still depends on dollar-denominated tax measurement, withholding, remittance, reporting, and enforcement.[1046] [1047] [1048] [1050] [1052]

Figure 9 Source and Data Availability: Figure 9, *Payroll-Tax and Public Revenue Continuity Risks Under Crypto Wage Settlement*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as Table 12 is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/8rmsx5t4xg/1*].

Public-Facing Bridge

The distinction is simple: crypto can be the wage medium, but dollars remain the tax-closure medium. A worker may be privately paid in crypto or stablecoins, but the federal payroll-tax system still requires dollar-denominated withholding, deposit, reporting, and enforcement.[1049] [1051] [1053] [1056] [1057]

Table 12 demonstrates that the payroll risk is not confined to employer compliance. It extends across federal revenue timing, Social Security and Medicare funding continuity, Treasury cash-flow predictability, payroll-platform dependency, valuation integrity, and audit reconstruction. The table therefore reinforces the chapter's central claim: crypto may complete the private wage transaction while leaving the public revenue system to complete dollar-denominated closure afterward.

Crypto wage compensation therefore exposes a sharp doctrinal boundary. Private compensation and public remittance are related but not identical. An employer may satisfy a worker through a digital asset transfer, but that transfer does not itself satisfy the employer's federal withholding, FICA, FUTA, reporting, or deposit obligations.[1056] The public obligation remains measured in dollars, enforceable under federal tax law, and payable through recognized federal tax-payment mechanisms. This means that crypto payroll does not eliminate the dollar. It makes the dollar arrive later in the legal sequence.

The wage context also clarifies why stablecoins do not fully solve the closure problem. A dollar-referenced stablecoin may reduce volatility compared with other crypto assets and may make payroll settlement appear closer to dollar compensation. But even where the private instrument references dollars, the employer's tax obligations remain governed by federal tax law and deposit requirements. A stablecoin transfer to an employee is not the same as a Treasury-recognized payroll-tax deposit. Reserve backing, redemption rights, and platform convenience may support private compensation, but they do not themselves close the employer's public remittance obligation.[1057]

At scale, the public concern is not whether a single employee can be paid in crypto. The concern is whether millions of wage payments could migrate into instruments that require later conversion, valuation, and remittance before the public revenue system receives legally usable dollars. A small number of crypto payroll arrangements may be handled through ordinary compliance procedures. A mainstream migration would create systemic dependence on conversion liquidity, valuation accuracy, payroll-provider compliance, employer solvency, custody reliability, and stablecoin redemption performance.

The doctrinal claim is therefore straightforward:

Crypto can be the wage medium, but dollars remain the tax-closure medium.

That sentence captures the core fiscal architecture. Cryptocurrency or stablecoins may serve as private compensation instruments where permitted by law and agreement. They may move value from employer to employee. They may satisfy the private wage bargain. But the public revenue system still requires dollar-denominated measurement, withholding, deposit, reporting, and enforcement. The employee may receive crypto. The Treasury must receive legally recognized tax payment. The worker may be satisfied. The sovereign obligation remains until closed through the federal tax system.

This is why payroll-tax and public revenue continuity sit at the center of systemic substitution risk. Payroll is where private settlement most directly intersects with recurring public finance. If private wage closure scales faster than sovereign tax closure can absorb, the legal-tender closure gap becomes fiscal, operational, and national in consequence. The issue is not merely whether crypto can compensate labor. The issue is whether the public revenue architecture can maintain continuity when labor compensation increasingly occurs through instruments that are not themselves the tax-closure medium.

Doctrinal Clarification Footnote — De Facto Monetary Substitution.
Widespread use of decentralized cryptocurrency or stablecoins as a wage, invoice, remittance, vendor-payment, or private-debt medium would not make those instruments legal tender in the formal statutory sense. Legal-tender status remains a function of sovereign law, not public habit, market adoption, or technological efficiency. See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 12 U.S.C. § 411. But widespread private adoption may produce a separate constitutional-systems concern: de facto monetary substitution. In that condition, the public may begin treating a non-sovereign instrument as money for ordinary economic life even though Congress has not granted the instrument legal-tender status, public-obligation receivability, or sovereign monetary-closure effect. The result is not formal legal tender, but functional monetary displacement: a private instrument performs the social role of money while public systems remain responsible for tax, payroll, sanctions, reporting, audit, and legal-enforcement closure in dollars. The constitutional concern is therefore not that Congress's Article I monetary authority has been legally repealed, but that private settlement scale may operationally bypass the monetary-closure architecture Congress alone is empowered to define.

§IX.E. Dollar Unit-of-Account and Legal Residue Pressure

Mainstream crypto payment does not eliminate dollar measurement. It may increase reliance on dollar measurement. That proposition may seem counterintuitive at first. If private parties increasingly use cryptocurrency or stablecoins for wages, invoices, goods, services, vendor payments, remittances, refunds, and private debts, it may appear that the dollar has become less important to the transaction. At the private settlement layer, that may be true. The parties may denominate expectations in crypto, transfer crypto, receive crypto, and treat the bargain as complete in crypto. But at the legal layer, the transaction often returns to the dollar because federal tax law, wage measurement, income recognition, basis calculation, accounting treatment, reporting obligations, and enforcement valuation remain dollar-anchored.[1058]

This is the paradox of mainstream crypto payment adoption: the more private settlement migrates away from direct dollar payment, the more the legal system may be required to measure, translate, and reconstruct the transaction in dollars. A crypto payment may privately close a bargain, but it often leaves behind legal residue. That residue consists of the unresolved legal consequences that remain after value has moved: fair-market-value determination, basis tracking, gain or loss recognition, ordinary income recognition, accounting classification, wage measurement, invoice valuation, refund valuation, dispute valuation, reporting treatment, and audit reconstruction.[1059]

The legal residue exists because cryptocurrency is not treated as dollar currency merely because it is used as payment. IRS guidance treats virtual currency as property for federal tax purposes. Accordingly, a person who receives virtual currency as payment for goods or services must include the fair-market value of that virtual currency, measured in U.S. dollars as of the date of receipt, in gross income. A taxpayer who uses virtual currency to pay for goods or services may also realize gain or loss depending on the taxpayer's adjusted basis in the virtual currency and the value of what is received in exchange.[1060] Thus, the private transaction may appear simple — one party pays, the other accepts — while the legal system must still determine dollar value, basis, amount realized, character, timing, and reporting consequences.

The first pressure point is fair-market-value dispute. If a crypto asset is used to pay an invoice, compensate labor, purchase goods, settle a refund, or resolve a private obligation, the parties may disagree over the correct valuation time, source, or conversion rate. Was the value measured when the wallet transfer was initiated, when the blockchain recorded the transaction, when network confirmations were complete, when the recipient obtained control, when the invoice was marked paid, or when the asset was converted into dollars? Which exchange, index, oracle, broker quotation, or blockchain explorer supplies the relevant value? These questions may be manageable in isolated cases, but at scale they create repeated valuation pressure.[1061]

The second pressure point is tax basis complexity. Because virtual currency is treated as property, each disposition may require basis tracking and gain or loss analysis. A taxpayer who acquired digital assets at one value and later uses those assets to pay for goods, services, invoices, or private obligations may create a taxable event. The transaction may therefore involve two legal layers at once: the recipient's income recognition and the payer's property disposition.

The private payment looks like a settlement event, but the tax system may treat it as an exchange requiring basis, amount realized, and gain or loss computation.[1062]

The third pressure point is ordinary income recognition. A recipient who receives crypto as payment for services, wages, business income, vendor invoices, or contractor work may need to treat the fair-market value of the crypto received as ordinary income measured in dollars. For wage compensation, the same logic extends into withholding, FICA, FUTA, and Form W-2 reporting. For independent contractors, merchants, and service providers, the income may be reported under ordinary income principles even though payment occurred in a non-dollar instrument.[1063] The legal system therefore does not abandon the dollar unit of account; it uses the dollar to classify and measure the income produced by the crypto settlement.

The fourth pressure point is reporting burden. Employers, merchants, contractors, exchanges, payment processors, payroll platforms, custodians, and brokers may face increased reporting complexity when crypto becomes a mainstream payment medium. Federal tax administration increasingly requires digital-asset transactions to be reported through existing and emerging information-reporting frameworks, including broker reporting for certain digital-asset sales and exchanges.[1064] The public system must therefore reconstruct not merely whether a transfer occurred, but what the transaction was, who controlled the asset, what value was received, whether the event was taxable, whether basis information is available, whether income was ordinary or capital, and whether reporting obligations attached.

The fifth pressure point is accounting fragmentation. Institutions may classify similar crypto payment activity differently depending on role, custody model, purpose, and balance-sheet posture. A merchant receiving crypto, a platform holding crypto for customers, a payroll provider converting crypto, a stablecoin issuer maintaining reserves, and an enterprise holding crypto as an asset may each face different accounting and disclosure questions. FASB's crypto-asset accounting update requires entities within its scope to measure certain crypto assets at fair value each reporting period, with changes recognized in net income, but that framework does not eliminate broader classification questions involving custody, payment processing, receivables, liabilities, stablecoin claims, or contractual settlement terms.[1065]

The sixth pressure point is valuation timing dispute. Crypto settlement separates moments that are often collapsed in ordinary dollar payment. Payment time, receipt time, confirmation time, control time, accounting recognition time, tax measurement time, invoice satisfaction time, and conversion time may diverge. In a volatile asset environment, even short timing gaps can affect dollar valuation. In a stablecoin environment, timing still matters if redemption, depegging, custody interruption, issuer delay, or settlement failure occurs. The legal system must therefore decide which event supplies the relevant measurement point, and different regimes may answer that question differently.[1066]

Table 13. Dollar Unit-of-Account and Legal Residue Pressure Under Mainstream Crypto Payment

Pressure Point	Legal Residue Created	Dollar-Measurement Requirement	Closure-Gap Pressure
Fair-market-value disputes	Parties may dispute the correct valuation time, source, exchange rate, oracle, index, or conversion method for a crypto payment.[1061]	The transaction must still be translated into U.S. dollars for income, tax, refund, damages, wage, or invoice treatment.[1058]	Private settlement may appear complete while legal valuation remains unresolved.
Tax basis complexity	Each crypto payment may create a disposition event requiring adjusted basis, amount realized, gain or loss, and character analysis.[1062]	The payer may need to determine whether using crypto to pay an obligation produced taxable gain or loss measured in dollars.[1060]	Ordinary payment activity becomes a recurring property-disposition and basis-tracking burden.
Ordinary income recognition	Recipients may need to recognize income when crypto is received for wages, services, goods, invoices, or contractor work.[1063]	The fair-market value of the crypto received must be measured in U.S. dollars at the relevant receipt point.[1060]	A private crypto receipt may close the bargain while leaving dollar-denominated income treatment open.
Reporting burden	Employers, merchants, contractors, brokers, exchanges, custodians, payment processors, and payroll platforms may face increased information-reporting complexity.[1064]	Reporting systems must identify the transaction, counterparty, asset, value, timing, basis, and taxable character in dollar terms.[1064]	The public system must reconstruct legal meaning after private transfer has already occurred.
Accounting fragmentation	Similar crypto payment events may receive different accounting treatment depending on role, custody model, balance-sheet posture, payment function, or contractual structure.[1065]	Institutions may need to classify, measure, disclose, or remeasure crypto assets or related obligations in dollar-denominated financial statements.[1065]	Transactional uniformity at the payment layer may fragment into different accounting outcomes at the institutional layer.
Valuation timing disputes	Payment time, receipt time, confirmation time, control time, invoice satisfaction time, accounting recognition time, and conversion time may diverge.[1066]	Legal systems must determine which moment supplies the relevant U.S.-dollar value for tax, accounting, payroll, refund, damages, or dispute purposes.[1067]	Blockchain finality may occur before legal finality, leaving dollar valuation contested after private settlement.

Doctrinal Note
Table 13 identifies the legal residue created when mainstream crypto or stablecoin payment shifts private settlement away from direct dollar transfer while leaving legal measurement anchored to the dollar. These pressures do not mean crypto payments are necessarily invalid, unlawful, or commercially ineffective. They show that private crypto settlement remains conditional upon post-transaction legal reconstruction. A transaction may close privately in crypto, but the legal system may still require fair-market-value determination, tax basis tracking, gain or loss recognition, ordinary income treatment, reporting, accounting classification, and valuation timing analysis in U.S. dollars. Table 13 therefore illustrates the doctrine's central unit-of-account tension: the dollar may lose transactional centrality in private settlement while retaining legal centrality in taxation, accounting, reporting, audit, dispute resolution, and enforcement.[1058] [1059] [1060] [1064] [1067]

Figure 10 Source and Data Availability: Figure 10, *Dollar Unit-of-Account and Legal Residue Pressure Under Mainstream Crypto Payment*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as Table 13 is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/hjfxs6mx8m/1*].

Public-Facing Bridge
The distinction is simple: crypto may close the private transaction, but the dollar still measures the legal consequences. A payment may move in crypto or stablecoins, but tax, accounting, reporting, basis, income, refund, damages, and enforcement analysis still return to dollar-denominated valuation.[1061] [1062] [1063] [1065] [1066]

Table 13 demonstrates that mainstream crypto payment does not remove the dollar from legal analysis. It may instead multiply the moments when the dollar must be reintroduced as the unit of account. Each pressure point reflects a different form of legal residue: valuation, basis, income, reporting, accounting, or timing. The transaction may close privately in crypto, but the law must still reconstruct its dollar meaning afterward.

These pressures show why crypto adoption may increase, rather than reduce, dependence on the dollar as the legal unit of account. The dollar may become less visible at the moment of private settlement while becoming more important in the legal reconstruction that follows. It may no longer be the instrument transferred between the parties, but it remains the measurement standard for tax, accounting, payroll, reporting, damages, refunds, disputes, and public obligations. That inversion is one of the central risks of systemic substitution: transactional centrality may move away from the dollar while legal measurement remains anchored to it.

This creates a structural tension. The dollar may remain the legal unit of account while losing transactional centrality in private settlement. The private layer may ask, "Was the crypto received?" The legal layer asks, "What was it worth in dollars, when was it received, what basis attached, what gain or loss occurred, what income was recognized, what report was required, and what obligation remains?" Those are different questions. The first can often be answered by a

wallet record or blockchain confirmation. The second requires legal classification, valuation evidence, records, reporting, and dollar-denominated measurement.[1067]

That tension is a closure-gap pressure point. A system can tolerate some legal residue. Every monetary system contains valuation, accounting, and reporting questions. But mainstream crypto payment multiplies residue because ordinary payment events become property dispositions, income-recognition events, basis-tracking events, accounting classification events, and reporting events. The transaction may close privately in seconds, while its legal residue may remain open through tax filing, audit, dispute resolution, refund processing, financial-statement preparation, or enforcement reconstruction.

The core point is therefore clear:

The dollar may remain the legal unit of account while losing transactional centrality in private settlement.

That condition does not eliminate dollar sovereignty, but it changes the burden placed upon it. The sovereign monetary order remains responsible for legal measurement even when private settlement occurs outside direct dollar instruments. The result is not a post-dollar system. It is a residue-heavy dollar system: one in which the dollar continues to close public obligations, measure legal consequences, and govern enforcement, but increasingly does so after private settlement has already occurred elsewhere.

§IX.F. IRS Enforcement and Reporting Friction

If millions of private crypto payments occur across wallets, platforms, intermediaries, unhosted addresses, payroll providers, payment processors, decentralized applications, bridges, and stablecoin rails, the enforcement challenge is not presumed illegality. The issue is whether private settlement volume can outpace public reporting and enforcement architecture.[1068] That distinction is essential. This doctrine does not assume that crypto users, merchants, employers, contractors, platforms, or stablecoin participants are acting unlawfully. It assumes only that transaction volume, address fragmentation, custody variation, reporting asymmetry, valuation uncertainty, and timing divergence may create enforcement friction even where the underlying transactions are ordinary, voluntary, and commercially legitimate.

Federal tax administration depends upon more than the existence of legal obligations. It depends upon information architecture. Taxpayers must maintain records sufficient to establish income, deductions, credits, basis, gain, loss, and other tax consequences.[1069] The IRS must be able to identify taxpayers, verify reported amounts, examine books and records, summon relevant information, match third-party reports, and reconstruct taxable events where reporting is incomplete or inconsistent.[1070] In ordinary dollar-based systems, much of that architecture is supported by banks, brokers, employers, payment processors, payroll systems, Forms W-2, Forms 1099, account statements, and regulated financial intermediaries. Crypto settlement may preserve some of those reporting channels where custodial platforms, brokers, payroll providers, or payment processors are involved. But it may also shift activity into transaction environments

where wallet control, beneficial ownership, payer/payee identity, valuation evidence, and taxable characterization require additional reconstruction.

The first enforcement friction is wallet attribution. A blockchain may show that one address transferred value to another address, but that record does not always establish the legal identity of the taxpayer, the beneficial owner, the payer, the payee, the employer, the contractor, or the economic party in control. An address can be self-custodied, exchange-hosted, smart-contract-controlled, multisignature-governed, delegated, compromised, pooled, bridged, or routed through multiple intermediaries. The technical record may be highly transparent while the legal identity remains uncertain. That creates attribution friction: the IRS may know that value moved without immediately knowing whose taxable event occurred.[1071]

The second enforcement friction is underreporting risk. Because virtual currency is treated as property for federal tax purposes, taxpayers may have reporting obligations when they receive, sell, exchange, or otherwise dispose of digital assets.[1072] If crypto becomes a common payment medium, ordinary transactions may generate taxable consequences that taxpayers fail to identify, misunderstand, misvalue, or omit. This is not necessarily because the taxpayer intended evasion. The transaction may resemble ordinary payment in social practice while functioning as a property disposition or income-recognition event in law. The more frequently crypto is used for everyday payment, the greater the risk that taxable events become normalized as payment events and therefore underreported.

The third enforcement friction is taxpayer-identity mismatch. Wallet ownership, beneficial ownership, payer identity, payee identity, platform account identity, tax-reporting identity, and legal-entity identity may diverge. A wallet may be controlled by an individual but used for a business. A platform account may be held by an entity but operated by an employee or contractor. A stablecoin payment may pass through a payment processor, payroll provider, decentralized application, or bridge before reaching the intended recipient. A smart contract may execute transfers automatically without clearly displaying the human or legal person for whom the transfer is made. These mismatches complicate the basic enforcement question: who had income, who disposed of property, who withheld, who paid, who received, and who must report?[1073]

The fourth enforcement friction is valuation dispute. Tax consequences often depend on fair-market-value timing and source. IRS guidance requires virtual currency received for goods or services to be included in gross income at fair market value measured in U.S. dollars as of the date received, and it provides that fair market value may be determined by reference to an exchange rate where the virtual currency is listed on an exchange.[1074] But mainstream payment use multiplies valuation contexts. Payment time, broadcast time, confirmation time, receipt time, control time, invoice satisfaction time, conversion time, refund time, and reporting time may differ. Multiple exchanges or pricing sources may produce different values. A stablecoin may remain near parity, temporarily depeg, or be subject to redemption delay. The enforcement issue is not only whether a taxpayer reported a transaction, but whether the reported dollar value is legally supportable.

The fifth enforcement friction is audit complexity. A conventional audit may require bank records, invoices, payroll records, contracts, receipts, ledgers, and Forms W-2 or 1099. A crypto-payment audit may require those records plus wallet addresses, exchange records, custody records, private-platform data, blockchain analytics, transaction hashes, bridge histories, smart-contract interactions, stablecoin redemption records, off-chain invoices, employer payroll files, and evidence linking wallets to taxpayers.[1075] The IRS has statutory authority to examine books and records, summon persons and documents, and investigate tax liability. But authority and operational ease are not the same. If the evidentiary trail is distributed across on-chain and off-chain environments, enforcement may become slower, more technical, and more dependent on specialized reconstruction.

The sixth enforcement friction is delayed compliance. Private crypto settlement may be treated as complete immediately by the parties, while legal reporting occurs later through annual tax returns, broker reports, employer reports, platform disclosures, amended filings, summons responses, or audit reconstruction. The private transaction may become socially and commercially final long before the public reporting system receives complete, standardized, and taxpayer-linked data. That delay matters because tax administration depends on timing. Reporting delayed beyond the transaction cycle increases the burden of reconstruction, increases the likelihood of record loss, complicates valuation, and may reduce the practical effectiveness of compliance intervention.

The seventh enforcement friction is reporting-system overload. Public reporting architecture may be stressed by transaction volume and data fragmentation. Digital-asset broker reporting rules may improve visibility for transactions occurring through covered brokers, but they do not eliminate all reporting gaps across self-custody, decentralized protocols, unhosted wallets, cross-chain bridges, private transfers, payroll arrangements, merchant settlement, and payment processors.[1076] Even where reporting rules apply, the system must process large quantities of transaction data, match reports to taxpayers, reconcile basis information, determine taxable character, and distinguish investment trades from payment transactions. The challenge is not only legal coverage. It is operational absorption.

Table 14. IRS Enforcement Frictions and Systemic Effects Under Mainstream Crypto Payment

Enforcement Friction	Operational Concern	Reporting / Enforcement Gap	Systemic Effect on the United States
Wallet attribution disputes	Authorities may identify blockchain addresses and transaction flows without immediately identifying the taxpayer, beneficial owner, legal entity, employer, contractor, merchant, or payee behind the address.[1071]	Technical visibility may exist without legal attribution. A transaction hash can prove movement of value, but not always taxpayer identity or control.[1075]	Weakens tax-enforcement precision, increases investigative burden, and may delay attribution of income, gain, withholding responsibility, or reporting liability.
Underreporting risk	Taxpayers may fail to report crypto payments accurately or completely because ordinary payment activity may also constitute income recognition, property disposition, or gain/loss realization.[1072]	Social treatment of crypto as "payment" may obscure its legal treatment as property for tax purposes.[1072]	Increases federal revenue leakage risk, reduces voluntary compliance accuracy, and may require greater IRS education, matching, audit, and enforcement capacity.
Taxpayer-identity mismatch	Wallet ownership, beneficial ownership, platform account identity, legal-entity identity, payer identity, and payee identity may diverge.[1073]	The person controlling the wallet may not be the person legally responsible for reporting, withholding, income recognition, or entity-level compliance.[1073]	Complicates entity attribution, employer responsibility, contractor classification, business-income reporting, and beneficial-ownership reconstruction.
Valuation disputes	Tax consequences may depend on disputed fair-market-value timing, exchange source, oracle, index, conversion rate, or receipt point.[1074]	Payment time, confirmation time, receipt time, control time, and conversion time may generate different dollar values.[1074]	Creates inconsistent tax measurement, increases dispute frequency, and may weaken uniformity in income, gain/loss, payroll, refund, and damages calculations.
Audit complexity	Audits may require chain analysis, exchange records, custody records, payroll files, invoices, smart-contract records, bridge histories, wallet evidence, and off-chain documentation.[1075]	Public enforcement must reconstruct both on-chain movement and off-chain legal meaning.[1075]	Raises examination cost, slows audit resolution, increases dependence on specialized technical capacity, and complicates evidentiary reconstruction in enforcement proceedings.

Delayed compliance	Private settlement may be treated as complete immediately, while tax reporting, broker reporting, employer reporting, amended filing, summons response, or audit reconstruction occurs later.[1068]	Private closure precedes public reporting. The taxpayer and counterparty may treat the transaction as final before the public system receives standardized data.[1077]	Produces timing gaps in revenue visibility, delays enforcement response, increases record-loss risk, and weakens real-time public revenue monitoring.
Reporting-system overload	High-volume crypto payments across wallets, exchanges, bridges, stablecoin rails, payroll providers, payment processors, and decentralized applications may fragment reportable data.[1076]	Broker-reporting architecture may expand visibility for covered intermediaries but may not fully capture self-custody, unhosted wallets, decentralized protocols, or private transfers.[1076]	Stresses IRS matching systems, increases data-standardization burdens, raises compliance-processing costs, and may reduce enforcement effectiveness under transaction-volume acceleration.

Doctrinal Note
Table 14 identifies the IRS enforcement and reporting frictions that may arise when mainstream crypto or stablecoin payment activity scales across wallets, platforms, intermediaries, unhosted addresses, payroll providers, payment processors, decentralized applications, bridges, and stablecoin rails. These frictions do not mean crypto payments are necessarily unlawful, evasive, or commercially invalid. They show that private crypto settlement may create public enforcement pressure when transaction volume, wallet fragmentation, identity mismatch, valuation uncertainty, delayed reporting, audit complexity, and data overload exceed the reporting architecture's ability to attribute, value, match, audit, and enforce. Table 14 therefore illustrates the doctrine's neutral enforcement claim: the issue is not presumed illegality; the issue is whether private settlement volume can outpace public reporting and enforcement architecture.[1068] [1069] [1070] [1076] [1077]

Figure 11 Source and Data Availability: Figure 11, *IRS Enforcement Frictions and Systemic Effects Under Mainstream Crypto Payment*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as Table 14 is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/ynkynmxghr/1*].

Public-Facing Bridge
The distinction is simple: crypto payment may be lawful and still difficult to enforce at scale. A blockchain record may show that value moved, but the public system may still need to determine taxpayer identity, beneficial ownership, dollar value, taxable character, reporting status, and evidentiary sufficiency before legal closure can occur.[1071] [1072] [1073] [1074] [1075]

Table 14 illustrates that IRS enforcement friction is not based on presumed illegality. The risk is systemic absorption. Private crypto payments may be lawful, voluntary, and commercially ordinary, yet still create public enforcement pressure when transaction volume, wallet fragmentation, identity mismatch, valuation uncertainty, delayed reporting, and data overload exceed the reporting architecture's ability to attribute, value, match, audit, and enforce.

This is why IRS enforcement friction should be understood as a systems-capacity question. The law may require reporting. The IRS may possess examination and summons authority. Brokers and platforms may be subject to information-reporting duties. Taxpayers may be obligated to maintain records. Yet private settlement may still scale faster than those mechanisms can classify, match, verify, and enforce. The closure gap therefore appears not as a lack of law, but as a mismatch between private payment velocity and public reporting architecture.

The neutral formulation is therefore essential:

The issue is not presumed illegality. The issue is whether private settlement volume can outpace public reporting and enforcement architecture.

That formulation keeps the doctrine properly balanced. It does not treat crypto users as presumptive wrongdoers. It treats mainstream crypto payment as a reporting-and-enforcement stress test. A single wallet payment may be manageable. A few platform-mediated transactions may be reportable. But millions of payments across wallets, processors, bridges, stablecoin rails, payroll providers, and decentralized applications may create a fragmented evidentiary environment in which the public system must continuously reconstruct legal identity, dollar value, tax character, and reporting status after private settlement has already occurred.

The legal-tender closure gap therefore has an enforcement dimension. Private payment may close between parties, but public tax closure depends on attribution, valuation, reporting, recordkeeping, auditability, and enforcement capacity. Where those systems lag behind private settlement volume, the dollar may remain the legal unit of account while the IRS must reconstruct the dollar meaning of transactions that never moved through ordinary dollar rails. At scale, that reconstruction burden becomes a public revenue continuity risk, a tax administration risk, and a national systems-governance risk.[1077]

§IX.G. Banking, Deposit, and Credit Intermediation Effects

Banking systems depend on payment flows, deposits, settlement balances, liquidity supervision, and institutional intermediation. Banks do not merely store customer funds. They transform deposits and other funding sources into credit, liquidity, payment services, operating accounts, payroll continuity, merchant settlement, small-business lending, mortgage finance, and local economic support.[1078] The deposit relationship is therefore not only a private customer convenience. It is part of the balance-sheet architecture through which the banking system funds lending, supports community liquidity, and sustains the real economy.

This architecture has a historical dimension. The modern United States banking system was shaped in response to the banking failures and depositor panic of the Great Depression. The creation of the Federal Deposit Insurance Corporation under the Banking Act of 1933 reflected the national recognition that public confidence in bank deposits is not merely a private banking concern; it is a financial-stability concern, a public-order concern, and a national economic-security concern.[1079] Deposit insurance was designed to stabilize depositor confidence by assuring households and businesses that insured deposits would remain protected even if individual banks failed. That confidence function remains central to the banking system's legitimacy.

The relevant modern issue, however, is not simply whether banks hold a specified amount of "reserves" in the older reserve-requirement sense. Federal Reserve reserve requirement ratios were reduced to zero percent effective March 26, 2020, eliminating reserve requirements for all depository institutions.[1080] The contemporary banking-stability framework rests more broadly on insured deposits, capital adequacy, prompt corrective action, liquidity regulation, supervisory oversight, resolution authority, and public confidence. The point is therefore not that cryptocurrency payment directly drains a legally required reserve account. The deeper issue is whether mainstream payment migration into crypto wallets, stablecoin balances, non-bank custodians, payment platforms, or decentralized settlement rails could weaken the deposit-intermediation architecture that supports credit creation, liquidity supervision, and insured banking confidence.

If payment flows increasingly migrate outside insured depository channels, bank intermediation may weaken over time. The risk is not that every crypto payment permanently removes funds from banks. Stablecoin issuers may hold reserves in bank deposits, Treasury securities, repurchase agreements, or other permitted assets depending on their regulatory structure and business model. Nor is the risk that every digital payment directly reduces lending. The risk is conditional and systemic: if wage deposits, merchant receipts, business operating balances, vendor payments, and household transaction balances increasingly remain outside ordinary bank deposit channels, the banking system may lose part of the recurring deposit base that supports low-cost funding, relationship banking, liquidity visibility, and credit creation.[1081]

The first substitution effect is wage-deposit migration. In the ordinary payroll model, wages commonly enter bank accounts. Those deposits support household liquidity, debit-card spending, bill payment, savings, bank-customer relationships, and the deposit base of insured depository institutions. If employees increasingly receive wages into crypto wallets, stablecoin accounts, payment platforms, or non-bank custody arrangements, some portion of recurring wage inflows may bypass traditional bank deposits. The private wage obligation may still be satisfied, but the banking system may not receive the same deposit inflow. At scale, this changes the location of household liquidity and may reduce the recurring deposit relationships that banks rely upon for stable funding and customer engagement.

The second substitution effect is merchant-receipt migration. Businesses traditionally receive card settlement, ACH credits, wires, checks, cash deposits, or other payment inflows into bank accounts. Those inflows become operating balances used for payroll, inventory, rent, taxes, debt service, insurance, and working capital. If merchant receipts increasingly settle into stablecoin

balances, platform wallets, exchange accounts, or non-bank payment environments, business operating balances may shift outside banks. The merchant may have been paid, but the bank may not receive the deposit. The consequence is not merely a change in payment technology; it may change the funding ecology around small businesses, local banks, and relationship-based credit.

The third substitution effect is decline in low-cost deposit funding. Deposits are a major funding source for banks. When deposits shift away from banks, institutions may need to rely more heavily on higher-cost or more volatile funding sources, including wholesale borrowing, brokered deposits, Federal Home Loan Bank advances, repurchase agreements, or other market-sensitive liabilities.[1082] Higher funding costs may reduce net interest margins, increase competition for deposits, alter liquidity profiles, and pressure lending economics. The issue is not that banks cannot obtain funding elsewhere. The issue is that substituted funding may be more expensive, more volatile, less relationship-based, and less confidence-stabilizing than ordinary core deposits.

The fourth substitution effect is weakening of credit provision. Banks fund loans through a mix of deposits, capital, retained earnings, wholesale funding, securitization channels, and other balance-sheet mechanisms. But deposit funding remains central to the traditional credit-intermediation model. If deposit flows weaken or become more volatile because payment activity migrates into non-bank rails, lending capacity may be affected, especially for community banks and small-business lenders whose credit relationships depend heavily on local deposits and operating accounts.[1083] The result may be a real-economy effect: small-business borrowing becomes more expensive, less available, or more dependent on non-bank credit channels.

The fifth substitution effect is increased small-business borrowing cost. Small businesses often rely on local banks for working capital, credit lines, equipment loans, payroll continuity, merchant services, and relationship-based underwriting. If local deposit funding declines, banks may face higher marginal funding costs. Those costs may be passed through into loan pricing, tighter credit terms, reduced credit availability, or greater collateral requirements. This means payment substitution can become credit substitution indirectly. The payment flow leaves the bank first; the lending effect appears later. The risk is not immediate collapse. It is gradual weakening of the financial pathways through which local deposits become local credit.

The sixth substitution effect is liquidity-profile instability. Deposit volatility may rise if funds move quickly between bank accounts, stablecoin balances, wallets, exchanges, payment apps, and decentralized protocols. The speed and ease of digital movement can make deposits more mobile, particularly in stress conditions. If households or businesses can rapidly migrate operating balances into stablecoins or crypto platforms, banks may face more sensitive deposit behavior. That does not mean stablecoins always drain deposits; reserve placement matters. But if funds move from insured bank deposits into non-bank claims, the liquidity profile of banks may become less predictable, and supervisory visibility may become more dependent on non-bank payment and custody architecture.[1084]

This is where the national-security dimension becomes explicit. Financial services are not merely a private industry; they are part of the nation's critical infrastructure. Federal critical-infrastructure law recognizes that physical and virtual systems whose incapacity or destruction

would have debilitating effects on security, national economic security, national public health or safety, or their combination are critical infrastructure.[1085] Payment flows, deposit flows, liquidity visibility, and credit intermediation sit within that architecture because households, employers, merchants, public agencies, and local economies rely on the continuous functioning of the financial system. If mainstream crypto payment weakens deposit intermediation, reduces supervisory visibility, or erodes insured banking confidence over time, the result is not merely a banking-sector adjustment. It is a long-horizon national economic-security concern.

The national-security concern is therefore not that cryptocurrency competes with banks as a payment technology. Competition in payment systems may produce speed, efficiency, lower transaction costs, and innovation. The concern is that widespread migration of payment flows outside insured depository channels may weaken the confidence, liquidity, supervisory, and intermediation architecture upon which the real economy depends. A payment rail can become faster while the credit system beneath it becomes thinner. A settlement instrument can become cheaper while local lending becomes more expensive. A wallet can become more convenient while insured deposit relationships become less central to household and business liquidity.

Table 15 translates these substitution effects into national-security stability terms and anchors them to the institutional memory of the Great Depression. The purpose is not to analogize crypto adoption simplistically to the 1930s. It is to show that modern banking regulation was built around historical fault lines: deposit panic, unstable funding, bank failure, credit contraction, liquidity opacity, and loss of public confidence.

Table 15. Banking Substitution Effects, U.S. National-Security Stability Implications, and Great Depression Institutional Memory

Substitution Effect	Banking / Intermediation Consequence	U.S. National-Security Stability Implication	Great Depression Institutional Memory / Public Explanation
Wage deposits migrate into wallets or stablecoins	Recurring household wage deposits may bypass insured depository institutions, reducing ordinary deposit formation and weakening the household-bank relationship that supports stable funding.[1078] [1081]	Household liquidity may increasingly sit outside insured banking channels, reducing bank deposit inflows, weakening supervisory visibility, and shifting ordinary payment balances into non-bank or platform-mediated rails.[1081] [1085]	The Great Depression demonstrated that household confidence in deposits is a national-stability issue. FDIC deposit insurance was created after bank failures and depositor panic to restore confidence that ordinary deposits would remain protected.[1079]

Merchant receipts bypass bank deposits	Business operating balances may shift from bank accounts into stablecoin balances, exchange accounts, non-bank custodians, or payment platforms.[108][1]	Reduced bank visibility into business cash flow may weaken relationship-based lending, payroll continuity, working-capital assessment, and local economic resilience.[108][3] [108][5]	Depression-era bank failures disrupted commerce because businesses depended on banks for deposits, payments, operating liquidity, and credit access. Modern banking regulation preserves deposit continuity because business continuity depends on it.[107][9] [108][3]
Low-cost deposit funding declines	Banks may rely more heavily on brokered deposits, wholesale borrowing, or other market-sensitive liabilities if ordinary deposit inflows weaken.[108][2]	Higher funding costs may pressure lending margins, reduce credit availability, increase institutional fragility, and make local credit provision more sensitive to market stress.[108][2] [108][5]	Historical banking instability showed that unstable funding can transmit panic quickly through the financial system. Post-Depression deposit insurance and supervisory frameworks were designed to preserve confidence, stabilize funding, and reduce run dynamics.[107][9]
Credit provision weakens	Lending capacity may decline if deposit funding becomes less stable, especially for community banks and relationship-based small-business lenders.[108][3]	Credit contraction may affect employment, payroll continuity, inventory finance, small-business formation, local investment, and community economic security.[108][3] [108][5]	One central lesson of the Great Depression was that bank distress does not remain inside banks; it contracts credit across the real economy and deepens economic hardship for households and businesses.[107][9] [108][3]
Small-business borrowing becomes more expensive	Reduced or more volatile deposit funding may raise loan costs, tighten underwriting, increase collateral demands, or reduce access to working-capital credit.[108][2] [108][3]	Local employers may face higher costs for payroll, equipment, inventory, expansion, and emergency liquidity, weakening regional economic resilience and employment continuity.[108][3] [108][5]	Depression-era credit scarcity harmed small businesses and households because bank failures removed both deposit safety and credit access. The modern insured banking system supports local lending to prevent financial stress from becoming broad economic contraction.[107][9]
Liquidity profiles become less stable	Funds may move rapidly between bank accounts, wallets, stablecoin balances, exchanges, payment apps, and decentralized rails, increasing deposit mobility and liquidity uncertainty.[108][4]	Rapid payment-flow migration may complicate liquidity supervision, increase run-like sensitivity, and reduce regulators' ability to monitor stress before it becomes systemic.[108][2] [108][4] [108][5]	The Great Depression demonstrated how quickly confidence can evaporate when depositors fear loss or illiquidity. Modern liquidity supervision and deposit insurance are designed to prevent confidence shocks from becoming destabilizing runs.[107][9] [108][2]

Insured banking confidence weakens	Households and businesses may treat non-bank crypto or stablecoin balances as functional substitutes for insured deposits without equivalent deposit insurance, resolution treatment, or supervisory protection.[1081] [1086]	Public confusion between insured bank deposits and private digital claims may weaken confidence in regulated banking channels during stress and increase reliance on non-bank claims whose failure may transmit payment disruption.[1084] [1085] [1086]	FDIC insurance was created because public confidence in deposits had failed. If private balances are socially treated like deposits without equivalent protection, historical run dynamics may reappear in a new technological form.[1079]
Stablecoin reserve placement substitutes deposit intermediation	Stablecoin reserves may preserve bank funding if held as commercial-bank deposits, but may reduce deposit funding if shifted into Treasury securities, repo, money-market instruments, or other non-deposit assets.[1081] [1086]	Reserve allocation may determine whether stablecoin growth preserves bank intermediation, concentrates deposits through large issuers, or moves liquidity into non-deposit structures that affect credit transmission.[1081] [1086]	The historical lesson is that the location and confidence structure of money-like balances matters. Post-Depression banking architecture stabilized deposits inside supervised institutions; stablecoin reserves may recreate similar confidence questions outside the traditional deposit relationship.[1079] [1086]

Doctrinal Note

Table 15 identifies the banking substitution effects that may arise when mainstream crypto or stablecoin payment activity migrates wage deposits, merchant receipts, operating balances, and transaction liquidity away from insured depository channels. These substitution effects do not mean crypto payments, stablecoins, non-bank wallets, or decentralized settlement rails are necessarily invalid, unlawful, or commercially ineffective. They show that payment-flow migration may create long-horizon public stability pressure when deposit formation, liquidity supervision, insured-banking confidence, and credit intermediation are weakened or relocated outside the traditional banking architecture. Table 15 therefore illustrates the doctrine's national-security banking claim: the risk is not merely payment competition, but whether faster and cheaper private settlement can weaken the insured-depository framework that supports lending, small-business finance, liquidity oversight, and real-economy continuity.[1078] [1079] [1081] [1085] [1086]

Figure 12 Source and Data Availability: Figure 12, *Banking Substitution Effects, U.S. National-Security Stability Implications, and Great Depression Institutional Memory*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as Table 15 is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/cd7c8jrn92/1*].

Public-Facing Bridge
The distinction is simple: payment speed is not the same as banking-system stability. Crypto or stablecoin payments may move faster and cheaper than traditional rails, but if payment flows bypass insured depository institutions, the United States must still ask what happens to deposits, credit, liquidity supervision, small-business lending, and public confidence in the banking system.[1080] [1082] [1083] [1084] [1085]

Table 15 illustrates that the banking risk created by mainstream crypto or stablecoin payment is not limited to lost bank revenue or payment competition. The deeper concern is whether payment-flow migration weakens deposit formation, liquidity supervision, insured-banking confidence, and the credit-intermediation channels that support the real economy. The Great Depression column anchors the analysis in institutional memory: modern banking regulation developed because deposit panic, unstable funding, bank failures, credit contraction, and loss of public confidence proved capable of destabilizing national economic life.

The core question is therefore straightforward:

If payment flows leave the banking system, what happens to the credit system built upon bank intermediation?

That question is not merely a banking-sector concern. It is a real-economy concern because deposit intermediation supports lending, payroll, small-business finance, liquidity, and local economic continuity. A payment system can appear efficient at the private layer while weakening the institutional channels that convert deposits into credit. A stablecoin wallet may move value quickly. A non-bank platform may settle merchant transactions efficiently. A decentralized rail may reduce payment friction. But if those flows reduce bank operating balances, weaken low-cost deposit funding, increase liquidity volatility, or reduce supervisory visibility, the downstream effect may appear in credit availability rather than payment execution.

This is another expression of the legal-tender closure gap at the institutional level. Private settlement may complete the transaction, but the public monetary and banking architecture must absorb the consequences of payment-flow displacement. The transaction-level question is whether the merchant, employee, contractor, or vendor received value. The systems-level question is whether the payment flow that once supported bank deposits, lending relationships, liquidity supervision, and credit intermediation has migrated into non-bank balance sheets, reserve structures, or decentralized rails.

Stablecoins make this issue especially important because their reserve architecture can either preserve or weaken bank intermediation depending on where the reserves reside and how redemption risk is managed. If stablecoin reserves are held substantially as bank deposits, some funding may remain within the banking system, though potentially concentrated through issuers rather than distributed through ordinary household and merchant accounts. If reserves shift toward Treasury bills, repurchase agreements, money-market instruments, or other non-deposit assets, the stablecoin may preserve dollar reference while reducing bank deposit funding.[1086] If users treat stablecoins as transaction balances rather than temporary settlement instruments, operating liquidity may remain outside banks for longer periods.

The public-policy concern is therefore not simply whether stablecoins are backed. It is whether their backing structure preserves or substitutes the banking functions that payment flows historically supported. A stablecoin may be fully reserved and still disintermediate banks if reserve assets move outside deposit channels. Conversely, a stablecoin model may be less disruptive to credit intermediation if reserves are maintained within insured depository institutions or through tokenized-deposit structures that keep funds inside the regulated banking perimeter. The distinction matters because payment efficiency and credit intermediation are not the same function. A system may improve the first while weakening the second.

The doctrine's neutral position is that private payment innovation should not be rejected merely because it changes bank payment flows. Innovation may reduce friction, increase speed, lower costs, improve cross-border settlement, and expand access. But innovation must be evaluated against the full institutional architecture it affects. Payment flows are not isolated signals. They are funding signals, credit signals, liquidity signals, supervisory signals, and public-confidence signals. If those flows migrate into instruments or platforms that do not perform traditional deposit intermediation, the consequences may appear in bank funding, credit cost, small-business finance, liquidity supervision, and local economic resilience.

Accordingly, the banking and credit-intermediation risk may be summarized as follows: crypto and stablecoin payment adoption may privately close transactions while relocating the deposit flows that support bank funding, liquidity oversight, insured-deposit confidence, and credit creation. The wage is paid. The merchant is compensated. The vendor receives settlement. But the bank deposit that would have supported lending may never arrive, may arrive later, may arrive through a concentrated issuer account, or may be replaced by non-deposit reserve assets. That is the substitution effect.

The Legal Tender Closure Gap Doctrine therefore treats payment-flow migration as a public systems question. If payment flows leave the banking system, the issue is not only where value moves. The issue is what happens to the credit system built on bank intermediation, and whether the real economy can absorb a world in which payment execution improves while deposit-based credit channels, liquidity supervision, and insured banking confidence weaken.

§IX.H. Federal Reserve and Monetary-Policy Transmission Risk

A private payment rail can move value efficiently while weakening the public mechanisms through which monetary policy transmits. That distinction is essential. The concern is not that private payment innovation is inherently destabilizing. A faster, cheaper, programmable, or globally accessible payment rail may create real commercial benefits. The concern arises when payment innovation becomes systemically relevant because it alters the channels through which monetary policy, liquidity, bank funding, settlement confidence, and public monetary signals reach households, firms, banks, markets, and the real economy.[1087]

Monetary policy does not operate only through public announcement. It operates through transmission channels. The Federal Reserve sets policy in pursuit of statutory objectives, including maximum employment, stable prices, and moderate long-term interest rates.[1088] In the modern ample-reserves framework, the Federal Reserve influences short-term interest rates

primarily through administered rates, including interest on reserve balances and the overnight reverse repurchase facility, supported by reserve management and market operations.[1089] Those policy settings then transmit through banks, money markets, deposit pricing, loan rates, credit availability, asset prices, payment behavior, and liquidity conditions.

The first transmission risk is reduced bank-rate sensitivity. If households, merchants, contractors, and firms increasingly hold transaction balances in crypto wallets, stablecoin accounts, non-bank platforms, or decentralized payment rails, their payment behavior may become less directly responsive to ordinary bank-rate conditions. Bank deposit rates, loan rates, and liquidity conditions still matter, but they may no longer touch the same volume of day-to-day transaction balances. When private payment activity migrates outside the banking system, monetary-policy signals may still reach the economy, but they may do so less directly, less uniformly, and with greater dependence on the behavior of non-bank intermediaries.[1090]

This does not mean monetary policy becomes ineffective. It means the transmission surface changes. A household holding transaction balances in a bank account may respond to deposit rates, loan rates, and banking conditions differently from a household holding operating liquidity in stablecoins or platform wallets. A merchant whose receipts flow into a bank account may be more directly connected to bank credit, deposit pricing, and cash-management services than a merchant whose receipts remain in a stablecoin wallet or payment platform. The policy signal continues to exist, but its path to the real economy may become more fragmented.

The second transmission risk concerns the deposit channel. Deposits are not merely passive balances; they are part of the transmission structure through which monetary policy affects bank funding, lending capacity, liquidity behavior, and credit pricing. If stablecoin or wallet balances alter deposit flows, they may change bank liquidity profiles and funding structures. Federal Reserve research has recognized that stablecoin adoption can affect deposits, credit, and financial intermediation depending on where stablecoin demand originates and how reserves are allocated.[1090] The concern is not that stablecoins necessarily destroy bank lending. The concern is that widespread use may change how deposits move, where transaction balances sit, and how monetary-policy signals pass through banks into credit markets.

The third transmission risk concerns central-bank settlement anchors. Federal Reserve settlement infrastructure provides central-bank money settlement for key payment and settlement arrangements. Fedwire Funds Service and the National Settlement Service support final settlement for participating depository institutions and clearing arrangements, with settlement ultimately tied to Federal Reserve Bank accounts.[1091] If payment activity migrates toward private rails, stablecoin networks, wallets, or decentralized settlement systems, more economic activity may occur outside traditional central-bank settlement structures. The private payment may be technically final within the network, but technical finality is not the same as central-bank settlement finality, legal finality, or public monetary closure.

This distinction matters because settlement finality is a confidence function. A private rail may confirm a transfer quickly. A blockchain may record a transaction irreversibly. A stablecoin platform may update balances instantly. But the public system must still ask what kind of finality has occurred: technical finality, operational finality, contractual finality, legal finality, central-

bank settlement finality, or legal-tender closure. Those forms of finality may overlap, but they are not identical. When payment systems multiply, finality may fragment across systems.

The fourth transmission risk concerns stablecoin reserves. Stablecoins may reference the dollar while depending on private reserve management. Reserve composition may influence Treasury markets, money-market funds, repo markets, bank deposits, short-term funding conditions, and liquidity behavior. A stablecoin backed primarily by bank deposits may have different implications for bank funding than a stablecoin backed primarily by Treasury bills or other short-term instruments. Federal Reserve research has emphasized that reserve placement matters because stablecoin growth can either preserve deposit intermediation, concentrate deposits through issuers, or shift liquidity into non-deposit assets.[109][2]

This issue becomes more significant as stablecoins move from trading-venue instruments toward mainstream payment instruments. If stablecoin balances become ordinary transaction balances for households, merchants, payroll providers, vendors, and firms, reserve management may become a public liquidity issue rather than a narrow issuer-balance-sheet issue. Large-scale shifts in stablecoin demand could affect short-term funding markets, Treasury-bill demand, bank deposits, and liquidity conditions. The payment instrument remains private, but its reserve footprint may interact with public monetary-policy implementation.

The fifth transmission risk is private issuer dependency. Payment stability may depend not only on public monetary policy, but on issuer governance, redemption capacity, custody arrangements, reserve quality, operational resilience, compliance systems, and liquidity management. The President's Working Group, FDIC, and OCC have warned that increased stablecoin use as a means of payment may raise concerns involving destabilizing runs, payment-system disruption, concentration of economic power, and regulatory gaps.[109][3] These concerns become transmission concerns because a payment instrument widely used by the public can affect confidence, liquidity, and settlement behavior if redemption or issuer stability comes under stress.

The sixth transmission risk is fragmented settlement finality. In the traditional monetary order, the hierarchy of money helps organize finality. Central-bank money, commercial-bank money, payment-system settlement, legal tender, and contractual payment each occupy distinct but recognizable positions. In a fragmented crypto-payment environment, legal, technical, operational, contractual, and monetary finality may diverge across systems. A transaction may be final on-chain but disputed in contract. A stablecoin transfer may be complete on a platform but dependent on issuer redemption. A payment may settle in a wallet while tax, payroll, sanctions, reporting, and accounting obligations remain open. A private rail may move value efficiently while public closure occurs later or elsewhere.[109][1] [109][3]

Table 16 translates these transmission risks into a policy-facing and public-facing format. The table does not argue that private payment rails eliminate the Federal Reserve's role. It shows that payment rails may alter the channels through which Federal Reserve policy reaches banks, deposits, credit markets, settlement systems, short-term funding markets, and public confidence.

Table 16. Federal Reserve and Monetary-Policy Transmission Risks Under Private Crypto or Stablecoin Payment Rails

Transmission Risk	Public Monetary-Policy Channel Affected	Possible Systemic Stress	Layman's Terms — Public Explanation
Bank-rate sensitivity weakens	Interest-rate transmission through bank deposits, loans, credit pricing, and broader financial conditions.[1087] [1088] [1089]	Private payment behavior may become less responsive to bank-rate conditions if households and firms hold transaction balances in wallets, stablecoins, or non-bank platforms rather than bank deposits.[1090]	When the Federal Reserve changes interest rates, the effect usually reaches people through banks: savings rates, loan rates, credit cards, mortgages, and business loans. If more money activity happens outside banks, those signals may reach the public less directly.[1087] [1089]
Deposit-channel transmission shifts	Bank deposit flows, liquidity profiles, funding costs, credit intermediation, and lending capacity.[1090]	Stablecoin or wallet balances may alter deposit flows, reducing or changing the bank funding base through which monetary policy reaches lending markets.[1090] [1092]	If paychecks, business receipts, and spending balances sit in stablecoin wallets instead of bank accounts, banks may have fewer deposits to support lending. That can affect loan availability and cost for families and businesses.[1090]
Central-bank settlement anchors weaken	Settlement through Federal Reserve-linked infrastructure, including Fedwire, National Settlement Service, Federal Reserve Bank master accounts, and large-value payment services.[1091]	Payment activity may migrate away from traditional settlement structures, causing more transactions to settle privately rather than through central-bank money or Federal Reserve-linked systems.[1091]	A private app, stablecoin platform, or blockchain may show that payment is complete, but that is not the same as settlement through the Federal Reserve system. The public question is whether private payment completion carries the same reliability as central-bank-backed settlement.[1091]
Stablecoin reserve effects increase	Treasury markets, short-term funding markets, bank deposits, repo markets, reserve allocation, and liquidity conditions.[1092]	Stablecoin reserve composition may influence Treasury-bill demand, bank deposit levels, money-market liquidity, and short-term funding conditions depending on how reserves are allocated.[1092]	Stablecoins are often backed by assets like bank deposits, Treasury bills, or other short-term instruments. If stablecoins become very large, where those reserves are parked can affect banks, Treasury markets, and the cost of short-term money.[1092]

Private issuer dependency grows	Public confidence in payment stability, redemption capacity, reserve quality, operational resilience, and regulatory oversight.[109][3]	Payment stability may depend on issuer governance, reserve management, redemption access, custody controls, operational infrastructure, and regulatory gaps rather than public monetary institutions alone.[109][3]	If people use a stablecoin like money, they depend on the company behind it to manage reserves, honor redemptions, and keep systems working. If the issuer fails, freezes, or cannot redeem, ordinary users may feel the disruption like a payment-system failure.[109][3]
Fragmented settlement finality emerges	Legal finality, technical finality, operational finality, contractual finality, central-bank settlement finality, and monetary finality.[109][1] [109][3]	Legal, technical, and operational finality may diverge across blockchains, platforms, stablecoin issuers, bank systems, tax systems, payment networks, and Federal Reserve-linked settlement structures.[109][1] [109][3]	A payment may look final on a blockchain, but legal questions may still remain: Was it taxable? Was it valid under contract? Was it sanctioned? Could redemption fail? Did it actually close the obligation under law?[109][1] [109][3]
Monetary-policy signal becomes less direct	Federal Reserve policy transmission through administered rates, reserve balances, market rates, deposits, credit, liquidity, and public expectations.[1087] [1089]	Private payment rails may reroute transaction balances into systems whose governance, reserve structure, liquidity behavior, and settlement logic differ from bank-based monetary-policy channels.[1090] [109][2] [109][3]	The Fed can still set rates, but if more day-to-day money activity happens in private crypto systems, the path from Fed policy to households and businesses may become slower, weaker, or harder to predict.[1087] [1089] [1090]

Doctrinal Note

Table 16 identifies the Federal Reserve and monetary-policy transmission risks that may arise when mainstream crypto or stablecoin payment activity migrates transaction balances, merchant receipts, payroll flows, platform balances, or settlement activity away from bank-based and Federal Reserve-linked monetary channels. These risks do not mean private payment rails are necessarily unlawful, destabilizing, or commercially ineffective. Rather, they show that private payment adoption may weaken the channels through which Federal Reserve policy reaches the real economy when bank-rate sensitivity, deposit-channel transmission, central-bank settlement anchors, reserve allocation, issuer dependency, settlement finality, and monetary-policy signal directness begin shifting toward private rails. Table 16 therefore illustrates the doctrine's monetary-transmission claim: a private payment rail may move efficiently while weakening the public mechanisms through which monetary policy transmits to households, businesses, credit markets, liquidity conditions, and public confidence.[1087] [1088] [1090] [109][2] [109][3]

Figure 13 Source and Data Availability: Figure 13, *Federal Reserve and Monetary-Policy Transmission Risks Under Private Crypto or Stablecoin Payment Rails*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as Table 16 is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/3w5t3dhp4w/1*].

Public-Facing Bridge
The distinction is simple: a payment rail may move money quickly while making public monetary signals harder to deliver. If wages, merchant receipts, operating balances, or transaction liquidity migrate into stablecoin wallets, crypto platforms, non-bank custodians, or private settlement rails, the Federal Reserve may still set policy rates, but the path from policy decision to real-economy effect may become slower, weaker, or more fragmented. Table 16 and Figure 13 therefore show that payment efficiency is not the same as monetary-policy transmission integrity.[1087] [1089] [1090] [1091] [1093]

Table 16 illustrates that the monetary-policy risk created by mainstream crypto or stablecoin payment is not limited to payment competition or private-sector innovation. The deeper concern is whether private payment architecture weakens the public channels through which monetary policy operates: bank deposits, credit pricing, lending capacity, settlement finality, reserve allocation, liquidity conditions, and confidence in stable payment infrastructure. The Federal Reserve can still set rates, supervise banks, and operate central-bank settlement systems, but if private payment rails increasingly reroute transaction balances away from those channels, monetary-policy transmission may become less direct and more dependent on private issuer behavior, reserve management, custody controls, and platform governance.

Table 16 illustrates that private crypto or stablecoin payment rails do not need to replace the Federal Reserve to affect monetary-policy transmission. The risk arises when private payment activity changes the channels through which Federal Reserve policy reaches banks, deposits, credit markets, settlement systems, short-term funding markets, and public confidence.[1087] [1089] [1090] [1092] [1093] The public-facing column translates the point simply: payment technology may become faster while the public monetary signal becomes harder to deliver, monitor, or enforce.

This creates a direct link to the Legal Tender Closure Gap Doctrine. The issue is not whether value can move. Value can move. The issue is whether private movement of value remains connected to the public mechanisms through which monetary authority, liquidity discipline, settlement confidence, and legal-tender closure reach the real economy. A payment rail that bypasses banks, deposits, central-bank settlement, or public reporting architecture may still satisfy private users. But if enough payment activity migrates into such rails, monetary policy may face a more complex transmission environment.

The doctrinal claim is therefore:

A private payment rail can move value efficiently while weakening the public mechanisms through which monetary policy transmits.

This does not mean private payment innovation is inherently destabilizing. It means payment innovation becomes systemically relevant when it alters the channels through which monetary policy, liquidity, and settlement confidence reach the real economy. The Federal Reserve may still set rates. Banks may still lend. Treasury markets may still function. Stablecoins may still redeem. Private payment rails may still settle. But the connective tissue among these systems may become more complex, more intermediated, more dependent on private reserve

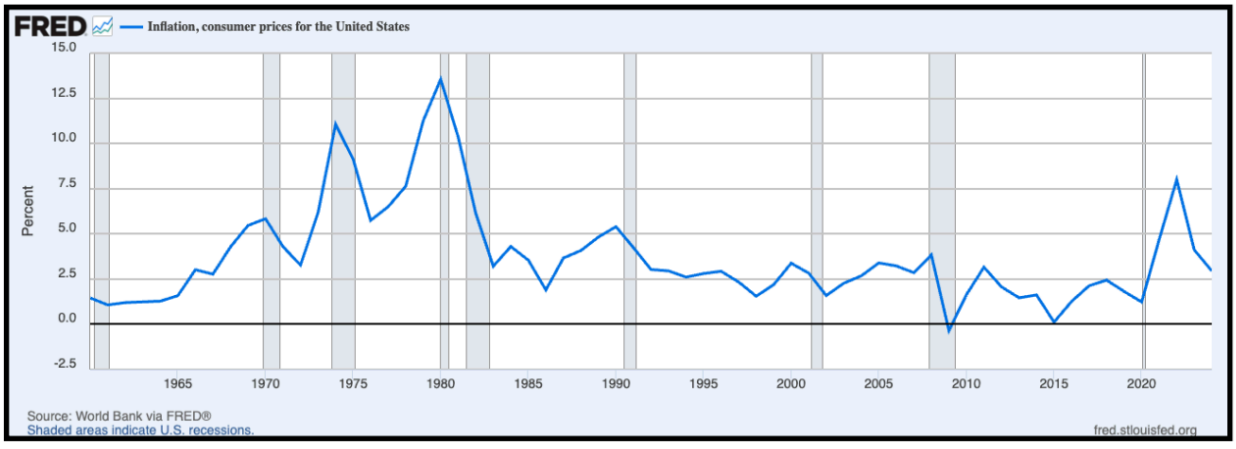
management, and less anchored in traditional bank-deposit and central-bank settlement structures.

Accordingly, the monetary-policy transmission risk should be understood as a channel-risk problem. The risk is not that crypto or stablecoins erase monetary policy. The risk is that private settlement at scale may reroute transaction balances, alter deposit sensitivity, change reserve-demand patterns, fragment finality, and place more of the economy's payment behavior inside private systems whose governance, redemption, liquidity, and settlement structures are not identical to the Federal Reserve's public monetary architecture. In that condition, the public monetary signal still exists, but its path through the economy becomes less direct.

§IX.H.1. Current System Stability Baseline — Fiscal, Inflationary, and Monetary Pressure Conditions

The monetary-policy transmission risks identified in §IX.H should be evaluated against the current stability condition of the United States financial system. The purpose of this subsection is not to suggest that the United States system is failing. It remains deep, liquid, institutionally durable, and globally central. The purpose is more precise: to establish the baseline pressure environment into which large-scale private crypto or stablecoin payment substitution would enter. A system already absorbing inflationary pressure, purchasing-power erosion, recurring federal deficits, and elevated fiscal magnitude should not evaluate private payment substitution as a neutral technical upgrade. It should evaluate that substitution as an additional channel-risk vector capable of interacting with monetary-policy transmission, public revenue closure, bank intermediation, liquidity supervision, and settlement confidence.[1094]

Figure 14. U.S. Consumer Price Inflation Since 1965 (FRED)



Doctrinal Note
Figure 14 identifies the inflationary baseline into which mainstream crypto or stablecoin payment substitution would enter. The figure does not suggest that the United States monetary system is failing, nor does it imply that inflation alone determines payment-system risk. It shows that inflation has remained a recurring monetary-stability challenge across modern U.S. financial history, including the high-inflation period of the 1970s and early 1980s and the post-2020

inflation resurgence. Figure 14 therefore supports the doctrine's system-stability claim: private payment innovation should be evaluated not only by speed, cost, or technical efficiency, but also by whether it preserves the public mechanisms through which monetary policy, inflation control, liquidity discipline, and settlement confidence reach the real economy.[1094] [1095] [1096]

Figure 14 Source and Data Availability: Figure 14, *U.S. Consumer Price Inflation Since 1965 (FRED)*, is derived from Federal Reserve Bank of St. Louis, FRED, *Inflation, Consumer Prices for the United States* [FPCPITOTLZGUSA], World Bank via FRED, and is incorporated into Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The figure is available in full-page format through Mendeley Data at: [*https://data.mendeley.com/datasets/sw4jyctkcc/1*].

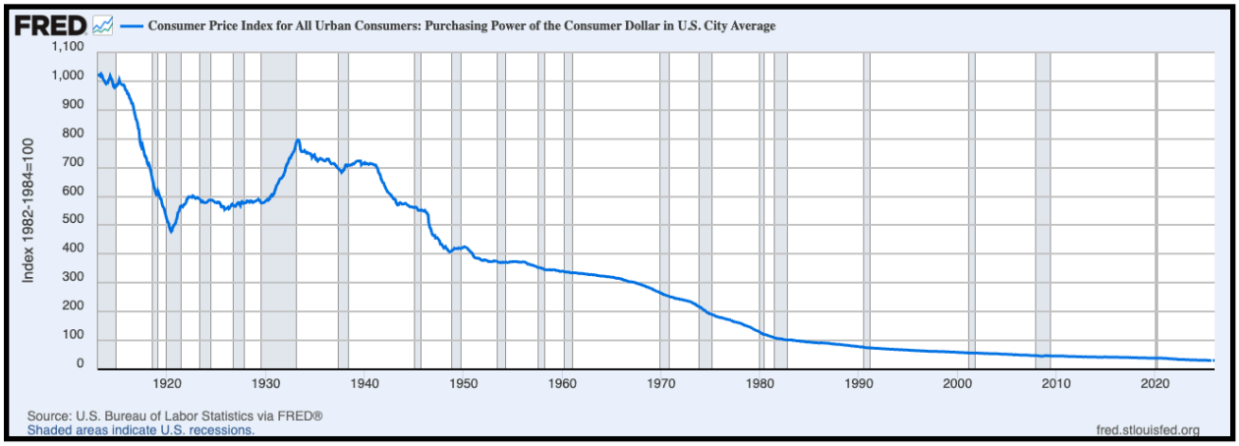
Public-Facing Bridge

The distinction is simple: payment efficiency does not eliminate inflation pressure. A crypto or stablecoin rail may move value quickly, but the public still depends on the Federal Reserve's ability to transmit monetary policy, control inflation, preserve purchasing power, and maintain confidence in the dollar-centered financial system.[1095] [1096] [1098]

Figure 14 provides the inflationary baseline. It shows that the United States has experienced repeated inflationary stress across modern monetary history, including the high-inflation period of the 1970s and early 1980s, the lower-inflation environment that followed the Volcker-era stabilization, and the post-2020 inflation resurgence.[1095] The figure matters because monetary-policy transmission is not an abstract administrative function. It is the mechanism through which the Federal Reserve attempts to convert policy decisions into real-economy effects: slower demand, lower inflationary pressure, adjusted borrowing costs, changed savings incentives, modified asset prices, and altered credit conditions. When payment behavior migrates into private rails, policymakers must ask whether those rails preserve or weaken the channels through which anti-inflation policy reaches households and firms.

Inflation is especially important because it affects public perception of monetary credibility. A household does not experience inflation as a technical index. It experiences inflation as grocery pressure, rent pressure, energy pressure, credit-card pressure, insurance pressure, and declining flexibility in monthly budgets. A business experiences inflation as input-cost uncertainty, wage pressure, inventory-cost volatility, pricing difficulty, and thinner margins. Thus, when inflation has recently reappeared as a public concern, payment systems should be evaluated not only by their transactional speed, but also by whether they strengthen or weaken the public architecture that supports monetary credibility.[1096]

Figure 15. Decline in U.S. Dollar Purchasing Power (FRED)



Doctrinal Note

Figure 15 identifies the purchasing-power baseline into which mainstream crypto or stablecoin payment substitution would enter. The figure does not suggest that the dollar has lost its legal status, nor does it imply that purchasing-power decline alone determines monetary-system risk. It shows that inflation operates cumulatively: even when annual inflation moderates, prior purchasing-power loss is not automatically restored. Figure 15 therefore supports the doctrine's system-stability claim: the dollar may remain the sovereign legal unit of account, tax-closure medium, and legal-tender anchor while the public experiences long-run erosion in purchasing power. That lived pressure may increase public openness to faster, cheaper, or more convenient private payment instruments, making it necessary to distinguish payment efficiency from sovereign monetary closure.[1094] [1097] [1098]

Figure 15 Source and Data Availability: Figure 15, *Decline in U.S. Dollar Purchasing Power (FRED)*, is derived from U.S. Bureau of Labor Statistics, *Consumer Price Index for All Urban Consumers: Purchasing Power of the Consumer Dollar in U.S. City Average* [CUUR0000SA0R], retrieved from FRED, Federal Reserve Bank of St. Louis, and is incorporated into Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The figure is available in full-page format through Mendeley Data at: [*https://data.mendeley.com/datasets/sw4jyctkcc/1*].

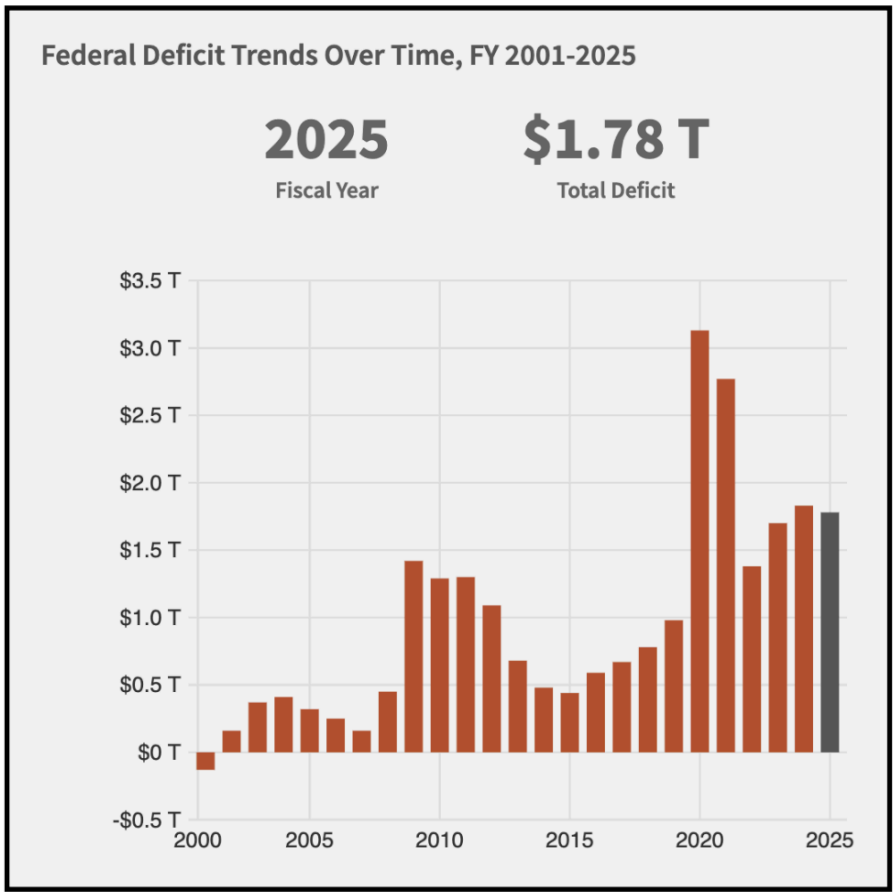
Public-Facing Bridge

The distinction is simple: the dollar can remain lawful money while households feel its purchasing power decline. Private crypto or stablecoin payments may appear attractive when people feel price pressure, but faster payment does not restore purchasing power, create legal-tender status, or replace the public monetary architecture required for tax closure, settlement confidence, and inflation control.[1097] [1098] [1103]

Figure 15 supplies the purchasing-power baseline. The decline in the purchasing power of the consumer dollar over time visually confirms that inflation is cumulative. Even when annual inflation moderates, the prior loss of purchasing power is not automatically restored.[1097] This point is essential for public understanding. The dollar remains the sovereign legal unit of account, the tax-closure medium, and the legal-tender anchor of the United States monetary order. But the lived purchasing power of that dollar has declined across generations. That decline does not negate dollar sovereignty; it demonstrates why monetary stability, public confidence, and policy transmission remain national concerns.

This figure directly reinforces the Legal Tender Closure Gap Doctrine. If the dollar remains the legal unit of account while its purchasing power is under long-run pressure, then private instruments that promise faster, cheaper, or more convenient payment may become socially attractive. That attractiveness can accelerate payment substitution. The public may not adopt crypto or stablecoins because they understand monetary architecture; they may adopt them because they appear more efficient, more portable, more programmable, or more convenient. But convenience does not supply legal-tender closure, and widespread convenience can become systemically relevant when it shifts transaction balances away from bank deposits, public settlement anchors, and monetary-policy transmission channels.[1098]

Figure 16. U.S. Federal Deficit Trends (U.S. Treasury)



Doctrinal Note
Figure 16 identifies the federal-deficit baseline into which mainstream crypto or stablecoin payment substitution would enter. The figure does not suggest that federal deficits alone determine payment-system risk, nor does it imply that private payment innovation is inherently destabilizing. It shows that the United States fiscal system is already operating under elevated public-finance pressure, including a fiscal year 2025 deficit of approximately $1.78 trillion. Figure 16 therefore supports the doctrine's system-stability claim: when federal revenue, Treasury cash-flow predictability, debt-service exposure, and public financing conditions are already under strain, private payment rails should be evaluated by whether they preserve or weaken tax closure, reporting visibility, deposit intermediation, settlement finality, and monetary-policy transmission.[1094] [1099] [1100]

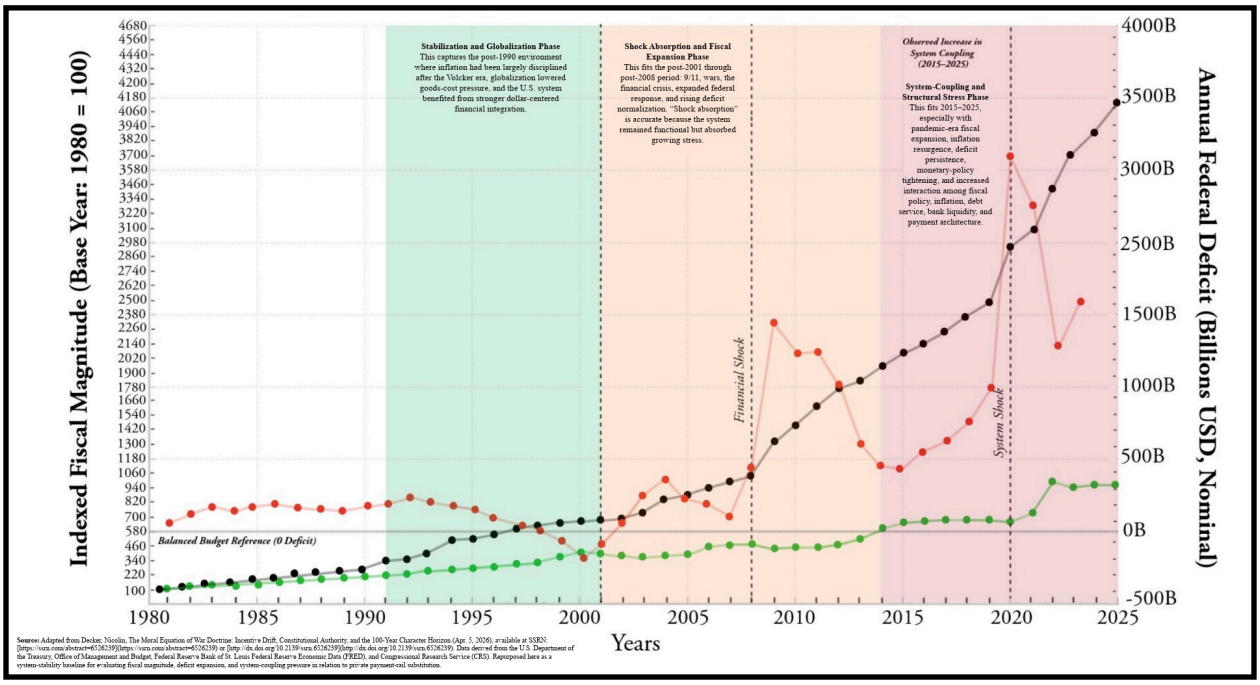
Figure 16 Source and Data Availability: Figure 16, *U.S. Federal Deficit Trends (U.S. Treasury)*, is derived from U.S. Department of the Treasury, Fiscal Data and Monthly Treasury Statement materials reflecting federal deficit trends through fiscal year 2025, and is incorporated into Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The figure is available in full-page format through Mendeley Data at: [*https://data.mendeley.com/datasets/sw4jyctkcc/1*].

Public-Facing Bridge
The distinction is simple: federal deficits make payment-system clarity more important, not less. If the United States is already carrying large public-finance obligations, then tax collection, Treasury cash-flow timing, bank liquidity, and settlement confidence must remain reliable. A faster private payment rail may be useful, but it cannot be allowed to weaken the public systems that collect revenue, fund obligations, and maintain national fiscal continuity.[1099] [1100] [1103]

Figure 16 introduces the fiscal-pressure baseline. The Treasury's fiscal data show a federal deficit of approximately **$1.78 trillion for fiscal year 2025**, following a period in which deficits expanded sharply during crisis conditions and remained elevated thereafter.[1099] Fiscal deficits matter to this doctrine because payment systems are not isolated from public finance. Payroll-tax continuity, public revenue timing, Treasury cash-flow predictability, debt-service obligations, and federal financing conditions all depend on reliable dollar-denominated closure. If private payment rails grow in a way that delays tax remittance, complicates reporting, weakens deposit intermediation, or alters short-term funding conditions, the effects enter a system already carrying fiscal load.

The deficit baseline does not prove that private payment innovation is harmful. Rather, it establishes that the fiscal system has limited tolerance for unnecessary opacity, delay, and fragmentation. A federal government running persistent deficits depends on predictable revenue collection, stable Treasury-market functioning, reliable banking-system liquidity, and effective monetary-policy transmission. A payment innovation that improves transaction speed while complicating revenue closure, deposit formation, short-term funding, or settlement finality must therefore be evaluated in systemic terms. The question is not whether the private payment works for the parties. The question is whether private payment at scale preserves the public architecture that supports fiscal and monetary continuity.[1100]

Figure 17. Fiscal Pressure and System-Coupling Risk in the United States, 1980–2025



Doctrinal Note

Figure 17 identifies the system-coupling baseline into which mainstream crypto or stablecoin payment substitution would enter. The figure does not suggest that fiscal pressure alone determines payment-system risk, nor does it imply that the United States financial system is structurally failing. It presents three primary variables within a shared temporal framework: the **Annual Federal Deficit** shown by the red line on the right y-axis in nominal billions of U.S. dollars; **Indexed Federal Revenue** shown by the green line on the left y-axis, with 1980 as the base year equal to 100; and **Indexed Federal Debt** shown by the black line on the left y-axis, also indexed to 1980 as the base year equal to 100. Together, these variables show that inflation pressure, purchasing-power erosion, federal deficit expansion, debt-service sensitivity, monetary-policy tightening, bank liquidity, and payment architecture increasingly interact within a shared stability environment. Figure 17 therefore supports the doctrine's system-stability claim: private payment innovation should be evaluated not merely as a transaction-speed improvement, but as a potential channel-risk vector entering a monetary-fiscal system already operating under elevated load.[1094] [1101] [1102] [1103]

Figure 17 Source and Data Availability: Figure 17, *Fiscal Pressure and System-Coupling Risk in the United States, 1980–2025*, is incorporated into Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The figure is available in full-page format through Mendeley Data at: [*https://data.mendeley.com/datasets/sw4jyctkcc/1*].

Additional Source Notation:
Figure 17 is derived from Decker, Nicolin, *The Moral Equation of War Doctrine: Incentive Drift, Constitutional Authority, and the 100-Year Character Horizon* (April 05, 2026), available at SSRN: https://ssrn.com/abstract=6526239 or http://dx.doi.org/10.2139/ssrn.6526239. The figure is repurposed here as a system-stability baseline for evaluating fiscal magnitude, deficit expansion, and system-coupling pressure in relation to private payment-rail substitution.

Public-Facing Bridge
The distinction is simple: new payment rails do not enter an empty system. They enter a system already carrying inflation history, purchasing-power decline, deficit pressure, bank-liquidity sensitivity, monetary-policy demands, and public-finance obligations. A faster crypto or stablecoin payment rail may be useful, but if it adds stress to revenue closure, deposit intermediation, monetary-policy transmission, or settlement confidence, its speed must be weighed against the stability of the system it enters.[1094] [1100] [1101] [1102] [1103]

Table 17. Integrated U.S. Fiscal System Dataset (1980–2024)
(Debt, Revenue, and Deficit — Indexed to 1980 = 100 where applicable)

Table 17 provides the underlying integrated fiscal-system dataset used to generate Figure 17. Its inclusion ensures that the system-coupling analysis remains transparent, reproducible, and independently verifiable. The table does not create a new fiscal measure by assertion; it organizes publicly available federal data into a shared temporal frame so that the relationship among federal debt, federal revenue, and annual deficit behavior can be observed directly. This reinforces that the observed system behavior arises from publicly available federal datasets rather than constructed abstraction.

Methodological Note: Federal debt and federal revenue are indexed to 1980 = 100 to permit proportional comparison across variables of different scale. Annual federal deficit is presented in nominal billions of U.S. dollars on its own scale because it represents yearly fiscal flow rather than cumulative stock. Indexing permits the reader to compare relative movement in debt and revenue without implying that the variables are identical in legal, fiscal, or accounting character.

Year	Debt ($T)	Debt Index	Revenue ($M)	Revenue Index	Deficit ($B)
1980	0.91	100.0	517,112	100.0	74
1981	1.00	110.0	599,272	115.9	79
1982	1.14	125.8	617,766	119.5	128
1983	1.38	151.8	600,562	116.1	208
1984	1.57	173.2	666,438	128.8	185
1985	1.82	200.8	734,037	141.9	212
1986	2.13	234.1	769,155	148.7	221
1987	2.35	258.8	854,287	165.2	150
1988	2.60	286.7	909,238	175.8	155

1989	2.86	314.8	991,104	191.7	153
1990	3.23	356.2	1,031,958	199.5	221
1991	3.67	404.0	1,054,988	204.0	269
1992	4.06	447.7	1,091,208	211.0	290
1993	4.41	486.2	1,154,334	223.2	255
1994	4.69	517.0	1,258,566	243.3	203
1995	4.97	547.9	1,351,790	261.4	164
1996	5.22	575.8	1,453,053	281.0	107
1997	5.41	596.4	1,579,232	305.3	22
1998	5.53	608.7	1,721,728	332.9	(69)
1999	5.66	623.2	1,827,452	353.3	(126)
2000	5.67	625.0	2,025,191	391.6	(236)
2001	5.81	640.0	1,991,082	385.0	(128)
2002	6.23	686.5	1,853,136	358.3	158
2003	6.78	747.5	1,782,314	344.7	378
2004	7.38	812.9	1,880,114	363.5	413
2005	7.93	873.9	2,153,611	416.4	318
2006	8.51	937.5	2,406,869	465.3	248
2007	9.01	993.0	2,567,985	496.6	161
2008	10.02	1,104.0	2,523,991	488.0	459
2009	11.91	1,312.0	2,104,989	406.9	1,413
2010	13.56	1,494.0	2,162,706	418.3	1,294
2011	14.79	1,629.0	2,303,466	445.4	1,300
2012	16.07	1,770.0	2,449,990	473.7	1,077
2013	16.74	1,845.0	2,775,106	536.6	680
2014	17.82	1,964.0	3,021,491	584.1	485
2015	18.15	2,000.0	3,249,890	628.3	442
2016	19.57	2,156.0	3,267,965	631.8	585
2017	20.24	2,231.0	3,316,184	641.2	665
2018	21.52	2,371.0	3,329,907	643.8	779
2019	22.72	2,504.0	3,463,364	669.6	984
2020	26.95	2,969.0	3,421,164	661.6	3,132

2021	28.43	3,132.0	4,047,111	782.6	2,772
2022	30.93	3,408.0	4,897,339	946.9	1,376
2023	33.17	3,655.0	4,440,948	858.7	1,684
2024	35.46	3,906.0	4,919,883	951.3	—

Figure 17 integrates the prior three figures into a system-coupling view. It places fiscal magnitude, annual deficit behavior, and historical phase shifts into a single visual frame. The figure identifies a stabilization and globalization phase, a shock absorption and fiscal expansion phase, and a system-coupling and structural stress phase. The purpose is not to claim that any single date caused systemic strain. The purpose is to show that fiscal, monetary, and liquidity variables have become more tightly interconnected over time.[11][0][1]

The first phase reflects the post-1990 environment in which inflation had been largely disciplined after the Volcker-era stabilization, globalization helped lower goods-cost pressure, and the U.S. system benefited from strong dollar-centered financial integration. The second phase captures the post-2001 through post-2008 period, including war expenditures, crisis response, financial-sector rescue architecture, and the normalization of larger fiscal deficits. The third phase, beginning around the mid-2010s and intensifying after 2020, reflects a more tightly coupled environment: pandemic-era fiscal expansion, inflation resurgence, deficit persistence, monetary-policy tightening, rising debt-service sensitivity, bank-liquidity stress, and the emergence of private digital payment architectures.[11][0][2]

This system-coupling frame is the key to the subsection. Inflation, purchasing-power erosion, federal deficits, and payment architecture should not be analyzed as disconnected subjects. They interact. Inflation affects purchasing power and monetary-policy response. Monetary-policy response affects interest rates, bank funding, credit availability, Treasury financing conditions, and liquidity behavior. Federal deficits affect Treasury issuance and debt-service exposure. Deposit migration affects bank funding and credit intermediation. Stablecoin reserve composition may affect bank deposits, Treasury-bill demand, short-term funding markets, and liquidity. Private payment rails may alter the route through which monetary signals and settlement confidence reach the real economy.[11][0][3]

Accordingly, the current system-stability baseline may be summarized as follows: the United States remains institutionally strong, but its monetary-fiscal architecture is operating under elevated load. Inflation has recently re-entered public consciousness. Purchasing-power decline remains visible across the long run. Federal deficits remain large. Debt, liquidity, bank funding, Treasury issuance, and monetary-policy transmission are increasingly interdependent. In that environment, a new large-scale private payment layer should not be evaluated only by transaction speed, fee reduction, or technological novelty. It must be evaluated by whether it strengthens or weakens the sovereign closure architecture that supports public revenue, bank intermediation, monetary-policy transmission, and national economic-security continuity.

This baseline also explains why the chapter's prior sections matter. Payroll-tax risk is not merely a tax-compliance issue when federal revenue continuity is under pressure. Dollar unit-of-account residue is not merely an accounting inconvenience when legal measurement remains essential to monetary stability. IRS reporting friction is not merely an enforcement problem when transaction volume can outpace public architecture. Banking disintermediation is not merely a bank-profit concern when deposits support credit and liquidity supervision. Federal Reserve transmission risk is not merely a central-bank technicality when inflation and fiscal pressure require policy signals to reach the real economy efficiently.

The doctrinal point is therefore clear:

A system already absorbing inflationary pressure, purchasing-power erosion, recurring deficits, and elevated fiscal magnitude should treat large-scale private payment substitution as a systemic-risk question, not merely a payment-efficiency question.

This does not require hostility toward crypto, stablecoins, or private payment innovation. It requires disciplined sequencing. Payment innovation should be assessed against the system it enters. If the system is stable, liquid, fiscally balanced, and inflation-controlled, the margin for experimentation may be wider. If the system is already absorbing inflationary, fiscal, banking, and monetary-policy stress, the margin for unmanaged substitution narrows. The question becomes not whether private rails can move value quickly, but whether they preserve the public mechanisms through which the United States closes obligations, transmits monetary policy, funds credit, collects revenue, supervises liquidity, and maintains confidence in the dollar-centered financial system.

In this sense, §IX.H.1 functions as the chapter's baseline warning. Figures 14 through 17 do not prove that private crypto or stablecoin payment rails will destabilize the United States financial system. They prove something narrower and more important: the system into which those rails would scale is already carrying visible pressure. Introducing new payment rails at scale without preserving monetary-policy transmission, deposit intermediation, tax closure, reporting visibility, and settlement finality would add risk vectors to an already burdened architecture. That is the reason systemic substitution must be evaluated now, before private closure outpaces sovereign closure.

Author's Reflection Footnote — Jurisdictional Synthesis and Constitutional Function

As this doctrine was drafted, an internal alignment became clear. The present difficulty is not that Congress lacks access to the relevant information. The difficulty is that the information is distributed across jurisdictional silos whose interpretive frameworks do not naturally converge. Securities committees see market classification. Tax authorities see income, basis, reporting, and enforcement. Banking regulators see deposits, liquidity, custody, and intermediation. Treasury sees payment integrity, sanctions, cash-flow continuity, and public finance. The Federal Reserve sees monetary-policy transmission, settlement, reserves, and liquidity. National-security actors see systemic resilience, critical infrastructure, and continuity under stress. Each view is valid, but partial.

The Legal Tender Closure Gap Doctrine supplies an integrating architecture by naming the common condition beneath those separate views: private payment functionality may scale without sovereign monetary closure.

The recurring tension between Congress and the Presidency does not arise merely from personality, party, or institutional rivalry. It also arises from the different forms of synthesis each branch is designed to perform. Congress synthesizes through plural deliberation. It gathers the distributed signal of the nation and subjects that signal to committee jurisdiction, public contestation, state and district representation, amendment, delay, negotiation, and vote. The Executive synthesizes through operational integration. It receives multi-domain inputs and must translate them into action, enforcement, posture, coordination, and public articulation.

One branch protects legitimacy through representative friction. The other protects continuity through integrated execution.

Congress is not deficient because it deliberates through plurality, and the Executive is not improper because it integrates toward action. The constitutional tension arises because each branch performs a different form of synthesis. Congress produces lawful authority by absorbing the nation's plural signal. The Executive produces operational continuity by integrating available data into actionable posture. The Legal Tender Closure Gap Doctrine sits between those functions: it supplies a translation layer necessary for Congress to deliberate coherently and for the Executive to act responsibly if systemic risk matures.

§IX.I. Stablecoin Run, Reserve, and Treasury-Market Feedback Risk

Stablecoins present the strongest mainstream payment case because they reduce the volatility that makes many cryptocurrencies difficult to use as ordinary payment media. A volatile crypto asset may transfer value, but its purchasing power can change materially between invoice issuance, payment, confirmation, custody, conversion, and accounting recognition. A stablecoin, by contrast, is designed to reference a relatively stable value, usually the U.S. dollar. That reference makes stablecoins more useful for consumer payments, merchant settlement, payroll experiments, remittances, exchange liquidity, decentralized finance, and cross-border trade settlement.[1104]

That same usefulness makes stablecoin reserve architecture systemically relevant if adoption scales. A stablecoin is not merely a payment interface. It is also a claim, promise, redemption arrangement, reserve structure, custody relationship, governance system, and liquidity-management architecture. If stablecoin payment remains narrow, those issues may remain principally issuer-level or market-sector concerns. If stablecoins become mainstream payment media, however, issuer reserve decisions may begin to matter for Treasury markets, bank deposits, money markets, short-term funding, payment confidence, and public financial stability.[1105]

The central distinction is therefore straightforward:

Stablecoins may reduce payment volatility, but they may introduce reserve-system fragility.

This distinction must be preserved because stablecoin usefulness can obscure stablecoin fragility. The dollar reference may make the payment appear simple. The legal and financial structure beneath the reference may not be simple. A user may see a digital dollar-equivalent balance. A merchant may see faster settlement. A platform may see liquidity. But the system must still ask what supports redemption, where reserves are held, how liquid those reserves are, whether reserve assets can be sold under stress, whether issuer governance is reliable, and whether redemption demand can be met without transmitting stress into short-term markets.[1106]

The first risk is the stablecoin run. A run occurs when holders lose confidence and seek redemption at scale. In a bank setting, deposit insurance, supervision, liquidity rules, central-bank facilities, and resolution frameworks shape run dynamics. In a stablecoin setting, confidence may depend on issuer disclosures, reserve quality, redemption terms, operational resilience, custody arrangements, and market belief that the stablecoin can maintain parity. If confidence breaks, redemption demand may accelerate rapidly across platforms because digital balances can move at high speed and because stablecoins often circulate through exchanges, wallets, payment processors, decentralized applications, and cross-platform liquidity pools.[1107]

The second risk is redemption pressure. If many holders redeem at the same time, the issuer may need to convert reserves into cash quickly. That pressure may be manageable where reserves are short-duration, high-quality, liquid, transparent, and matched to redemption obligations. It may

become destabilizing where reserves contain less liquid assets, concentrated exposures, maturity mismatches, affiliated claims, opaque custody arrangements, or instruments that cannot be liquidated quickly without price impact. The payment instrument may appear stable at the front end while the reserve portfolio bears the stress at the back end.

The third risk is reserve fire sales. If an issuer must liquidate reserve assets rapidly to meet redemptions, the liquidation itself may transmit stress into the market for those assets. This is especially important where stablecoin reserves include Treasury bills, repurchase agreements, money-market instruments, commercial paper, bank deposits, or other short-term assets. High-quality assets reduce credit risk, but they do not eliminate liquidity risk. A forced sale of otherwise safe assets can still affect market depth, pricing, yields, dealer balance sheets, and short-term funding conditions if the sale occurs at sufficient scale or during an already stressed market environment.[11][08]

The fourth risk is Treasury-bill concentration. Dollar-referenced stablecoins often hold substantial short-term dollar assets, including Treasury bills, because those assets are liquid, high quality, and aligned with redemption needs. At modest scale, this reserve structure may strengthen credibility and support demand for safe assets. At larger scale, however, stablecoin reserve concentration can create a feedback loop between payment confidence and Treasury liquidity. If stablecoin demand rises, issuers may purchase more Treasury bills or short-term instruments. If confidence falls, issuers may need to sell them. Payment confidence and Treasury-market liquidity can therefore become linked through private reserve management.[11][09]

This feedback loop is not necessarily negative in all conditions. Stablecoin demand for Treasury bills may increase demand for short-term government securities and may, under some conditions, support market liquidity or reduce yields. But the stabilizing effect of demand in normal conditions can become a transmission channel under stress if redemption pressure forces concentrated selling. The relevant policy question is not whether stablecoins hold safe assets. The question is whether a payment instrument backed by safe assets can create instability if those assets must be liquidated quickly, collectively, or during market stress.

The fifth risk is short-term funding stress. Stablecoin reserves can interact with money markets, repo markets, Treasury-bill markets, and bank deposits. If reserve allocations shift quickly between bank deposits, Treasury bills, money-market funds, repo, or other short-term instruments, liquidity conditions can change across multiple markets. If redemption waves spill into money markets, the pressure may not remain confined to the stablecoin issuer. It may affect short-term funding conditions that support broader financial-market functioning. That is why stablecoin reserve architecture should be understood not only as a consumer-protection matter, but as a financial-stability and Treasury-market question.[111][0]

The sixth risk is reserve-transparency disputes. Stablecoin confidence depends heavily on what users, platforms, regulators, and markets believe about the issuer's backing. If backing is unclear, attestations are delayed, reserve categories are disputed, custody arrangements are opaque, or redemption rights are uncertain, confidence may weaken before actual insolvency occurs. In that sense, transparency is not merely informational; it is part of the stability architecture. A stablecoin can experience pressure because the market doubts the reserve, even if the reserve

ultimately proves sufficient. Conversely, a weak reserve may remain accepted for a time if confidence has not yet broken. Stablecoin stability therefore depends on both balance-sheet reality and public belief about that reality.[1111]

The seventh risk is issuer-solvency dependency. Stablecoin payment confidence may depend on private issuer solvency, governance, operational control, cybersecurity, custody structure, legal compliance, reserve management, and redemption discipline. This is a different confidence structure from United States legal tender or central-bank money. A stablecoin may reference the dollar, but the holder's confidence is mediated through a private issuer or platform. If the issuer fails, freezes redemptions, suffers operational disruption, mismanages reserves, loses banking access, or becomes legally impaired, payment confidence may be affected even if the dollar itself remains stable.[1112]

The eighth risk is systemic reserve management. If a small number of stablecoin issuers process a large share of payment volume, private reserve decisions may become public-stability concerns. An individual issuer's portfolio allocation, redemption policy, banking relationship, custody model, disclosure practice, or crisis response may influence market confidence beyond its own user base. That concern increases when stablecoins are widely integrated into exchanges, merchants, payroll systems, remittance corridors, decentralized finance, custody platforms, and cross-border settlement arrangements. The more payment activity depends on a concentrated issuer base, the more issuer-level reserve management becomes a public systems issue.

The resulting risk register may be summarized as follows:

Table 18. Stablecoin Run, Reserve, and Treasury-Market Feedback Risks

Stablecoin Risk	Systemic Concern
Stablecoin runs	Rapid redemption demand may stress issuers, platforms, reserve assets, and payment confidence.
Redemption pressure	Issuers may need to convert reserves into cash quickly to satisfy holders.
Reserve fire sales	Liquidation of Treasury bills or other assets may affect short-term markets during stress.
Treasury-bill concentration	Large reserve holdings may create feedback between payment confidence and Treasury liquidity.
Short-term funding stress	Redemption waves may spill into money markets, repo markets, bank deposits, or short-term funding channels.
Reserve-transparency disputes	Uncertainty over backing, custody, attestations, or redemption rights may trigger confidence shocks.
Issuer-solvency dependency	Payment confidence may depend on private issuer solvency, governance, compliance, and operational resilience.
Systemic reserve management	Private reserve decisions may become public-stability concerns if payment volume depends on concentrated issuers.

Policymaker Interpretation
Table 18 identifies the principal reserve-system vulnerabilities that may arise if stablecoins become widely used as mainstream payment instruments. Stablecoins may reduce ordinary payment volatility by referencing the dollar, but their stability depends on private reserve management, redemption confidence, issuer solvency, market liquidity, and transparency of backing. If adoption scales, a loss of confidence in a major stablecoin issuer could trigger rapid redemptions, force reserve liquidation, affect Treasury-bill or short-term funding markets, and transmit stress from a private payment instrument into public financial-stability channels. The table therefore illustrates the doctrine's core distinction: stablecoins may make payments appear more stable at the transaction layer while introducing reserve-system fragility at the market layer.

Threshold conditions should therefore be monitored before stablecoin payment use becomes deeply embedded in ordinary commerce. These conditions include redemption velocity, reserve concentration, issuer concentration, Treasury-bill exposure, maturity mismatch, liquidity mismatch, market depth, custody concentration, banking-relationship concentration, cross-platform contagion, reserve-transparency quality, and the percentage of payment volume dependent on a small number of stablecoin issuers.[1113]

This section's claim is not that stablecoins are inherently unstable. A well-designed, transparent, fully reserved, highly liquid, legally supervised stablecoin may reduce volatility, lower payment costs, and improve settlement speed. The claim is that stablecoin stability depends on architecture. If reserve assets are high quality, redemption rights are clear, issuer governance is sound, disclosures are reliable, custody is secure, and regulatory oversight is effective, stablecoins may function more safely. If those conditions weaken, the same instrument that reduced payment volatility may transmit reserve-system stress.

The doctrine's core distinction may therefore be stated plainly:

Stablecoins may reduce payment volatility, but they may introduce reserve-system fragility.

That distinction is central to the Legal Tender Closure Gap Doctrine. Stablecoins can imitate the user experience of dollar payment without becoming legal tender, central-bank money, or sovereign monetary closure. Their dollar reference can make private settlement easier, but their reserve architecture can make public stability more complex. A stablecoin payment may close the merchant's invoice. It may satisfy the user's expectation. It may settle quickly across a private rail. But if the instrument's stability depends on private reserves, issuer governance, market liquidity, and redemption confidence, then large-scale adoption creates a public question: whether private reserve architecture can safely support money-like payment behavior at systemic scale.

Accordingly, stablecoin risk should not be analyzed only at the level of consumer payment, issuer compliance, or asset backing. It should be analyzed as a reserve-feedback system. Payment confidence affects redemption behavior. Redemption behavior affects reserve liquidation. Reserve liquidation may affect Treasury bills, bank deposits, money markets, and short-term funding. Those markets influence liquidity conditions, monetary-policy implementation, and public confidence. In that sequence, the stablecoin is not merely a private

payment instrument. At scale, it becomes a potential bridge between private payment confidence and public market stability.

§IX.J. Sanctions, AML/BSA, and OFAC Enforcement Degradation

Treasury, FinCEN, OFAC, and law-enforcement concerns become more acute when value moves through channels that are non-bank, cross-border, pseudonymous, decentralized, or routed through unhosted wallets, bridges, mixers, and decentralized finance infrastructure. The issue is not that every crypto payment is illicit, evasive, or unlawful. The issue is that certain crypto settlement pathways may reduce reliance on screened intermediaries and thereby widen the time gap between private payment completion and public enforcement visibility.[1114]

In the traditional financial system, banks, money services businesses, payment processors, broker-dealers, exchanges, custodians, and other regulated intermediaries perform important compliance functions. They collect customer information, monitor transactions, screen against sanctions lists, file suspicious activity reports where required, maintain records, and cooperate with lawful investigations. These controls do not eliminate illicit finance, but they provide chokepoints through which public authorities can identify, interdict, investigate, and enforce. When value instead moves directly wallet-to-wallet or through decentralized protocols without a comparable compliance intermediary, the public system may still regulate conduct after the fact, but its ability to detect or prevent the transfer before completion may be reduced.[1115]

This is the enforcement expression of the legal-tender closure gap. A private crypto transfer may complete technologically before the public system has attributed the parties, screened the counterparties, identified beneficial ownership, detected sanctions exposure, or connected the transaction to broader illicit-finance patterns. The blockchain may show that value moved. The public system must still determine who controlled the wallet, whether the actor was blocked, whether the transfer involved a sanctioned jurisdiction, whether the funds were laundered, whether a mixer or bridge obscured the path, and whether the transaction is connected to ransomware, terrorism financing, proliferation financing, fraud, corruption, or other illicit activity.[1116]

The first enforcement risk is sanctions-screening gaps. OFAC sanctions obligations apply to U.S. persons and to transactions subject to U.S. jurisdiction, including transactions involving virtual currency. But direct wallet-to-wallet transfers, unhosted wallets, decentralized protocols, offshore platforms, and rapidly changing addresses may reduce the practical role of screened intermediaries. A payment may occur before public enforcement sees the transfer, attributes the parties, or determines whether the address is connected to a blocked person or sanctioned activity.[1117]

The second risk is OFAC address churn. Blocked or illicit actors may rotate addresses, use fresh wallets, split transfers, route through intermediating addresses, or move value across chains. Address designation can be powerful where the address is known, but enforcement becomes more difficult where the actor changes addresses faster than public attribution, designation, and

compliance updates can propagate through the market. The result is not enforcement impossibility; it is enforcement latency.[1118]

The third risk is mixer and bridge evasion. Mixers, tumblers, cross-chain bridges, chain-hopping tools, privacy-enhancing protocols, and layered transfers may obscure origin, destination, or beneficial ownership. These tools can be used for legitimate privacy-preserving purposes, but they may also be abused to frustrate AML/BSA monitoring, sanctions compliance, ransomware tracing, terrorism-finance attribution, and law-enforcement recovery. The enforcement issue is therefore not the existence of privacy technology alone; it is whether the transaction architecture prevents lawful attribution when serious illicit-finance risks are present.[1119]

The fourth risk is ransomware pathways. Ransomware actors have repeatedly used virtual assets because they can move value quickly, cross borders, and route through multiple services. FinCEN has warned that ransomware payments and associated laundering activity may involve convertible virtual currency, mixers, exchanges, nested services, and other financial pathways. Where crypto settlement provides extortion payment rails, the public harm is not limited to the victim's private loss. It may include cybercrime monetization, critical-infrastructure disruption, sanctions exposure, national-security risk, and repeat criminal financing.[1120]

The fifth risk is terrorist-finance exposure. Cross-border pseudonymous value transfer may complicate prevention and attribution when funds move through wallets, foreign platforms, informal networks, decentralized protocols, or other channels outside conventional financial surveillance points. Treasury's national risk assessments recognize that virtual assets can be exploited by illicit actors, including terrorist financiers, even though the scale and method of use may vary across threat actors and regions. The risk is not that virtual assets uniquely create terrorist finance. The risk is that they can provide another pathway for moving value where identity, jurisdiction, and beneficial ownership are difficult to establish promptly.[1121]

The sixth risk is AML/BSA monitoring gaps. FinCEN's framework treats certain persons administering or exchanging convertible virtual currency as money transmitters when they accept and transmit value that substitutes for currency. But unhosted wallets, decentralized applications, and non-custodial pathways may not present the same compliance chokepoints as banks or regulated intermediaries. Where no regulated actor is positioned to collect customer information, screen counterparties, monitor transaction behavior, or file reports, public authorities may need to rely more heavily on later-stage investigation rather than pre-transaction or contemporaneous monitoring.[1122]

The seventh risk is blockchain-analytics dependency. Chain-analysis tools can be valuable. They can help identify clusters, trace flows, detect typologies, support forfeiture, and assist investigations. But enforcement based on blockchain analytics may involve probabilistic attribution, off-chain corroboration, exchange records, custody data, IP logs, subpoenas, warrants, foreign cooperation, informants, or seized-device evidence. The more enforcement depends on after-the-fact analytics, the more the public system must reconstruct identity, intent, beneficial ownership, and transaction purpose after private settlement has already occurred.[1123]

The eighth risk is after-the-fact enforcement burden. Public authorities may be forced to act after funds have moved, been swapped, bridged, mixed, cashed out, routed offshore, or converted into other assets. That does not mean enforcement is futile. U.S. authorities have demonstrated meaningful capability in tracing, sanctioning, seizing, and prosecuting illicit crypto activity. But the timing matters. A system that relies heavily on after-the-fact reconstruction may be less capable of preventing harm before settlement occurs, especially where payments are fast, cross-border, pseudonymous, decentralized, or routed through multiple layers of infrastructure.

The enforcement-risk register may be summarized as follows:

Table 19. Sanctions, AML/BSA, and OFAC Enforcement Degradation Risks

Enforcement Risk	Systemic Concern
Sanctions-screening gaps	Payments may occur before public enforcement sees, screens, attributes, or interdicts them.
OFAC address churn	Blocked actors may rotate addresses quickly, reducing the practical effect of known-address screening.
Mixer and bridge evasion	Routing tools may obscure origin, destination, beneficial ownership, or chain-of-custody visibility.
Ransomware pathways	Crypto settlement may support extortion payment channels and repeat criminal monetization.
Terrorist-finance exposure	Cross-border pseudonymous transfer may complicate prevention, attribution, and disruption.
AML/BSA monitoring gaps	Unhosted or decentralized channels may bypass conventional compliance chokepoints.
Blockchain-analytics dependency	Enforcement may become dependent on probabilistic attribution and chain-analysis tools.
After-the-fact enforcement burden	Public authorities may act only after private settlement has already completed or funds have been layered.

Policymaker Interpretation
Table 19 identifies the principal enforcement risks that may arise when crypto or stablecoin settlement occurs through non-bank, cross-border, pseudonymous, unhosted, decentralized, mixer-routed, bridge-routed, or DeFi-enabled channels. These risks do not mean crypto payments are inherently unlawful, evasive, or hostile to enforcement. They show that certain settlement pathways may reduce reliance on screened intermediaries and widen the time gap between private payment completion and public enforcement visibility. The table therefore illustrates the doctrine's enforcement claim: compliance supervision may regulate crypto value movement, but unhosted or decentralized settlement can allow value to move before public authorities can attribute parties, screen sanctions exposure, identify beneficial ownership, detect illicit-finance patterns, or interdict the transaction. This is the closure gap in enforcement form.

The neutral formulation is therefore:

Compliance supervision may regulate crypto value movement, but unhosted or decentralized settlement can widen the time gap between private completion and public enforcement.

This does not mean crypto value movement should be presumed illicit. Nor does it mean decentralized systems cannot be designed with lawful traceability, privacy-preserving compliance, or accountable audit pathways. The proper point is narrower: enforcement architecture depends on timing, attribution, identity, jurisdiction, and chokepoints. Where payment settlement occurs before those controls can operate, the public system may remain legally empowered but operationally delayed.

This is the closure gap in enforcement form. Private settlement may complete quickly, while public enforcement must still reconstruct identity, jurisdiction, sanctions exposure, beneficial ownership, AML/BSA relevance, and evidentiary sufficiency. The transaction may be technically final before the compliance system can determine whether the transaction should have been permitted. That gap is not merely an enforcement inconvenience. At scale, it can affect sanctions credibility, illicit-finance prevention, ransomware deterrence, terrorism-finance disruption, and the integrity of the dollar-centered compliance architecture.

Accordingly, the Legal Tender Closure Gap Doctrine treats sanctions, AML/BSA, and OFAC enforcement degradation as a systemic risk category. The issue is not whether every crypto payment is suspect. The issue is whether mainstream private settlement through decentralized, unhosted, cross-border, or pseudonymous channels can expand faster than the public enforcement architecture can attribute, screen, interdict, and close. When private completion precedes public visibility, the enforcement gap becomes a monetary-closure gap by another name.

§IX.K. Cross-Border Trade, BRICS, and Dollar-Centrality Pressure

This section addresses strategic risk, not inevitability. It does not claim that cryptocurrency, stablecoins, BRICS payment systems, central bank digital currencies, or non-dollar settlement corridors will replace the United States dollar. The dollar remains the dominant global reserve currency, the principal unit of account for large portions of international finance, and the central reference point for commodities, debt markets, trade invoicing, offshore dollar funding, and reserve management.[112][4] The relevant risk is more subtle. Dollar displacement does not require formal replacement. It can begin through settlement substitution.

Settlement substitution occurs when parties continue to recognize the dollar's formal dominance while shifting selected payment flows into alternative rails, instruments, clearing arrangements, local-currency corridors, digital settlement systems, stablecoins, or foreign-aligned payment networks. The legal unit of account may remain the dollar. The reserve asset may remain the dollar. Treasury securities may remain globally central. Yet at the margin, trade participants may begin routing value through systems that reduce reliance on U.S.-supervised correspondent

banking, dollar-clearing channels, sanctions chokepoints, and conventional financial-intelligence visibility.[1125]

The issue is therefore not whether the dollar is immediately displaced. The issue is whether enough payment flows can migrate into alternative channels to create functional competition with dollar-clearing infrastructure while the dollar remains formally dominant. This distinction is important because policymakers often evaluate reserve-currency status as though it were binary: either the dollar is dominant or it is displaced. But payment architecture can change incrementally. A currency may retain reserve dominance while settlement behavior shifts at the margins. A payment rail may become geopolitically relevant before it becomes macroeconomically dominant.

This is where cryptocurrency, stablecoins, foreign CBDC bridges, BRICS-aligned payment systems, and local-currency settlement corridors converge as a strategic category. They differ in legal status, governance, public-private character, reserve architecture, and technical design. But each may reduce reliance on traditional dollar-clearing infrastructure where it allows cross-border value movement outside ordinary correspondent-banking channels. Stablecoins may perform this function by providing private dollar-referenced settlement. CBDC bridges may perform it by linking sovereign digital currencies. BRICS-aligned systems may perform it by promoting local-currency settlement among member states. Decentralized rails may perform it by routing value through non-bank infrastructure.[1126]

The first strategic pressure is that dollar-clearing channels may become less central. Traditional dollar clearing derives power not merely from dollar denomination, but from the infrastructure through which dollar payments move. Correspondent banks, U.S.-regulated financial institutions, clearing systems, message standards, settlement accounts, sanctions-screening controls, and dollar-liquidity relationships create both economic convenience and sovereign visibility. If some trade flows move through alternative rails, those channels may reduce dependence on the infrastructure that historically made the United States central to settlement oversight.[1127]

The second strategic pressure is the development of alternative settlement corridors. These corridors may include local-currency trade arrangements, bilateral clearing agreements, BRICS-linked payment platforms, CBDC interoperability projects, tokenized deposit experiments, or private stablecoin networks. Their purpose may be commercial efficiency, sanctions resilience, payment modernization, strategic autonomy, or reduced correspondent-banking dependence. The motive may differ by jurisdiction, but the systems effect is similar: cross-border settlement becomes more multipolar, more platform-dependent, and less uniformly routed through legacy dollar channels.[1128]

The third strategic pressure is that BRICS-aligned or non-dollar instruments may gain relevance even without becoming a unified BRICS currency. The most important development is not necessarily the creation of a single supranational currency. Several BRICS members have strong reasons to preserve their own monetary sovereignty, capital controls, central-bank authority, and domestic legal tender. The more plausible near-term pathway is not one BRICS currency replacing national currencies, but interoperable payment rails allowing trade to settle in local

currencies, CBDCs, digital units of account, commodity-linked reference systems, or platform-mediated balances.[1129]

That pathway matters because it lowers the operational burden of non-dollar settlement. In the past, dollar use often persisted because the alternative was fragmented, slow, costly, illiquid, or operationally difficult. If digital settlement infrastructure makes local-currency trade faster, cheaper, and easier, non-dollar settlement narratives become more executable. The dollar may remain stronger than the alternatives, but the friction advantage may narrow. In strategic terms, the relevant shift is not whether the dollar ceases to dominate immediately; it is whether settlement alternatives become operationally credible enough to reduce marginal dependence on dollar clearing.

The fourth strategic pressure is sanctions leverage. U.S. sanctions power is strengthened by the centrality of the dollar, the role of U.S. financial institutions, correspondent banking visibility, SWIFT-linked messaging, OFAC compliance architecture, and the dependence of global actors on dollar access. If payment flows move through alternative rails that reduce interaction with U.S.-supervised intermediaries, U.S. visibility and chokepoint authority may decline at the margins. This does not eliminate sanctions power. It may, however, require greater reliance on secondary sanctions, intelligence collection, blockchain analytics, allied cooperation, export controls, and post-transaction enforcement rather than pre-transaction chokepoint control.[1130]

The fifth strategic pressure is declining correspondent-banking visibility. Correspondent banking does not merely facilitate payments. It also supplies compliance visibility, customer due diligence, sanctions screening, suspicious-activity reporting, transaction monitoring, and documentary trails. If cross-border flows migrate into CBDC bridges, private stablecoin systems, local-currency corridors, or decentralized settlement networks, some flows may become harder to monitor through conventional intermediaries. The result is not necessarily invisibility. It is visibility relocation: the data may exist, but it may sit inside foreign platforms, private issuers, blockchain analytics systems, central-bank networks, or jurisdictions outside ordinary U.S. supervisory reach.[1131]

The sixth strategic pressure is trade-settlement fragmentation. As regions develop different payment standards, wallet architectures, CBDC protocols, messaging layers, settlement rules, identity requirements, sanctions positions, privacy regimes, and legal-finality frameworks, cross-border settlement may fragment across blocs. This fragmentation may create efficiency inside corridors while increasing complexity across corridors. A BRICS-aligned rail may work well for certain member-state transactions. A BIS-led tokenized settlement prototype may work well among participating advanced-economy central banks. A stablecoin network may work well for private merchants and exchanges. But the global system may become less unified as each corridor develops its own legal, technical, compliance, and governance assumptions.[1132]

The seventh strategic pressure is functional competition with dollar primacy. Dollar primacy may remain intact at the formal level while payment behavior shifts at the margins. Reserve managers may continue holding Treasuries. Global banks may continue using dollars. Commodities may continue being priced in dollars. But private merchants, exporters, importers, sanctioned actors, emerging-market firms, and regional blocs may increasingly experiment with settlement

pathways that reduce dollar-clearing dependence for selected transactions. That is functional competition: not replacement, but partial routing substitution.

The strategic-pressure register may be summarized as follows:

Table 20. Strategic Settlement Substitution and Dollar-Centrality Pressure Risks

Strategic Pressure	Possible Consequence
Dollar-clearing channels become less central	Some payment flows may bypass traditional dollar-clearing infrastructure.
Alternative settlement corridors develop	Private or foreign-aligned rails may reduce dependence on U.S.-supervised systems.
BRICS-aligned or non-dollar instruments gain relevance	Non-dollar settlement narratives may become operationally easier.
Sanctions leverage weakens	Visibility and chokepoint power may decline if settlement bypasses regulated channels.
Correspondent banking visibility declines	Cross-border flows may become harder to monitor through conventional intermediaries.
Trade settlement fragments	Settlement standards may diverge across regions, platforms, and legal regimes.
Dollar primacy faces functional competition	Formal reserve status may remain while private settlement behavior shifts at the margins.

Doctrinal Note
Table 20 identifies the strategic settlement-substitution pressures that may arise when private, foreign-aligned, BRICS-aligned, stablecoin, CBDC-linked, or local-currency payment rails reduce reliance on traditional dollar-clearing infrastructure. These pressures do not mean the U.S. dollar is being displaced as the dominant reserve currency, legal unit of account, or global financial reference point. Rather, they show that dollar centrality may face functional competition when payment routing, trade settlement, sanctions visibility, correspondent-banking reliance, and cross-border clearing behavior shift at the margins. Table 20 therefore illustrates the doctrine's strategic claim: dollar displacement does not require formal replacement; it can begin through settlement substitution when alternative rails reduce dependence on U.S.-supervised clearing channels without formally replacing the dollar itself.[112][4] [112][5] [112][6] [113][0] [113][2]

Figure 18 Source and Data Availability: Figure 18, *Strategic Settlement Substitution and Dollar-Centrality Pressure Risks*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as Table 20 is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/y79s2rjjr5/1*].

Policymaker Interpretation
Table 20 should be read as a channel-risk matrix rather than a prediction of dollar replacement. Its purpose is to show how alternative settlement infrastructure may affect U.S. strategic leverage even while the dollar remains formally dominant. If selected payment flows migrate through private rails, BRICS-aligned systems, CBDC bridges, stablecoins, or local-currency settlement corridors, the United States may retain reserve-currency leadership while experiencing reduced visibility, weaker chokepoint power, fragmented settlement standards, and diminished correspondent-banking observability in certain corridors. The policy question is therefore not whether the dollar disappears. The question is whether payment routing changes the enforcement, visibility, and settlement architecture through which dollar centrality operates.[1127] [1128] [1129] 1131 1132

U.S. Department of State Public-Facing Interpretation
From a diplomatic and economic-statecraft perspective, Table 20 illustrates why payment infrastructure is also foreign-policy infrastructure. Sanctions leverage, illicit-finance disruption, allied enforcement coordination, and cross-border financial transparency depend in part on where transactions travel, which intermediaries observe them, and which legal regimes govern their settlement. Alternative payment rails may improve speed and reduce cost, but they may also relocate financial visibility away from traditional channels used for sanctions coordination, AML/BSA monitoring, correspondent-banking oversight, and international enforcement cooperation. Table 20 therefore frames strategic settlement substitution as a foreign-policy visibility issue as much as a monetary issue: when payment routes change, diplomatic leverage and enforcement timing may change with them.[1125] [1130] 1131 1132

Public-Facing Bridge
The distinction is simple: the dollar can remain dominant while some payment routes become less dependent on dollar-clearing channels. Private rails, BRICS-aligned systems, stablecoins, CBDC bridges, or local-currency corridors do not have to replace the dollar outright to reduce reliance on the infrastructure through which the United States exercises visibility, sanctions leverage, and financial influence. Table 20 and Figure 18 therefore show that the future of dollar centrality may be contested not only by what currency the world holds, but by which rails the world uses to settle.[1124] [1125] [1130] 1132

The core point is:

Dollar displacement does not require formal replacement. It can begin through settlement substitution.

The formal concept may therefore be stated as follows:

Strategic settlement substitution occurs when private or foreign-aligned payment rails reduce reliance on dollar-clearing infrastructure without formally replacing the dollar as legal unit of account or reserve currency.

This concept should be distinguished from de-dollarization in its strongest form. De-dollarization implies a broad reduction in the dollar's role as reserve asset, invoicing currency, funding currency, settlement currency, safe asset, and global unit of account. Strategic settlement substitution is narrower. It identifies the early-stage pathway through which cross-border actors may preserve dollar reference while reducing dependence on dollar-clearing channels. A transaction may remain priced in dollars, hedged against dollars, or ultimately benchmarked to dollars while moving through rails that do not preserve the same U.S. supervisory visibility, sanctions leverage, or settlement architecture.

This distinction matters for the Legal Tender Closure Gap Doctrine because it mirrors the domestic closure problem at the international level. Domestically, a crypto or stablecoin payment may close the private transaction without supplying sovereign monetary closure. Internationally, a private or foreign-aligned payment rail may close the trade transaction without preserving the dollar-clearing architecture that historically supported U.S. visibility, liquidity influence, sanctions enforcement, and financial-system centrality. In both settings, the movement of value can become easier while the public architecture of finality, oversight, and sovereign leverage becomes more complex.

The BRICS context illustrates the point without requiring overstatement. BRICS states have explored payment mechanisms designed to increase local-currency settlement, improve cross-border payment efficiency, reduce dependence on Western intermediaries, and strengthen financial sovereignty. Some proposals focus on payment interoperability, some on CBDC bridges, some on local-currency settlement, and some on alternative units of account. These initiatives do not yet amount to a single BRICS legal tender or a unified reserve currency. But they may still matter because payment infrastructure can alter strategic behavior before formal monetary replacement occurs.

Accordingly, the national-security concern is not that the dollar disappears. The concern is that dollar-clearing centrality may become less comprehensive as settlement alternatives mature. If cross-border payment behavior becomes more distributed across private rails, foreign CBDC systems, stablecoin corridors, BRICS-aligned platforms, and regional settlement networks, the United States may retain formal monetary dominance while facing reduced transactional visibility and weaker chokepoint leverage in selected corridors. That condition would not end dollar primacy, but it would complicate the strategic environment in which dollar primacy operates.

The doctrine's neutral conclusion is therefore this: private and foreign-aligned payment innovation should not be dismissed as irrelevant merely because the dollar remains dominant. Nor should it be exaggerated as immediate dollar replacement. The proper analytical frame is channel risk. If settlement channels change, strategic leverage changes. If visibility moves, enforcement architecture changes. If non-dollar corridors become easier to use, dollar dependence may decline at the margins. And if those margins accumulate across trade, energy, commodities, sanctioned jurisdictions, emerging markets, and digital settlement platforms, the effect may become systemically relevant over time.

Strategic settlement substitution is therefore the international expression of the Legal Tender Closure Gap. It identifies the point at which payment functionality, trade convenience, and

settlement speed begin to compete with the institutional architecture that supports dollar centrality. The dollar may remain the world's leading reserve currency. But if payment rails increasingly allow value to move around traditional clearing channels, policymakers must evaluate not only monetary status, but settlement behavior. The future of dollar centrality may be contested less by declaration than by routing.

Doctrinal Callout — BRICS Digital Payment Rails and the Multilateral Closure Gap

BRICS digital-payment initiatives illustrate that settlement substitution is not only a domestic U.S. issue. A multilateral bloc may seek faster cross-border payment, reduced dollar dependence, and greater financial sovereignty through interoperable CBDCs, local-currency settlement corridors, digital payment rails, or proposed units of account. Those efforts may be economically rational where member states seek to reduce correspondent-banking friction, sanctions exposure, and reliance on dollar-denominated settlement channels.

Yet the same architecture creates a distinct systemic vulnerability. BRICS payment rails may reduce dependence on the dollar at the transaction layer while increasing coordination risk at the closure layer. Member states do not share a single legal tender, fiscal authority, monetary policy, central bank, court system, lender of last resort, sanctions regime, or crisis-resolution authority. A transaction may settle technically across a digital rail while legal finality, liquidity support, FX convertibility, dispute resolution, capital-control compliance, and enforcement authority remain distributed across separate sovereign systems.

This creates a multilateral closure gap. Payment may become faster without becoming institutionally unified. Settlement may become more direct without becoming legally final across all participating jurisdictions. Dollar displacement may therefore begin through settlement substitution, but substitution does not eliminate closure risk; it relocates closure risk into the governance architecture of the bloc attempting substitution.

The BRICS example reinforces the doctrine's central claim: movement of value is not the same as monetary closure. Whether the payment rail is domestic, private, stablecoin-based, CBDC-linked, or multilateral, the legal question remains the same: who supplies finality, liquidity, accountability, enforcement, and sovereign recognition when the transaction is stressed?

§IX.L. Capital-Flow, Crisis-Response, and Government-Continuity Risk

At scale, payment architecture becomes continuity architecture. A payment rail is not merely a commercial convenience when it becomes necessary for wages, merchant receipts, vendor payments, remittances, emergency relief, benefits delivery, cross-border commerce, or ordinary household liquidity. Once a private settlement rail becomes embedded in routine economic life, disruption of that rail may no longer remain a platform-specific problem. It may become a financial-continuity problem.[1133]

This section addresses the point at which private payment infrastructure becomes a public resilience concern. The issue is not whether private crypto rails, stablecoins, wallets, custodians, exchanges, or decentralized settlement systems are inherently unlawful or destabilizing. The issue is whether they become sufficiently integrated into ordinary commerce that their failure, interruption, compromise, depeg, custody freeze, bridge exploit, or issuer disruption creates consequences beyond the immediate users of the platform. At that point, payment architecture becomes part of the continuity architecture of the economy.

The first continuity risk is accelerated capital flight. Digital settlement rails may permit value to move more quickly out of domestic banking systems during stress. In ordinary conditions, fast transfer may be a benefit. In crisis conditions, speed can amplify outflows. If households, firms, merchants, or institutions can shift balances rapidly from bank deposits into stablecoins, wallets, offshore platforms, foreign-aligned rails, or non-bank settlement corridors, domestic liquidity pressure may intensify faster than public authorities can monitor, slow, or stabilize.[1134]

This does not mean payment speed is inherently harmful. Speed is valuable in normal commerce. The risk arises when speed reduces the friction that historically gave supervisors, banks, central banks, and public authorities time to assess stress, provide liquidity, communicate confidence, or deploy stabilizing measures. A bank run, payment panic, capital-control evasion event, or cross-border liquidity shock can be accelerated by rail design. If private rails permit rapid movement beyond conventional banking chokepoints, public authorities may confront crisis dynamics after balances have already moved.

The second continuity risk is weaker capital-flow controls. The United States does not ordinarily operate under broad peacetime capital controls in the manner of some other jurisdictions, but public authorities retain sanctions, emergency economic powers, reporting rules, anti-money-laundering controls, and other legal tools that regulate or restrict certain flows under stress.[1135] If settlement activity migrates into decentralized, unhosted, cross-border, offshore, or foreign-aligned rails, the practical friction available to public authorities may decline. Legal authority may remain intact, but operational enforceability may become slower, more dependent on post-transaction analytics, and more reliant on foreign cooperation.

The third continuity risk concerns emergency fiscal transfers. Public relief systems often depend on bank accounts, direct deposit, Treasury-recognized disbursement channels, prepaid-card mechanisms, or identity-linked benefit infrastructure.[1136] If a growing share of households,

workers, small merchants, contractors, migrants, or informal-sector participants operate primarily through crypto-native wallets or stablecoin ecosystems outside bank-dollar rails, emergency fiscal transfers may miss or under-serve those users. The result would not merely be payment inconvenience. It could weaken disaster relief, unemployment support, emergency stimulus, household stabilization, and public confidence during crisis conditions.

The fourth continuity risk is payroll relief delivery gaps. During economic stress, government may attempt to stabilize wages, employers, or household income through tax credits, emergency lending, payroll support, unemployment insurance, direct payments, or other fiscal tools. Those mechanisms assume that wage systems, employer accounts, payroll providers, tax reporting systems, and employee payment channels remain reachable through known public or banking infrastructure.[1137] If wage rails migrate toward stablecoins, crypto wallets, non-bank payroll providers, or private settlement systems, payroll stabilization tools may become less effective or require new translation layers before relief can reach affected workers.

The fifth continuity risk is that deposit-support tools become less comprehensive. Traditional bank-support mechanisms are designed around insured depository institutions, bank deposits, regulated liquidity facilities, supervisory frameworks, resolution authority, and central-bank support tools.[1138] If transaction balances migrate from bank deposits into wallets, stablecoins, private issuers, or non-bank custodial environments, public backstops may not reach those balances in the same manner. Users may treat private wallet or stablecoin balances as money-like liquidity, but the public support architecture may not treat those balances as insured deposits, central-bank money, or bank liabilities.

This distinction is essential. A household may experience a frozen wallet, failed stablecoin, exchange outage, or custody disruption as a payment-system failure. But the legal and supervisory tools available to respond may differ substantially from the tools available for a bank failure. Deposit insurance, bank resolution, discount-window access, emergency lending, and bank supervisory intervention are not automatically available to non-bank payment ecosystems. If private payment balances become socially money-like without receiving equivalent public support architecture, continuity expectations and legal reality may diverge.

The sixth continuity risk is that cyber incidents become payment incidents. CISA's National Critical Functions identify payment, clearing, and settlement services, consumer and commercial banking, and funding and liquidity services as critical functions.[1139] If private digital settlement rails become embedded in ordinary commerce, then a cyber incident affecting wallets, bridges, custodians, stablecoin issuers, payment processors, smart contracts, validators, or exchanges may directly impair commerce. Cybersecurity failure would no longer be confined to data loss or platform disruption; it could interrupt wage access, vendor payment, merchant settlement, remittance flow, and household liquidity.

The seventh continuity risk is that private settlement infrastructure becomes crisis-critical. If non-sovereign systems become necessary for ordinary economic continuity, government continuity planning must account for them even if they are privately governed, foreign hosted, decentralized, or legally outside traditional banking supervision. This is where private payment infrastructure becomes difficult to classify. It may not be a bank. It may not issue legal tender. It

may not provide central-bank settlement. But if enough users depend on it for ordinary commerce, its disruption may create public consequences.[1140]

The continuity-risk register may be summarized as follows:

Table 21. Capital-Flow, Crisis-Response, and Government-Continuity Risks

Continuity Risk	Public Consequence
Accelerated capital flight	Digital settlement rails may speed movement out of domestic banking systems during stress.
Weaker capital-flow controls	Public authorities may have less practical friction to rely on in crisis conditions.
Emergency fiscal transfers miss crypto-native ecosystems	Relief systems may fail to reach users who operate outside bank-dollar rails.
Payroll relief delivery gaps	Payroll stabilization tools may be less effective if wage rails migrate.
Deposit support tools become less comprehensive	Traditional bank-support mechanisms may not cover wallet or stablecoin ecosystems.
Cyber incidents become payment incidents	Cyber disruption may directly impair commerce if private settlement rails are affected.
Private settlement infrastructure becomes crisis-critical	Non-sovereign systems may become necessary for ordinary economic continuity.

Doctrinal Note
Table 21 identifies the capital-flow, crisis-response, and government-continuity risks that may arise when private crypto, stablecoin, wallet, custody, bridge, exchange, or decentralized settlement rails become embedded in ordinary commerce. These risks do not mean private payment rails are necessarily invalid, unlawful, or commercially ineffective. Rather, they show that private payment infrastructure may become a public resilience concern when wages, merchant receipts, vendor payments, remittances, emergency relief, liquidity access, or cross-border commerce depend on non-sovereign digital settlement systems. Table 21 therefore illustrates the doctrine's continuity claim: at scale, payment architecture becomes continuity architecture, and private settlement rails may become financial critical-infrastructure dependencies when disruption produces consequences beyond the affected platform.[1133] [1134] [1139] [1140] [1141]

Figure 19 Source and Data Availability: Figure 19, *Capital-Flow, Crisis-Response, and Government-Continuity Risks*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as Table 21 is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/4brx666257/1*].

Policymaker Interpretation
Table 21 should be read as a continuity-risk matrix rather than a prediction that private payment rails will necessarily fail. Its purpose is to show how private settlement infrastructure may become systemically relevant if households, employers, merchants, vendors, remittance corridors, or emergency-response systems come to depend on wallets, stablecoins, bridges, custodians, exchanges, or decentralized rails for ordinary economic activity. If those rails are disrupted, compromised, frozen, depegged, or made unavailable during crisis conditions, public authorities may confront gaps in capital-flow visibility, emergency fiscal delivery, payroll stabilization, deposit-support coverage, cyber resilience, and crisis response. The policy question is therefore not whether private payment rails can move value efficiently. The question is whether public continuity systems can reach, support, supervise, or stabilize the economic activity that has migrated into those rails.[113][4] [113][6] [113][7] [113][8] [11][40]

U.S. Department of Homeland Security Public-Facing Interpretation
From a homeland-security and critical-infrastructure perspective, Table 21 illustrates why payment infrastructure is also resilience infrastructure. CISA's National Critical Functions recognize payment, clearing, settlement, banking, funding, and liquidity as functions whose disruption may affect national economic security. If private digital settlement rails become deeply embedded in wages, merchant receipts, vendor payments, remittances, benefit delivery, or cross-border commerce, then cyber disruption, wallet compromise, bridge failure, custody outage, stablecoin depeg, issuer interruption, or platform failure may create consequences beyond the private platform itself. Table 21 therefore frames cyber-payment continuity risk as a homeland-security concern: when private payment rails become necessary for ordinary commerce, their disruption may affect economic continuity, public confidence, and national resilience.[1133] [113][9] [11][40] [11][41]

Public-Facing Bridge
The distinction is simple: a payment app, wallet, stablecoin, bridge, or private settlement rail may begin as a convenience, but at scale it can become part of how people receive wages, pay merchants, send remittances, access relief, and keep businesses operating. If that rail fails during a crisis, the harm may not stay inside the platform. Table 21 and Figure 19 therefore show that private payment systems become public resilience concerns when ordinary economic continuity depends on them.[1133] [113][6] [113][9] [11][41]

The doctrinal claim is therefore:

At scale, payment architecture becomes continuity architecture.

The CISA-facing formulation may be stated as follows:

Cyber-payment continuity risk arises when private digital settlement rails become sufficiently embedded in ordinary commerce that cyber disruption, wallet compromise, bridge failure, custody outage, stablecoin depeg, or issuer interruption creates payment-system consequences beyond the affected platform.

This formulation clarifies why the issue belongs within national resilience analysis. A small payment outage may be a consumer-protection problem. A large payment outage affecting wages, merchants, remittances, vendors, benefit delivery, or cross-border commerce may become a continuity problem. A private settlement rail may be technologically private and commercially voluntary, yet functionally public in consequence if enough economic activity depends on it.

This is also why the Legal Tender Closure Gap Doctrine must distinguish between private settlement usefulness and sovereign continuity. A private payment rail may move value efficiently, reduce cost, improve cross-border access, or serve unbanked users. Those benefits are real. But if public relief, payroll stabilization, bank support, sanctions enforcement, cyber resilience, liquidity supervision, and crisis response remain anchored in bank-dollar and sovereign channels, a large migration into private settlement ecosystems may create continuity gaps. The private system may close the payment between users, while the public system remains responsible for the consequences if that payment architecture fails.

The government-continuity concern is not theoretical. Critical infrastructure doctrine already treats the financial services sector as essential to national economic security, and Treasury serves as the Sector Risk Management Agency for that sector.[11][4][1] The more payment activity migrates outside traditional financial-sector channels, the more continuity planning must account for private settlement dependencies. The question is not whether government should absorb every private platform risk. The question is whether public authorities can maintain visibility, resilience, and response capacity when private rails become necessary to ordinary commerce.

Accordingly, capital-flow, crisis-response, and government-continuity risk should be understood as a threshold problem. Below a certain threshold, private payment rails may remain optional conveniences. Above that threshold, they may become continuity dependencies. The threshold is crossed when households rely on them for wage access, merchants rely on them for daily receipts, vendors rely on them for operating cash flow, remittance corridors rely on them for cross-border support, and crisis relief systems cannot reach affected users without interacting with them.

This section therefore completes a critical step in the systemic-substitution analysis. Payroll risk shows public revenue dependency. Banking risk shows deposit and credit dependency. Monetary-policy risk shows transmission dependency. Stablecoin reserve risk shows market-liquidity dependency. Sanctions and AML/BSA risk show enforcement dependency. Cross-border settlement risk shows strategic dependency. Capital-flow and continuity risk show that, at scale, private payment architecture may become necessary for economic continuity itself.

That is where a private payment system becomes a public resilience concern.

§IX.M. Consumer, Labor, and Commercial-Law Fragmentation

The public-facing consequences of systemic substitution are not limited to national finance. They also affect workers, consumers, merchants, contractors, and small businesses. If cryptocurrency or stablecoins become common payment media, the legal effects will not be experienced first as abstract monetary theory. They will be experienced through refunds, failed transfers, wage disputes, chargeback expectations, lost wallet access, pricing confusion, consumer complaints, merchant reconciliation, and litigation over whether a payment was actually final.[1142]

This section keeps the chapter grounded in ordinary public experience. A private crypto payment may feel final before legal remedy is practical. A blockchain confirmation may show that value moved. A merchant dashboard may mark the invoice paid. A worker may see a wallet balance. A contractor may receive stablecoins. But if the payment fails, is misdirected, loses value before conversion, triggers a custody problem, or executes through a smart contract before a dispute is resolved, the user may discover that familiar payment protections do not apply in the same way.[1143]

The first fragmentation risk is weak or inconsistent chargeback rights. Consumers have developed expectations from card networks, bank accounts, electronic fund transfers, and regulated payment products. Those expectations include error-resolution processes, unauthorized-transfer protections, dispute channels, chargeback procedures, and customer-service obligations. Federal law supplies consumer protections for many electronic fund transfers, including error-resolution procedures under Regulation E.[1144] But crypto transfers, especially direct wallet-to-wallet transfers, may not replicate the same intermediary-based protections. If the payment rail lacks a reversible intermediary, the consumer's practical remedy may depend on platform policy, contract terms, private negotiation, or litigation.

The second risk is refund uncertainty. A refund in crypto or stablecoins may raise questions about value, timing, conversion method, and medium. If a consumer pays in a volatile asset, should the refund return the same asset amount, the dollar value at purchase, the dollar value at refund, or some contractually defined conversion rate? If a merchant immediately converts the asset into dollars but the consumer expects a crypto refund, whose valuation governs? If a stablecoin depegs between purchase and refund, is the refund measured by token count, nominal dollar reference, actual market value, or merchant settlement value? These questions create legal residue for transactions that consumers may have assumed were simple.

The third risk is failed-transfer disputes. Wrong-chain, wrong-wallet, mistyped address, unsupported token, failed confirmation, bridge failure, gas-fee error, custody freeze, or network congestion may generate disputes between buyer and seller over whether payment occurred. Traditional payment systems often include defined processes for failed transfers, reversals, return items, error correction, and intermediary investigation. In crypto payment settings, technical finality may not align with commercial finality or legal responsibility. A consumer may believe funds were sent; a merchant may never receive usable value; a platform may disclaim responsibility; and a court may need to determine whether the error falls on the sender, recipient, processor, custodian, or protocol design.[1145]

The fourth risk is wage volatility exposure. If workers receive wages in cryptocurrency or stablecoins, the public-law consequences are not limited to employee choice. Federal tax law generally treats digital assets as property, not currency, and compensation paid in digital assets must be measured in U.S. dollars for wage, withholding, reporting, and employment-tax purposes.[11][46] A worker paid in a volatile asset may face value fluctuation before conversion, and an employer may face valuation, withholding, payroll-tax, and wage-statement complexity. Stablecoins reduce volatility risk but do not eliminate wage-measurement, custody, redemption, or public-obligation closure issues.

The fifth risk is custody and key-loss risk. Consumers may lose access to assets through private-key loss, wallet compromise, exchange failure, account freeze, phishing, SIM-swap attack, malware, or platform insolvency. In traditional bank accounts, consumers may have account-recovery processes, regulated custodians, deposit insurance, identity-linked access, and defined error-resolution channels. In non-custodial crypto systems, the user may bear direct control and direct loss. That design may support autonomy, but it may also leave ordinary consumers without familiar recovery mechanisms. The CFPB has reported consumer complaints involving fraud, theft, hacks, transaction problems, frozen accounts, and inability to access crypto assets.[11][47]

The sixth risk is smart-contract execution failure. Automated settlement may execute before legal remedies are practical. A smart contract may release payment, transfer collateral, liquidate a position, or settle a transaction based on coded conditions even where a party later alleges fraud, mistake, duress, unconscionability, breach, incapacity, defective performance, or failure of consideration. Code can enforce sequence quickly, but private law may require context. When automation outruns remedy, the legal system may face the difficult task of reconstructing whether technical execution corresponded to lawful obligation.[11][48]

The seventh risk is inconsistent settlement-finality standards. Different protocols may produce different assumptions about when settlement is final. Some systems treat confirmation after a certain number of blocks as practically final. Others rely on validator consensus, sequencer behavior, bridge state, platform ledger entries, custodian records, smart-contract execution, token redemption, or off-chain reconciliation. Commercial law has begun adapting to digital assets through the Uniform Commercial Code's treatment of controllable electronic records, but state adoption, contract drafting, platform rules, custody models, and protocol design may still produce different finality assumptions.[11][49]

The eighth risk is merchant-pricing distortion. Merchants accepting crypto or stablecoins may adjust prices to account for volatility, conversion fees, settlement risk, custody fees, payment processor costs, gas fees, chargeback absence, liquidity spread, tax accounting, refund uncertainty, and operational compliance costs. Consumers may perceive crypto payment as cheaper or faster, but merchants may price in the hidden costs of accepting, converting, reconciling, and refunding digital assets. The result may be price variation, discounting, surcharging, or contract-specific terms that fragment consumer understanding.[11][50]

The ninth risk is consumer-protection fragmentation. Remedies may vary by platform, wallet, jurisdiction, protocol, custody model, merchant terms, payment processor rules, contract law, consumer-finance law, and commercial-law classification. A consumer using a bank debit card may occupy one protection regime; a consumer using a hosted wallet may occupy another; a consumer using an unhosted wallet may occupy another; a consumer using a decentralized protocol may occupy still another. The public experience is not simply "crypto payment." It is a fragmented remedial landscape in which the practical availability of refund, reversal, complaint handling, error correction, identity recovery, and legal enforcement may differ widely.[1151]

The fragmentation-risk register may be summarized as follows:

Table 22. Consumer, Labor, and Commercial-Law Fragmentation Risks

Private-Law Fragmentation	Public/Commercial Effect
Weak or inconsistent chargeback rights	Consumers may lose familiar payment protections.
Refund uncertainty	Refund value may depend on asset price, time of transfer, or conversion method.
Failed-transfer disputes	Wrong-chain, wrong-wallet, or failed-confirmation events may generate litigation.
Wage volatility exposure	Workers may face value fluctuation before conversion.
Custody and key-loss risks	Consumers may lose access without traditional account recovery.
Smart-contract execution failures	Automated settlement may execute before legal remedies are practical.
Inconsistent settlement-finality standards	Different protocols may produce different finality assumptions.
Merchant-pricing distortion	Merchants may adjust prices to account for volatility, fees, or conversion risk.
Consumer-protection fragmentation	Remedies may vary by platform, wallet, jurisdiction, and contract terms.

Doctrinal Note
Table 22 identifies the consumer, labor, and commercial-law fragmentation risks that may arise when crypto or stablecoin payment becomes common in ordinary public and commercial transactions. These risks do not mean crypto payments, stablecoins, smart contracts, wallets, or private digital settlement systems are necessarily invalid, unlawful, or commercially ineffective. Rather, they show that private payment functionality may create legal and remedial fragmentation when consumers, workers, merchants, contractors, and small businesses rely on payment systems whose refund rules, chargeback protections, wage treatment, custody access, settlement-finality assumptions, pricing terms, and dispute remedies vary by platform, wallet, jurisdiction, contract, custody model, and governing law. Table 22 therefore illustrates the doctrine's private-law claim: private crypto payment may feel final before legal remedy is

practical, and technical settlement may occur before consumer protection, labor protection, commercial certainty, or judicial relief can meaningfully operate.[11][42] [11][43] [11][44] [11][46] [11][51]

Figure 20 Source and Data Availability: Figure 20, *Consumer, Labor, and Commercial-Law Fragmentation Risks*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as Table 22 is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/y45gmskrdw/1*].

Policymaker Interpretation
Table 22 should be read as a private-law fragmentation matrix rather than a claim that crypto payment lacks remedy in every case. Its purpose is to show how consumer, labor, and commercial-law protections may become conditional, slower, narrower, forum-dependent, platform-dependent, contract-dependent, or impractical when payment moves through private digital settlement rails. If consumers lose familiar chargeback protections, workers receive volatile or dollar-measured digital wages, merchants face refund and pricing disputes, or smart contracts execute before legal remedies are practical, the policy question is not merely whether the payment moved. The question is whether the legal system can preserve accessible, timely, and enforceable remedy after technical settlement has occurred.[11][44] [11][45] [11][46] [11][48] [11][50]

Public-Facing Bridge
The distinction is simple: a crypto payment may look complete on a screen before the legal system can fix a mistake. A wallet may show that value moved, a merchant may mark an invoice paid, or a smart contract may execute automatically, but consumers and workers may still face uncertainty over refunds, failed transfers, wage value, lost access, chargebacks, pricing, and dispute remedies. Table 22 and Figure 20 therefore show that private payment speed is not the same as practical legal protection.[11][43] [11][45] [11][47] [11][49] [11][51]

The core point is:

Private crypto payment may feel final before legal remedy is practical.

This point is essential because payment systems are not evaluated only by whether value moves. They are evaluated by what happens when value moves incorrectly, unfairly, mistakenly, fraudulently, late, to the wrong address, through the wrong chain, under the wrong price assumption, or without effective access to remedy. A payment rail that works well for successful transactions may still create public harm if failed or disputed transactions lack accessible remedies.

This is the private-law version of the closure gap. The transaction may be technically complete before the consumer has a practical remedy, before the worker can convert wages, before the merchant can reconcile value, before the contractor can confirm settlement, or before a court can determine whether the automated transfer matched the legal obligation. Technical finality can therefore precede commercial certainty and legal relief.

The doctrine does not treat this as an argument against crypto payment innovation. It treats it as a design requirement. If crypto or stablecoin payment rails become mainstream, consumer-protection architecture, wage-law compliance, refund rules, dispute-resolution mechanisms, custody safeguards, error-correction procedures, finality standards, and merchant-pricing disclosures must mature alongside payment functionality. Payment innovation cannot be evaluated only by successful transfers. It must also be evaluated by failure states.

Accordingly, consumer, labor, and commercial-law fragmentation should be understood as systemic substitution at the human scale. National finance may experience the closure gap through monetary-policy transmission, bank intermediation, sanctions visibility, Treasury-market feedback, and government continuity. Ordinary users experience it through refunds, wages, chargebacks, lost access, failed transfers, and uncertain remedies. The systemic risk becomes public when the legal architecture of remedy fails to keep pace with the technological architecture of settlement.

§IX.N. Political Pressure and Reactive Sovereign Recognition

If crypto or stablecoins become widely adopted in wages, invoices, merchant payments, remittances, vendor settlement, and trade flows, Congress, Treasury, the Federal Reserve, IRS, FinCEN, and other public authorities may face increasing pressure to recognize, accept, integrate, restrict, or accommodate private instruments for public obligations. This pressure would not necessarily arise because private instruments have acquired lawful-money status. It may arise because private adoption has created market dependency.[1152]

That distinction is central. A private instrument may become socially useful before it becomes legally recognized as money. A stablecoin may become common in merchant settlement without becoming legal tender. A cryptocurrency may circulate in remittances without becoming lawful currency. A payment platform may become essential to commerce without carrying sovereign monetary authority. If private adoption scales far enough, public authorities may face political pressure to adapt public systems around private settlement behavior rather than requiring private settlement behavior to remain aligned with sovereign monetary design.[1153]

The first reactive pressure is that private infrastructure may begin to drive public monetary choices. The Constitution assigns Congress authority to coin money and regulate the value thereof, and federal law establishes United States coins and currency, including Federal Reserve notes, as legal tender for debts, public charges, taxes, and dues.[1154] That constitutional and statutory architecture reflects deliberate sovereign monetary design. If private settlement rails become sufficiently embedded in wages, taxes, invoices, remittances, and trade, policymakers may face pressure to recognize or accommodate those rails because markets have already adopted them. The risk is not that Congress lacks authority. The risk is that the exercise of monetary authority becomes reactive to private infrastructure dependency.

The second pressure is that legal-tender policy may become reactive. Legal tender is not merely a label of convenience. It defines the sovereign monetary medium through which obligations receive recognized monetary closure.[11][55] Private parties may accept non-legal-tender instruments by agreement, but private acceptance does not itself create legal-tender status. If large constituencies begin treating stablecoins or crypto instruments as de facto payment media, political pressure may arise to treat practical adoption as a reason for public recognition. That would invert the proper sequence. Monetary recognition should follow constitutional and statutory design, not private network effects alone.

The third pressure is that public revenue systems may become conversion-dependent. Federal tax law currently treats convertible virtual currency as property for federal tax purposes, and wages or income received in virtual currency must be measured in U.S. dollars under existing tax principles.[11][56] This means crypto payment may create public obligations that must still be translated into dollars for tax measurement, withholding, reporting, and remittance. If adoption scales, public revenue systems may become increasingly dependent on private conversion pathways, exchange liquidity, stablecoin redemption, pricing oracles, custodial records, and platform reporting. The sovereign tax system would remain dollar-denominated, but its practical administration could become more dependent on private digital-asset infrastructure.

The fourth pressure is that sovereign architecture may adapt under pressure. This is not an anti-innovation claim. It is a sequencing claim. Public monetary architecture should not be forced to absorb private settlement systems merely because they become widespread before legal design is complete. The proper question is not whether public systems can accommodate new technology. They can, where appropriate. The question is whether accommodation occurs through deliberate constitutional, statutory, regulatory, and operational design, or whether public systems are pressured into recognition because private adoption has created a dependency too large to unwind.[11][57]

The fifth pressure is regulatory fragmentation before clarity. In the absence of a unified statutory framework, agencies may respond to private adoption through their own mandates. The IRS may emphasize property treatment and tax reporting. FinCEN may emphasize money transmission and AML/BSA obligations. OFAC may emphasize sanctions compliance. The Federal Reserve may emphasize payment stability, bank intermediation, and monetary-policy transmission. The SEC and CFTC may address securities, commodities, markets, fraud, and intermediaries. Each agency may act rationally within its own jurisdiction while the overall system remains conceptually fragmented.[11][58]

This fragmentation is not evidence of institutional failure. It reflects the fact that private crypto settlement touches multiple legal domains at once. But if private adoption advances faster than congressional synthesis, inconsistent treatment may harden before a coherent monetary-closure architecture is established. The system may develop parallel rules for tax, AML, sanctions, securities, commodities, banking, consumer protection, and payments without clearly resolving whether, when, or how any private instrument may be accepted for public obligations.

The sixth pressure is that public-obligation acceptance may become politicized. If a large share of voters, merchants, platforms, employers, or trade participants come to rely on crypto or stablecoins, pressure may build to accept certain instruments for taxes, public dues, fees, benefits, procurement, or public-sector disbursements. That pressure may be framed as modernization, inclusion, competitiveness, innovation, or administrative efficiency. Those arguments may sometimes carry merit. But public-obligation acceptance is not merely administrative. It implicates monetary sovereignty, revenue certainty, legal-tender closure, fiscal accountability, AML/BSA visibility, sanctions compliance, and public confidence.[11][59]

The reactive-pressure register may be summarized as follows:

Table 23. Political Pressure and Reactive Sovereign Recognition Risks

Reactive Pressure	Sovereign Concern
Private infrastructure drives public monetary choices	Public law adapts to private adoption rather than deliberate design.
Legal-tender policy becomes reactive	Recognition may be pressured by market dependency.
Public revenue systems become conversion-dependent	Tax collection may depend on private conversion pathways.
Sovereign architecture adapts under pressure	Monetary design may become reactive rather than constitutional.
Regulatory fragmentation precedes clarity	Agencies may develop inconsistent treatment before Congress acts.
Public obligation acceptance becomes politicized	Pressure may build to accept certain crypto instruments for taxes or public dues.

Doctrinal Note
Table 23 identifies the political-pressure and reactive-sovereign-recognition risks that may arise when crypto or stablecoin payment becomes widespread in wages, invoices, merchant settlement, remittances, trade flows, public-revenue systems, or other ordinary economic channels. These risks do not mean private digital payment systems are necessarily invalid, unlawful, or commercially ineffective. Rather, they show that sovereign monetary design may come under pressure when private adoption creates market dependency before Congress, Treasury, the Federal Reserve, IRS, FinCEN, and other public authorities have supplied a deliberate, coherent, and constitutionally grounded public architecture. Table 23 therefore illustrates the doctrine's sovereignty-by-design claim: the United States should not be forced into monetary recognition by private adoption pressure, and private settlement success should not compel reactive sovereign accommodation. Market adoption may justify congressional regulation, agency supervision, consumer protection, tax reporting, or prudential safeguards; it should not, standing alone, supply legal-tender recognition, public-obligation acceptance, or sovereign monetary closure.[11][52] [11][54] [11][57] [11][58] [11][59]

Figure 21 Source and Data Availability: Figure 21, *Political Pressure and Reactive Sovereign Recognition Risks*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The matrix presented as Table 23 is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/wj3x9j8gm3/1*].

Policymaker Interpretation

Table 23 should be read as a reactive-recognition matrix rather than a claim that private crypto or stablecoin adoption automatically creates legal-tender status, public-obligation acceptance, or sovereign monetary recognition. Its purpose is to show how private-market dependency can create political pressure for Congress, Treasury, the Federal Reserve, IRS, FinCEN, and other public authorities to recognize, accommodate, restrict, or integrate private instruments after widespread use has already formed. Historical legislative-normalization analogs—including the Emergency Banking Act and FDIC architecture after bank runs, Dodd-Frank after the financial crisis, the USA PATRIOT Act after terrorism-finance concerns, CARES Act emergency transfers after COVID-19 disruption, EFTA/Regulation E after electronic-payment adoption, and current stablecoin legislation pressure—show that Congress has often converted private, civic, or crisis dependency into public architecture after systemic pressure became visible. These examples are not monetary equivalents; they are legislative-normalization analogs.[115][2] [115][3] [115][6] [115][7] [115][8]

Public-Facing Bridge

The distinction is simple: just because people widely use a private payment system does not mean the United States should treat it like sovereign money by default. A crypto or stablecoin rail may become useful in commerce, and that usefulness may justify regulation, reporting rules, consumer protections, or supervised integration. But usefulness is not the same as monetary recognition. Table 23 and Figure 21 therefore show that private adoption may inform public policy, but it should not force Congress or public institutions into legal-tender recognition, tax-payment acceptance, public-obligation design, or sovereign monetary closure by default.[115][2] [115][5] [115][6] [115][7] [115][9]

The core warning is:

The United States should not be forced into monetary recognition by private adoption pressure.

This warning must be understood carefully. It does not argue that cryptocurrency or stablecoins should never be recognized, integrated, regulated, or used within lawful payment infrastructure. Nor does it argue that private innovation should be suppressed merely because it introduces new settlement forms. The claim is narrower and more constitutional: recognition of monetary status, public-obligation acceptance, or legal-tender-like closure should occur through deliberate sovereign design rather than through private adoption pressure.

This is a sovereignty-by-design claim. Congress may choose to regulate digital assets, establish stablecoin frameworks, define payment-stablecoin obligations, modernize tax reporting, update commercial-law treatment, authorize central bank digital infrastructure, or clarify public-payment treatment. Those choices should be made explicitly, through lawful authority, with attention to monetary closure, public revenue, sanctions visibility, bank intermediation, consumer protection, financial stability, and constitutional allocation. They should not arise merely because private markets have created enough dependency that public authorities feel compelled to validate existing practice.

The distinction may be stated plainly:

Innovation may inform sovereign design, but private adoption should not compel sovereign recognition.

This principle completes the systemic-substitution sequence. Earlier sections identified payroll-tax risk, dollar unit-of-account residue, IRS enforcement friction, banking disintermediation, monetary-policy transmission risk, stablecoin reserve fragility, sanctions and AML/BSA degradation, cross-border settlement pressure, continuity risk, and consumer/labor fragmentation. Political pressure and reactive recognition are the governance consequence of those risks. If private settlement becomes deeply embedded across those domains, public authorities may face pressure to recognize or accommodate the very architecture that created the closure gap.

Accordingly, §IX.N identifies the final systemic warning of Chapter IX: a private settlement instrument may begin as a market innovation, become a commercial dependency, create public-system friction, and then generate political pressure for sovereign accommodation. That sequence should not be allowed to determine monetary policy by default. Monetary recognition should remain constitutional, statutory, deliberate, and accountable.

The Legal Tender Closure Gap Doctrine therefore does not reject innovation. It rejects recognition by exhaustion. The United States should not reach the point where private adoption becomes so widespread that Congress, Treasury, the Federal Reserve, IRS, FinCEN, or other public authorities must choose between disruption and reactive validation. Sovereign monetary architecture should be designed before private closure outpaces public authority.

§IX.O. Phase Simulation — From Optional Use to Sovereign Response Point

This section models how systemic substitution risk could develop over time if private crypto or stablecoin payment activity moves from optional use into commercial dependency, infrastructure reliance, systemic importance, and eventual sovereign response. The phases are not predictions. They are escalation stages designed to help policymakers identify when private payment innovation begins creating public-system dependency.[11][60]

The value of a phase simulation is that it prevents the analysis from becoming binary. The question is not whether crypto payments or stablecoins are harmless or catastrophic. The proper question is where the system sits on the adoption curve and whether the legal, tax, banking, monetary, enforcement, commercial, and continuity architecture is developing at the same pace as private settlement behavior. A payment instrument may be manageable at one stage and systemically relevant at another. Risk therefore depends not only on the nature of the instrument, but on scale, dependency, concentration, public-system reliance, and substitution effects.[1161]

Phase I — Novelty describes the stage in which crypto payment remains niche. Most users treat crypto as an investment, experiment, or occasional payment option, and most recipients convert back into dollars. The primary risks are valuation errors, basis tracking, consumer confusion, refund uncertainty, and incomplete understanding of tax consequences. At this phase, the legal-tender closure gap exists, but it is limited in scope because private crypto payment is not yet necessary for ordinary economic continuity.[1162]

During Phase I, policy response can remain educational, supervisory, and disclosure-oriented. IRS guidance, CFPB consumer materials, FTC fraud guidance, FinCEN money-transmission treatment, OFAC sanctions guidance, and commercial-law classification can address much of the risk. The central challenge is not systemic substitution, but public confusion over whether a digital asset payment is money, property, investment, barter, taxable disposition, commercial settlement, or platform-mediated value transfer.

Phase II — Commercial Adoption begins when merchants, contractors, platforms, payment processors, and payroll providers increasingly offer crypto or stablecoin payment options. At this stage, private settlement becomes more routine, though still optional. The primary risks include tax-reporting burden, payroll-tax remittance complexity, AML/BSA pressure, wallet attribution disputes, consumer-protection gaps, refund disputes, and merchant-pricing distortion.[1163]

Phase II is where private payment functionality begins to place measurable pressure on public reporting and enforcement systems. If merchants accept stablecoins, contractors receive crypto, platforms route payments through digital wallets, and payroll providers experiment with digital asset compensation, the transaction may close privately before tax measurement, wage reporting, sanctions screening, AML/BSA monitoring, refund treatment, or accounting classification is fully resolved. The closure gap is still manageable, but its administrative surface area expands.

Phase III — Infrastructure Reliance begins when stablecoins and crypto rails become routine settlement media for wages, vendors, remittances, platform payouts, and cross-border transactions. At this stage, private rails are no longer merely alternative payment options. They become recurring channels for operating cash flow. The primary risks include bank deposit displacement, dollar-centrality erosion, sanctions gaps, Treasury-market exposure, remittance dependency, and private issuer concentration.[1164]

Phase III is significant because payment substitution begins affecting institutional channels. Wage deposits may migrate into wallets. Merchant receipts may bypass insured depository institutions. Stablecoin reserves may concentrate in Treasury bills or short-term instruments. Cross-border settlement may move through private or foreign-aligned rails. Sanctions visibility

may decline where transactions bypass regulated intermediaries. At this stage, public authorities must evaluate not only whether individual payments are lawful, but whether payment routing is changing the architecture through which deposits, credit, tax collection, sanctions, monetary transmission, and public confidence operate.

Phase IV — Systemic Dependency occurs when private crypto settlement becomes important enough that disruption would impair ordinary commerce. The relevant question is no longer whether private rails are popular. The relevant question is whether households, merchants, employers, remittance corridors, vendors, platforms, or cross-border trade participants depend on them for daily continuity. The primary risks include stablecoin runs, Treasury-market feedback, payroll-tax delays, monetary-policy dilution, payment-system disruption, cyber-payment incidents, and consumer-remedy fragmentation.[11][65]

At Phase IV, a private payment rail becomes a public resilience concern. A wallet outage, bridge failure, custody freeze, stablecoin depeg, issuer interruption, smart-contract failure, exchange disruption, or cyber incident may impair wage access, merchant settlement, vendor payment, remittance flow, or liquidity availability. The problem is no longer merely that private payment is different from legal tender. The problem is that private payment infrastructure may become necessary for ordinary economic activity while remaining outside the full public architecture of legal-tender closure, deposit insurance, central-bank finality, emergency liquidity, public reporting, and government continuity.

Phase V — Sovereign Response Point occurs when Congress, Treasury, the Federal Reserve, IRS, FinCEN, OFAC, banking regulators, and other public authorities must decide whether to restrict, regulate, integrate, supervise, mandate conversion bridges, tokenize public money, clarify legal status, or accept certain crypto instruments for limited public obligations. At this point, policy risks becoming reactive rather than constitutional, deliberate, and sovereign.[11][66]

Phase V is the political and institutional culmination of systemic substitution. If private settlement becomes commercially embedded before public architecture is complete, public authorities may face pressure to accommodate the system because disruption would be costly. That pressure may arise from consumers, merchants, platforms, financial institutions, payroll providers, trade participants, state governments, foreign partners, or private issuers. The risk is not that public authorities lack power to respond. The risk is that public response occurs after market dependency has already constrained the range of available sovereign choices.

The phase simulation may be summarized as follows:

Table 24. Phase Simulation from Optional Use to Sovereign Response Point

Phase	Description	Primary Risks
Phase I — Novelty	Crypto payment remains niche. Most users convert back into dollars.	Valuation errors, basis tracking, consumer confusion, refund uncertainty, and tax misunderstanding.
Phase II — Commercial Adoption	Merchants, contractors, platforms, payment processors, and payroll providers adopt crypto or stablecoin payment options.	Tax reporting burden, payroll-tax remittance complexity, AML/BSA pressure, wallet attribution disputes, and consumer-remedy gaps.
Phase III — Infrastructure Reliance	Stablecoins and crypto rails become routine settlement media for wages, vendors, remittances, platform payouts, and cross-border transactions.	Bank deposit displacement, dollar-centrality erosion, sanctions gaps, Treasury-market exposure, remittance dependency, and issuer concentration.
Phase IV — Systemic Dependency	Private crypto settlement becomes important enough that disruption would impair ordinary commerce.	Stablecoin runs, Treasury-market feedback, payroll-tax delays, monetary-policy dilution, payment-system disruption, cyber-payment incidents, and consumer-remedy fragmentation.
Phase V — Sovereign Response Point	Congress, Treasury, the Federal Reserve, IRS, FinCEN, OFAC, and banking regulators must decide whether to restrict, regulate, integrate, supervise, tokenize public money, mandate conversion bridges, or accept certain instruments for limited public obligations.	Policy becomes reactive rather than constitutional, deliberate, and sovereign.

Doctrinal Note

Table 24 identifies the phased escalation pathway through which private crypto or stablecoin payment activity may move from optional use into commercial adoption, infrastructure reliance, systemic dependency, and eventual sovereign response pressure. The phases are not predictions, and they do not mean crypto payments, stablecoins, payment processors, wallets, or private settlement rails are necessarily invalid, unlawful, or destabilizing. Rather, they provide a diagnostic framework for identifying when private payment innovation begins creating public-system dependency across wages, vendors, remittances, cross-border settlement, tax reporting, banking channels, consumer remedies, public obligations, and sovereign monetary closure. Table 24 therefore illustrates the doctrine's phase-simulation claim: private settlement may become systemically important before sovereign closure architecture is ready, and policymakers should distinguish ordinary innovation from sovereignty-relevant dependency before public response becomes reactive.[11][60] [11][61] [11][63] [11][65] [11][67]

Figure 22 Source and Data Availability: Figure 22, *Phase Simulation from Optional Use to Sovereign Response Point*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The phase model presented as Table 24 is available in full-page 8.5 × 16 horizontal format through Mendeley Data at: [*https://data.mendeley.com/datasets/2y5gcpsy2v/1*].

Policymaker Interpretation

Table 24 should be read as an escalation-diagnostic model rather than a forecast that crypto or stablecoin payments will necessarily progress through each phase. Its purpose is to help policymakers identify the transition points at which private payment activity shifts from manageable novelty into commercial workflow adoption, then into infrastructure reliance, systemic dependency, and finally sovereign response pressure. The model also situates the United States, as of May 2026, in a Late Phase II / Early Phase III transition: beyond novelty and into commercial adoption, with early infrastructure-reliance signals appearing in stablecoin settlement, cross-border payments, payment processors, and banking-sector response. However, the United States has not yet crossed into Phase IV systemic dependency because ordinary commerce, payroll, tax payment, federal disbursement, public obligations, and sovereign monetary closure remain primarily anchored in dollar-denominated sovereign and bank-based rails.[11][60] [11][62] [11][63] [11][64] [11][66]

Figure 17 Cross-Reference and Projected Phase V Overlay

Figure 22 should be read alongside Figure 17's fiscal-pressure and system-coupling baseline. Figure 17 shows that federal debt, federal revenue, and annual deficit behavior already operate within an elevated fiscal, revenue, deficit, debt, and monetary-policy environment. The projected Phase V overlay therefore does not claim that private crypto or stablecoin adoption would create fiscal pressure from nothing. Rather, it shows that if private payment rails become sufficiently embedded in wages, merchant settlement, remittances, trade flows, tax reporting, or public-obligation systems, sovereign response may become reactive rather than proactive, adding a new payment-architecture stress vector to an already coupled fiscal and monetary environment.[11][61] [11][65] [11][66] [11][67]

Public-Facing Bridge

The distinction is simple: a private payment rail may begin as an optional convenience, then become common in commerce, then become part of the infrastructure people rely on for wages, vendor payments, remittances, and settlement. Figure 22 shows that the danger is not innovation itself. The danger is waiting until private settlement has become too important to ordinary commerce before deciding how it fits within public law, tax collection, banking stability, monetary policy, and sovereign monetary closure. Table 24 and Figure 22 therefore show that private payment innovation becomes a sovereign concern when optional use evolves into dependency before public closure architecture is ready.[11][60] [11][63] [11][65] [11][66]

The phase simulation's central warning is:

Private settlement may become systemically important before sovereign closure architecture is ready.

This warning does not mean private payment innovation should be frozen at Phase I or prevented from reaching broader adoption. It means public architecture should not wait until Phase IV or Phase V to define legal-tender boundaries, public-obligation rules, reserve expectations, tax reporting, payroll treatment, enforcement visibility, banking implications, consumer remedies, and government-continuity requirements. Delayed clarity increases the likelihood that public authorities will face reactive pressure after private adoption has already created dependency.[11][67]

The simulation also clarifies why earlier sections of Chapter IX must be read together. Payroll risk, tax residue, IRS enforcement friction, banking disintermediation, monetary-policy transmission risk, stablecoin reserve fragility, sanctions degradation, cross-border settlement substitution, continuity risk, consumer-remedy fragmentation, and reactive sovereign recognition are not isolated problems. They are phase-linked signals. Each becomes more serious as private settlement activity moves from optional use to commercial adoption, from commercial adoption to infrastructure reliance, and from infrastructure reliance to systemic dependency.

A phase model also gives policymakers a practical diagnostic tool. The relevant inquiry is not merely whether a crypto payment occurred. It is whether payment volume, user dependency, issuer concentration, merchant reliance, payroll adoption, tax reporting burden, reserve exposure, banking displacement, sanctions visibility, and public-relief reach have crossed thresholds requiring sovereign response. If the answer is yes, the question becomes whether the response is proactive or reactive.

The sovereignty-by-design principle therefore applies with force at every phase. Innovation may proceed, but public closure architecture must remain ahead of systemic dependency. Congress may regulate. Treasury may supervise cash-management and public-obligation implications. The Federal Reserve may evaluate monetary-policy and settlement consequences. IRS may clarify tax measurement and reporting. FinCEN and OFAC may maintain enforcement visibility. Consumer and commercial-law systems may adapt remedy rules. But these responses should occur before private settlement becomes too embedded to unwind without public harm.

The doctrine's core position is not anti-innovation. It is anti-recognition-by-exhaustion. A private payment rail should not become sovereignly recognized merely because it became too widespread to ignore. Nor should public authorities be forced into crisis accommodation because public architecture lagged behind private adoption. Phase simulation exists to prevent that outcome by identifying the transition points at which optional private payment becomes commercial reliance, commercial reliance becomes infrastructure dependency, infrastructure dependency becomes systemic risk, and systemic risk becomes sovereign response pressure.

In this sense, Phase V is not a destination to be reached. It is a warning point to be avoided through deliberate design. The United States should not wait until private settlement has become necessary for wages, taxes, merchants, remittances, cross-border commerce, and public relief before deciding whether and how such instruments fit within the sovereign monetary architecture. The correct policy posture is not reactive recognition. It is early classification, lawful integration where appropriate, clear exclusion where necessary, and preservation of sovereign closure authority.

§IX.O.1. Indicators and Warning Metrics

To make the risk map operational, policymakers should monitor indicators that show whether private settlement is beginning to substitute for sovereign closure at scale. The Legal Tender Closure Gap Doctrine is not complete if it merely identifies abstract risks. It must also provide a measurable governance layer through which Congress, Treasury, the Federal Reserve, IRS, FinCEN, OFAC, banking regulators, CISA, and state supervisory authorities can determine whether crypto or stablecoin payment activity remains optional, commercial, infrastructural, systemic, or sovereignly consequential.[11][68]

The purpose of the metrics layer is therefore to convert the doctrine from warning into governance instrument. A private payment rail may be lawful, useful, and commercially efficient at low adoption levels while becoming systemically relevant at higher adoption levels. The same instrument may present consumer-risk concerns in Phase I, tax and payroll concerns in Phase II, banking and settlement concerns in Phase III, continuity concerns in Phase IV, and sovereign-recognition pressure in Phase V. Metrics are necessary because legal classification alone cannot reveal when scale, dependency, concentration, and substitution effects have crossed into public-system exposure.[11][69]

The first indicator is the percentage of wages paid in crypto or stablecoins. This metric measures payroll-system exposure. If compensation begins moving through digital assets, stablecoins, wallet providers, or crypto payroll platforms, the public system must still ensure dollar-denominated wage measurement, withholding, employment-tax remittance, wage-statement accuracy, labor-law compliance, and employee access to practical remedy. A rising percentage of wages paid through private settlement rails would indicate that crypto payment is no longer merely consumer-facing or merchant-facing; it is entering the labor-income channel.[11][70]

The second indicator is the percentage of merchant receipts bypassing bank deposits. This metric measures bank-deposit displacement. Merchant receipts traditionally flow through bank accounts, merchant acquirers, payment processors, card networks, and insured depository channels. If a growing share of merchant receipts settles directly into stablecoin wallets, exchange accounts, custodial wallets, or offshore platforms, deposit formation may weaken and bank-based liquidity visibility may decline. The relevant question is not whether any individual merchant may accept crypto. The question is whether aggregate receipts begin bypassing the deposit base that supports credit intermediation, liquidity supervision, and real-economy lending.[11][71]

The third indicator is the stablecoin share of domestic retail payment volume. This metric measures private payment substitution. Stablecoins may reduce volatility relative to non-pegged crypto assets, making them more plausible as payment instruments. But if stablecoins begin representing a meaningful share of domestic retail payment volume, the payment system may depend increasingly on private issuer reserves, redemption capacity, custody arrangements, settlement networks, and compliance architecture. This would signal movement from optional payment use toward infrastructural reliance.[11][72]

The fourth indicator is crypto payroll-provider market penetration. This metric measures wage-infrastructure migration. Payroll providers occupy a critical position between employers, workers, tax authorities, labor rules, banking channels, and reporting systems. If crypto-native or stablecoin-enabled payroll providers gain significant market share, public authorities should monitor whether payroll taxes, wage statements, unemployment insurance contributions, employee benefits, and labor protections remain fully anchored to dollar-denominated public reporting and remittance systems.[1173]

The fifth indicator is the volume of tax-remittance conversions from crypto into dollars. This metric measures Treasury conversion dependency. If taxpayers, merchants, employers, or platforms increasingly generate taxable activity in crypto or stablecoins but must convert into dollars to satisfy federal tax obligations, public revenue collection becomes dependent on private conversion pathways, exchange liquidity, wallet attribution, stablecoin redemption, valuation timing, and information reporting. The risk is not necessarily permanent revenue loss. The risk is that tax closure becomes more dependent on private infrastructure before public architecture has fully adapted.[1174]

The sixth indicator is bank deposit migration into stablecoin wallets. This metric measures credit-intermediation pressure. If households, merchants, contractors, or businesses shift transaction balances from insured bank deposits into stablecoins or wallet balances, banks may experience funding changes that affect lending capacity, liquidity profiles, interest-rate sensitivity, and supervisory visibility. A stablecoin may remain dollar-referenced, but the deposit may leave the insured depository system. That substitution is central to the banking and national-security concerns identified earlier in this chapter.[1175]

The seventh indicator is stablecoin reserve concentration in short-term Treasuries. This metric measures reserve-market feedback risk. Stablecoin issuers often hold short-duration, high-quality assets to support redemption. At sufficient scale, however, reserve concentration may link payment confidence to Treasury-bill liquidity. If stablecoin demand rises, issuers may increase holdings of short-term Treasuries; if confidence weakens, redemption pressure may require reserve liquidation. Monitoring issuer reserve composition, maturity profile, Treasury-bill exposure, and redemption liquidity is therefore essential.[1176]

The eighth indicator is OFAC-screened versus unhosted wallet settlement volume. This metric measures the sanctions-screening gap. Settlement through screened intermediaries generally creates more compliance visibility than settlement through unhosted wallets, decentralized protocols, mixers, bridges, or offshore platforms. A rising share of unhosted or decentralized settlement volume may indicate that private payment completion is moving faster than sanctions screening, beneficial-ownership attribution, or compliance monitoring. This does not imply that unhosted wallet activity is necessarily illicit. It indicates that public enforcement visibility may become more dependent on after-the-fact analytics.[1177]

The ninth indicator is settlement volume through bridges, mixers, and DeFi routers. This metric measures enforcement-friction risk. Bridges, mixers, decentralized exchanges, routers, and other protocol-based settlement pathways may increase speed, liquidity, and interoperability, but they may also complicate attribution, sanctions enforcement, AML/BSA monitoring, ransomware tracing, terrorist-finance disruption, and cross-chain evidentiary reconstruction. Monitoring these flows helps public authorities distinguish ordinary payment adoption from architecture that increases enforcement latency.[11][78]

The tenth indicator is the lag between private settlement and public reporting or remittance. This metric measures closure-gap timing risk. A crypto or stablecoin payment may settle immediately, while tax reporting, wage withholding, AML/BSA monitoring, sanctions review, accounting recognition, or public remittance occurs later. The longer the lag between private completion and public closure, the greater the risk that payment functionality outpaces sovereign visibility. This is one of the clearest operational measurements of the Legal Tender Closure Gap.[11][79]

The eleventh indicator is the concentration of payment volume in top stablecoin issuers. This metric measures issuer-dependency risk. If a small number of stablecoin issuers process a large share of domestic or cross-border payment volume, private governance, reserve management, redemption policy, cybersecurity, custody arrangements, banking relationships, and compliance practices may become public-stability variables. Concentration converts issuer-specific risk into potential system exposure.[11][80]

The twelfth indicator is the frequency of failed-transfer or refund disputes. This metric measures consumer and commercial-law fragmentation. Wrong-wallet transfers, wrong-chain transfers, failed confirmations, delayed refunds, unstable refund valuation, frozen accounts, lost keys, smart-contract errors, and platform-specific dispute procedures reveal whether private settlement finality is outpacing practical legal remedy. This metric should be tracked through CFPB complaints, FTC fraud reporting, state consumer agencies, merchant dispute data, payment processors, wallet providers, and civil litigation patterns.[11][81]

The thirteenth indicator is the frequency and severity of cyber incidents involving payment wallets, custodians, bridges, stablecoin issuers, exchanges, validators, payment processors, or private settlement infrastructure. This metric measures cyber-payment continuity risk. If private digital rails become embedded in ordinary commerce, cyber incidents are no longer merely platform incidents. They may become payment incidents affecting wages, merchants, vendors, remittances, liquidity access, and public confidence. CISA-facing analysis should therefore monitor whether digital payment infrastructure is becoming functionally critical even before it is legally classified as such.[11][82]

The warning-metrics register may be summarized as follows:

Table 25. Indicators and Warning Metrics for Private Settlement Substitution

Indicator	Why It Matters
Percentage of wages paid in crypto or stablecoins	Measures payroll-system exposure.
Percentage of merchant receipts bypassing bank deposits	Measures bank-deposit displacement.
Stablecoin share of domestic retail payment volume	Measures private payment substitution.
Crypto payroll-provider market penetration	Measures wage-infrastructure migration.
Volume of tax-remittance conversions from crypto into dollars	Measures Treasury conversion dependency.
Bank deposit migration into stablecoin wallets	Measures credit-intermediation pressure.
Stablecoin reserve concentration in short-term Treasuries	Measures reserve-market feedback risk.
OFAC-screened versus unhosted wallet settlement volume	Measures sanctions-screening gap.
Settlement volume through bridges, mixers, and DeFi routers	Measures enforcement-friction risk.
Lag between private settlement and public reporting/ remittance	Measures closure-gap timing risk.
Concentration of payment volume in top stablecoin issuers	Measures issuer-dependency risk.
Frequency of failed-transfer or refund disputes	Measures consumer/ commercial-law fragmentation.
Cyber incidents involving payment wallets, custodians, bridges, or stablecoin infrastructure	Measures cyber-payment continuity risk.

Doctrinal Note

Table 25 identifies the indicators and warning metrics that policymakers may use to determine whether private crypto or stablecoin settlement is beginning to substitute for sovereign monetary closure at scale. These indicators do not mean crypto payments, stablecoins, wallets, bridges, custodians, payment processors, or private settlement rails are necessarily invalid, unlawful, or systemically dangerous. Rather, they provide an operational monitoring layer for detecting when private payment activity begins creating measurable exposure across wages, merchant receipts, bank deposits, domestic retail payment volume, tax-remittance conversion, stablecoin reserves, sanctions visibility, DeFi routing, reporting delay, issuer concentration, consumer disputes, and cyber-payment continuity. Table 25 therefore illustrates the doctrine's governance-instrument claim: the Legal Tender Closure Gap should be measured not only by legal classification, but by

whether private settlement increasingly performs money-like functions while public closure depends on delayed conversion, after-the-fact reporting, private issuer solvency, platform records, or fragmented remedies.[11][68] [11][69] [11][70] [11][79] [11][82]

Figure 23 Source and Data Availability: Figure 23, *Indicators and Warning Metrics for Private Settlement Substitution*, is derived from Decker, Nicolin (2026), *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification*. The metrics matrix presented as Table 25 is available in full-page 8.5 × 11 landscape format through Mendeley Data at: [*https://data.mendeley.com/datasets/v6ndr4fj4w/1*].

Policymaker Interpretation

Table 25 should be read as an operational monitoring matrix rather than a claim that any single metric automatically proves systemic danger. Its purpose is to help Congress, Treasury, the Federal Reserve, IRS, FinCEN, OFAC, banking regulators, CISA, and state supervisory authorities distinguish ordinary payment innovation from measurable substitution pressure. A single elevated metric may justify supervision, disclosure, reporting refinement, or consumer education. Multiple rising metrics across payroll, merchant receipts, tax conversion, bank deposits, stablecoin reserves, sanctions visibility, issuer concentration, consumer disputes, reporting lag, and cyber incidents may indicate that private settlement is moving from optional use toward infrastructure reliance or systemic dependency. The policy question is therefore not whether crypto or stablecoin payments exist; the question is whether observable indicators show that private settlement is beginning to perform functions that public monetary, tax, banking, enforcement, and continuity systems must still close.[11][71] [11][72] [11][75] [11][76] [11][80]

Public-Facing Bridge

The distinction is simple: policymakers do not need to wait for a crisis to know whether private payment rails are becoming important to the public system. If more wages, merchant receipts, tax conversions, deposits, stablecoin reserves, wallet transactions, consumer disputes, and cyber incidents begin moving through private digital rails, then private settlement may be shifting from convenience into dependency. Table 25 and Figure 23 therefore show how public authorities can monitor early warning signs before private payment systems become too embedded to govern safely.[11][70] [11][74] [11][77] [11][81] [11][82]

These indicators should be read together, not in isolation. A high stablecoin share of domestic retail payments may be manageable if reserves are transparent, redemption is resilient, reporting is timely, and issuer concentration is low. Conversely, even moderate adoption may become concerning if payment volume is concentrated, reserves are opaque, tax remittance lags, bank deposits migrate, or enforcement visibility declines. The relevant policy question is not whether a single metric crosses a bright line. The question is whether multiple indicators move together in a direction suggesting private settlement is beginning to substitute for sovereign closure.

Accordingly, the metrics layer should be organized around five monitoring categories: payroll and labor exposure; tax and public-revenue closure; banking and credit intermediation; enforcement and sanctions visibility; and continuity, cyber, and consumer remedy. These categories correspond to the phase simulation in §IX.O. Payroll and consumer metrics are

especially important in early phases. Banking, reserve, sanctions, and cross-border metrics become more important as adoption enters infrastructure reliance. Concentration, cyber, and public-response indicators become critical as the system approaches systemic dependency or sovereign response pressure.

The metrics layer also supplies a disciplined way to avoid overreaction. Policymakers should not treat the mere existence of crypto payments as evidence of systemic danger. Nor should they wait until payment substitution becomes too embedded to govern safely. The purpose of warning metrics is to permit proportional response. Low-level adoption may call for disclosure, consumer education, tax guidance, and reporting clarity. Rising commercial adoption may call for payroll safeguards, merchant reporting rules, wallet attribution standards, and refund protections. Infrastructure reliance may call for reserve supervision, banking analysis, sanctions visibility, and systemic monitoring. Systemic dependency may require continuity planning, crisis protocols, cyber resilience, and sovereign closure rules.

This metrics layer therefore completes the operational component of the doctrine. The Legal Tender Closure Gap is not measured only by legal classification. It is measured by whether private settlement increasingly performs money-like functions while public systems remain dependent on delayed conversion, after-the-fact reporting, private issuer solvency, platform-controlled records, or fragmented legal remedies. When those indicators rise together, the doctrine moves from theoretical warning to measurable governance signal.

§IX.P. Non-Accusatory Policy Framing

This chapter does not accuse private actors, innovators, employers, merchants, stablecoin issuers, exchanges, custodians, payroll providers, payment processors, developers, or crypto users of wrongdoing. The concern is architectural. A private payment rail may be lawful, useful, efficient, commercially desirable, and widely adopted while still creating unresolved public consequences if the surrounding legal and sovereign systems have not supplied sufficient closure architecture.[1183]

That distinction is essential to the doctrine. The Legal Tender Closure Gap does not arise because private innovation is inherently suspect. It arises when private settlement functionality begins performing money-like roles while taxation, payroll remittance, sanctions enforcement, AML/BSA monitoring, bank intermediation, monetary-policy transmission, consumer remedies, crisis response, public disbursement, and legal-tender closure remain dependent on sovereign dollar systems that private settlement may partially bypass.[1184]

A payment rail can move value quickly without completing the public-law consequences of that movement. A stablecoin can reduce volatility without becoming legal tender. A crypto payroll system can deliver compensation while still requiring dollar-denominated wage measurement, withholding, reporting, and remittance. A merchant can accept digital assets while still facing refund, valuation, accounting, consumer-remedy, and tax consequences. A blockchain record can show that value moved while public authorities must still determine identity, beneficial ownership, sanctions exposure, taxable character, reporting status, and evidentiary sufficiency.[1185]

The doctrine therefore separates innovation assessment from moral accusation. It does not treat private crypto payment activity as unlawful merely because it is private, non-bank, decentralized, pseudonymous, cross-border, automated, or stablecoin-based. Nor does it treat stablecoin issuers, payment processors, exchanges, custodians, or payroll providers as hostile to public authority merely because their products may reduce cost, increase settlement speed, or improve access. Those benefits may be real. The issue is whether private payment adoption produces public-system dependency faster than the sovereign architecture can classify, monitor, tax, enforce, stabilize, and close.[11][86]

This framing matters because inflammatory policy analysis can distort both sides of the debate. If private innovation is demonized, policymakers may overlook real efficiency, inclusion, competition, and settlement benefits. If private innovation is romanticized, policymakers may overlook tax friction, payroll exposure, bank-disintermediation risk, sanctions latency, stablecoin reserve fragility, consumer-remedy fragmentation, cyber-payment continuity risk, and sovereign-recognition pressure. A non-accusatory frame permits both truths to remain visible: innovation may be valuable, and unmanaged substitution may still be systemically relevant.[11][87]

The proper policy posture is therefore not hostility. It is disciplined classification. Public authorities should ask what function the instrument performs, what public obligations attach to that function, what risks arise at scale, what legal regime governs the relevant actors, what remedies exist when the transaction fails, what public data are available for supervision, and whether private settlement is beginning to substitute for sovereign closure. These questions are analytical, not accusatory. They concern architecture, not motive.[11][88]

This approach also protects innovators. Clear public architecture gives lawful actors better rules, more predictable compliance obligations, more durable market confidence, and less retroactive uncertainty. If stablecoin issuers, exchanges, payroll providers, merchants, or custodians know how tax reporting, reserve expectations, sanctions screening, consumer remedies, redemption obligations, and public-obligation boundaries will be treated, they can design systems that are lawful by architecture rather than compliant only by exception.[11][89]

The doctrine's non-accusatory posture is especially important for Congress. Congress should not be forced into a false choice between rejecting innovation and recognizing private instruments as sovereign money. There is a wide constitutional and statutory space between prohibition and monetary recognition. Congress may regulate, supervise, classify, restrict, integrate, condition, or permit private payment activity without granting legal-tender status or public-obligation acceptance. Market usefulness may justify public rules; it does not itself supply sovereign monetary closure.[11][90]

Similarly, agencies should not treat every private settlement pathway as a monetary threat, nor should they allow jurisdictional fragmentation to substitute for coherent public architecture. The IRS may treat digital assets as property for tax purposes. FinCEN may regulate certain convertible virtual-currency activity under AML/BSA rules. OFAC may apply sanctions compliance obligations to virtual-currency transactions. The Federal Reserve may evaluate payment stability, bank intermediation, settlement, and monetary-policy transmission. Banking regulators may evaluate custody, liquidity, reserve, and supervisory risks. Each perspective is

valid but partial. The doctrine supplies an integrating frame without accusing any actor of bad faith.[1191]

The non-accusatory framing may be summarized as follows:

The issue is not whether private crypto or stablecoin payment activity is inherently wrongful. The issue is whether private settlement can scale faster than public closure architecture.

This formulation allows policymakers to evaluate systemic risk without demonizing innovation. It also preserves the constitutional distinction between private payment acceptance and sovereign monetary recognition. A private instrument may be accepted by market participants, regulated by public authorities, taxed by the IRS, screened under sanctions rules, monitored under AML/BSA obligations, treated under commercial law, or integrated into supervised payment systems without becoming legal tender or a sovereign monetary instrument.[1192]

Accordingly, the chapter's concern is architectural: private innovation may create public-system dependency before public law has supplied sufficient closure architecture. If private payment rails become embedded in wages, invoices, merchant receipts, vendor payments, remittances, cross-border commerce, tax reporting, or public-obligation pressure, then the public system must evaluate not merely whether the rail is useful, but whether sovereign closure remains intact. That evaluation should be firm, lawful, precise, and non-inflammatory.

The Legal Tender Closure Gap Doctrine therefore ends this sequence with restraint. It does not condemn innovation. It warns against allowing private settlement success to outrun public monetary design. It invites Congress, Treasury, the Federal Reserve, IRS, FinCEN, OFAC, banking regulators, CISA, state regulators, courts, and private actors to view the problem as one of system architecture: how to preserve sovereign monetary closure while permitting lawful innovation to mature within clearly defined public boundaries.

§IX.Q. Doctrinal Claim

The chapter's concluding claim is this:

The greatest long-horizon risk is not that cryptocurrency fails as payment. It is that cryptocurrency succeeds as private payment while failing as sovereign closure.

This formulation captures the systemic distinction developed throughout Chapter IX. A private crypto or stablecoin payment may move value efficiently, reduce transaction cost, accelerate settlement, support cross-border access, and become commercially useful without supplying the sovereign closure functions that public monetary architecture requires. The problem is therefore not merely whether the payment rail works. The problem is whether its success as private settlement leaves unresolved the public obligations that lawful money, public reporting, regulated banking channels, sanctions visibility, tax administration, consumer remedies, and monetary-policy transmission are designed to close.[1193]

A successful private payment system may complete the transaction between buyer and seller before the public system has valued the transfer, identified the parties, attributed beneficial ownership, measured taxable income or gain, captured payroll withholding, screened sanctions exposure, monitored AML/BSA risk, preserved consumer remedy, assessed banking displacement, or determined whether the transaction has produced public obligations in lawful money. That sequence is the core of the closure gap. Private settlement may be immediate, while public closure remains delayed, fragmented, conditional, or dependent on conversion back into dollars.[11][94]

This distinction is especially important because payment success can conceal legal incompletion. A wallet balance may update. A merchant invoice may mark paid. A stablecoin transfer may settle. A payroll provider may deliver compensation. A smart contract may execute. A bridge may route value across chains. Yet those facts do not necessarily establish legal-tender closure, tax closure, payroll closure, sanctions closure, bank-intermediation closure, consumer-remedy closure, or sovereign monetary closure. Technical completion is not the same as public-law completion.[11][95]

Nor is the doctrine's claim anti-innovation. The claim is architectural. Cryptocurrency or stablecoins may be lawful, useful, efficient, and commercially valuable. They may improve payment speed, reduce costs, create new settlement options, serve underbanked users, support cross-border transactions, and stimulate lawful financial innovation. But those benefits do not eliminate the need for sovereign closure architecture. If private payment systems scale faster than public law can value, capture, regulate, remit, supervise, and close the resulting obligations in lawful money, then the payment rail may succeed commercially while generating systemic public residue.[11][96]

The supporting formulation is therefore:

Private transactions may close faster than public obligations can be valued, captured, regulated, remitted, and closed in lawful money.

This supporting formulation explains why the doctrine does not depend on a claim of illegality, evasion, or bad faith. The issue may arise even where all parties act lawfully and commercially. A merchant may accept stablecoins in good faith. An employer may offer digital-asset compensation under disclosed terms. A consumer may choose a wallet because it is faster or cheaper. A stablecoin issuer may maintain reserves and comply with applicable rules. Yet the public system may still face unresolved closure problems if reporting, withholding, conversion, enforcement, banking, consumer-protection, and monetary-recognition frameworks remain incomplete or inconsistent at scale.[11][97]

The systemic form of the Legal Tender Closure Gap therefore appears when private payment functionality begins performing money-like roles without supplying public-money closure. Earlier sections of this chapter identified the relevant channels: payroll-tax exposure, dollar unit-of-account residue, IRS enforcement friction, bank deposit and credit-intermediation effects, monetary-policy transmission risk, stablecoin reserve fragility, sanctions and AML/BSA enforcement degradation, cross-border dollar-centrality pressure, government-continuity

exposure, consumer and commercial-law fragmentation, reactive sovereign recognition, phase escalation, and measurable warning indicators. Each channel reflects a different expression of the same core condition: private settlement may complete before public closure is complete.[1198]

Accordingly, the doctrine's final claim does not ask policymakers to reject cryptocurrency or stablecoins as payment technologies. It asks policymakers to distinguish payment movement from sovereign monetary closure. A private instrument may be accepted, regulated, taxed, screened, supervised, or commercially recognized without becoming legal tender or satisfying public obligations by default. The United States may permit innovation while still preserving the constitutional and statutory architecture through which money, public dues, tax obligations, sanctions enforcement, bank intermediation, and public confidence receive lawful closure.[1199]

The chapter therefore concludes with a disciplined warning. If private crypto or stablecoin settlement remains optional, properly reported, converted where required, screened where necessary, supervised where appropriate, and clearly excluded from legal-tender recognition absent congressional action, the risks may remain manageable. But if private settlement becomes embedded in wages, invoices, merchant receipts, tax conversion, remittances, cross-border trade, vendor payments, and public-obligation pressure before sovereign closure architecture is complete, then private payment success may create public-system dependency.

That is the Legal Tender Closure Gap in systemic form.

§X. Accepted Is Not Closed

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§X.A. Return to the Core Distinction

The conclusion returns to the central doctrinal distinction upon which this paper rests:

Accepted is not the same as closed.
Transferred is not the same as discharged.
Valued is not the same as money.
Settlement is not the same as legal tender.

This distinction is the constitutional, statutory, and monetary center of the Legal Tender Closure Gap Doctrine. Private parties may agree to accept many things in exchange: property, commodities, securities, services, credits, digital assets, stablecoins, or other privately recognized instruments. Private acceptance may satisfy the commercial expectations of the parties to a transaction. It may complete the practical exchange between buyer and seller. It may even be efficient, lawful, and mutually beneficial. But private acceptance does not itself create sovereign monetary closure, legal-tender status, or public-obligation discharge.[1200]

The first distinction is that **accepted is not the same as closed**. A merchant may accept cryptocurrency or stablecoins. An employer may offer digital-asset compensation. A contractor may agree to receive payment through a wallet. A platform may settle balances through private rails. Yet acceptance by private agreement does not resolve the public-law consequences of the transaction. Tax valuation, payroll withholding, information reporting, sanctions screening, AML/BSA monitoring, consumer remedy, commercial-law finality, and public-obligation treatment may remain unresolved until the public system can identify, value, classify, report, enforce, or convert the transaction into the legal architecture through which sovereign closure occurs.[12001]

The second distinction is that **transferred is not the same as discharged**. A blockchain transfer may show that value moved from one address to another. A stablecoin transfer may settle between wallets. A smart contract may execute automatically. But the movement of value does not necessarily discharge a legal obligation unless the governing law, contract, payment rule, or public authority recognizes that transfer as satisfying the relevant duty. A debtor and creditor may agree to alternative performance, but private transfer does not automatically discharge public taxes, statutory duties, wage obligations, sanctions obligations, reporting requirements, or legal-tender obligations owed to the sovereign.[12002]

The third distinction is that **valued is not the same as money**. Federal tax law may require a digital asset to be valued in U.S. dollars. Market participants may price a token, quote its exchange value, or convert it through a platform. But valuation does not transform the asset into lawful money. A commodity can be valued. A security can be valued. Property can be valued. A digital asset can be valued. Valuation supplies a measurement function; it does not supply sovereign monetary character. That difference matters because public obligations require more

than price discovery. They require a recognized medium of closure within the sovereign monetary system.[1203]

The fourth distinction is that **settlement is not the same as legal tender**. Private settlement may complete a transaction among consenting parties, but legal tender is a sovereign legal status. Federal law identifies United States coins and currency, including Federal Reserve notes, as legal tender for debts, public charges, taxes, and dues. That status arises from constitutional and statutory authority, not from technological efficiency, market adoption, platform usage, or private agreement. Private payment rails may settle value; they do not become legal tender merely because they settle quickly or widely.[1204]

This distinction preserves constitutional allocation. Congress possesses the constitutional authority to coin money, regulate its value, and establish the national monetary framework. The judiciary has long recognized the sovereign character of the monetary power and the legal-tender authority when exercised through federal law. Private actors may innovate within commerce, and Congress may regulate those innovations, but private network effects do not amend the legal-tender statute, create monetary sovereignty, or discharge public obligations by market practice alone.[1205]

The doctrine's strength lies in separating commercial validity from sovereign closure. A crypto or stablecoin transaction may be valid between private parties without being money for public-law purposes. A stablecoin may reference the dollar without becoming the dollar. A transfer may be final on-chain without being legally final for every purpose. A payment may be accepted commercially while still requiring tax reporting, wage measurement, AML/BSA compliance, sanctions screening, consumer-protection analysis, or conversion into lawful money. The doctrine therefore avoids both overstatement and under-classification: it does not deny private usefulness, but it refuses to confuse usefulness with sovereign closure.[1206]

This distinction also explains why the chapter's concern is systemic rather than accusatory. The problem is not that private actors necessarily act unlawfully when they use crypto or stablecoins. The problem is that private payment systems may close transactions faster than public institutions can close the legal consequences of those transactions. At small scale, this gap may remain manageable through reporting, conversion, disclosure, and private contract. At larger scale, the same gap may affect revenue collection, payroll systems, bank intermediation, monetary-policy transmission, sanctions enforcement, public confidence, consumer remedies, and crisis response.[1207]

The Legal Tender Closure Gap is therefore not a rejection of payment innovation. It is a demand for conceptual precision. Payment movement must not be mistaken for public discharge. Private settlement must not be mistaken for legal tender. Dollar valuation must not be mistaken for lawful money. Market acceptance must not be mistaken for sovereign recognition. Without these distinctions, policymakers may respond either too late or too broadly: too late because private dependency has already formed, or too broadly because innovation is treated as inherently suspect rather than architecturally incomplete.

The conclusion therefore begins where the doctrine began: with closure. A nation may tolerate private media of exchange. It may regulate payment instruments. It may permit stablecoins, wallets, exchanges, custodians, payroll providers, and payment processors to operate under lawful frameworks. But the sovereign must retain the ability to determine what counts as money for public obligations, what closes taxes and dues, what discharges legally enforceable monetary obligations, and what instruments may enter the public monetary architecture. If that boundary collapses, the system may confuse transaction success with monetary closure.

That is why the doctrine's core distinction must remain fixed:

Accepted is not the same as closed.
Transferred is not the same as discharged.
Valued is not the same as money.
Settlement is not the same as legal tender.

§X.B. Final Synthesis

The future of cryptocurrency law will not be resolved merely by asking whether a token is a security, commodity, property, payment instrument, or currency substitute. Those categories matter, and each has legal consequences. Securities law determines whether disclosure, registration, anti-fraud, and investor-protection rules apply. Commodities law addresses market integrity, derivatives, manipulation, and fraud. Tax law determines valuation, basis, gain, income, reporting, and withholding. Commercial law addresses transfer, control, finality, and private rights. Banking, payments, sanctions, and AML/BSA law address intermediation, supervision, illicit finance, settlement, and enforcement visibility. But none of these classifications alone answers the deeper legal question raised by private crypto or stablecoin payment at scale.[1208]

The more important question is:

What legal function is the transaction asking the token to perform?

That question shifts the analysis from asset label to legal function. A token used for speculative investment may implicate securities, commodities, tax, custody, and market-integrity questions. A token used to pay wages implicates payroll withholding, employment-tax remittance, wage statements, labor protections, and dollar-denominated compensation measurement. A token used in merchant settlement implicates refund rules, chargeback expectations, commercial finality, consumer protection, accounting, and tax reporting. A token used in cross-border settlement implicates sanctions visibility, AML/BSA monitoring, correspondent-banking substitution, foreign-policy leverage, and dollar-clearing reliance. A token used to satisfy public dues, taxes, fees, or public obligations implicates legal tender, Treasury cash management, sovereign monetary closure, and constitutional monetary authority.[1209]

This functional approach is essential because the same digital asset may occupy different legal positions depending on the transaction in which it is used. A token may be property for federal tax purposes, a commodity for certain market-supervision purposes, a security under Howey if sold as an investment contract, a controllable electronic record under commercial law, a money-

transmission instrument in certain business models, a sanctions-screened asset under OFAC rules, or a privately accepted payment medium under contract. None of those labels automatically makes the token lawful money, legal tender, or a sovereign closure instrument.[1210]

Function matters because constitutional and statutory meaning cannot be collapsed into market usage. Congress's monetary authority, the legal-tender statute, and the statutory character of Federal Reserve notes do not change merely because private parties adopt a faster or cheaper payment rail. Private acceptance may establish commercial consent, but it does not itself create legal-tender status. Private settlement may move value, but it does not necessarily discharge public obligations. Market valuation may measure economic worth, but it does not convert the asset into sovereign money.[1211]

The doctrine's central contribution is to prevent classification from becoming a substitute for closure analysis. The legal system may correctly classify a token as property, commodity, security, payment instrument, or controllable electronic record and still fail to answer whether the relevant transaction has closed the public obligation it generated. Classification identifies the legal regime. Function identifies the obligation. Closure determines whether the obligation has been lawfully completed.[1212]

The final synthesis is therefore this: cryptocurrency law must move from object-based classification to function-based closure analysis. The question is not only "What is the token?" The question is "What is the token being asked to do?" If it is being held, different rules apply. If it is being traded, different rules apply. If it is being used to pay wages, different rules apply. If it is being used to satisfy a debt, different rules apply. If it is being used in merchant settlement, different rules apply. If it is being used across borders, different rules apply. If it is being used to pay taxes or public dues, the question becomes sovereign, not merely commercial.

This is why the Legal Tender Closure Gap Doctrine is not a digital-asset taxonomy. It is a public-obligation doctrine. It does not ask only whether private payment can occur. It asks whether the public consequences of that payment can be valued, attributed, reported, remitted, enforced, and closed in lawful money. Where private settlement performs a private function, private law may often govern. Where private settlement begins performing public monetary functions, sovereign closure architecture must govern.[1213]

The doctrine therefore supplies a simple interpretive rule:

Do not classify the token in isolation. Classify the function the transaction asks the token to perform.

That rule preserves innovation while protecting public architecture. It allows lawful private payment systems to develop without confusing commercial acceptance with sovereign recognition. It permits Congress and agencies to regulate digital assets according to function, scale, risk, and dependency without prematurely treating every token as money or every payment use as legal tender. It also prevents the opposite error: assuming that because a token is not legal tender, its payment use has no public consequences.

Accordingly, the future of cryptocurrency law will turn on functional closure. A token may be useful. A rail may be efficient. A settlement may be fast. A market may assign value. But the legal question remains: what obligation did the transaction create, and has that obligation been lawfully closed?

That is the final synthesis of the doctrine.

§X.C. Final Doctrinal Statement

When cryptocurrency or stablecoins are used directly as payment, the transaction may fall outside the ordinary posture of a securities offering or commodities-market transaction. A buyer using a digital asset to purchase goods, a merchant accepting a stablecoin for an invoice, an employer compensating a worker through a wallet, or a contractor receiving digital settlement may not be entering the transaction primarily as an investor, trader, or market participant in a securities or commodities market. The token may instead be functioning as a private medium of settlement between consenting parties.[1214]

That private-settlement posture matters because it exposes a legal category that securities and commodities analysis alone cannot fully resolve. Securities law asks whether the transaction involves an investment contract, note, security, disclosure obligation, registration requirement, or investor-protection concern. Commodities law asks whether the transaction implicates commodity markets, derivatives, swaps, manipulation, fraud, or market integrity. Tax law asks whether income, gain, basis, or reporting obligations have arisen. Commercial law asks whether transfer, control, finality, or contractual performance has occurred. But when a token is used directly as payment, the deeper question is whether the transaction has merely settled privately or whether it has closed the public monetary obligation in lawful money.[1215]

The answer is that private settlement is not the same as sovereign closure. A cryptocurrency or stablecoin may be accepted by private parties, valued in dollars, transferred across a blockchain, recorded by a wallet, reconciled by a platform, or treated as property for tax purposes. It may be regulated, screened, reported, custodied, converted, or commercially recognized. Yet none of those facts alone transforms the instrument into legal tender, Federal Reserve money, or sovereign monetary closure. Legal tender is a statutory and constitutional status. It is not created by private adoption, payment speed, platform scale, technological settlement, or market convenience.[1216]

Accordingly, when cryptocurrency is used directly as payment, it enters a distinct legal posture: **private settlement without sovereign monetary closure**. This posture is neither automatically unlawful nor automatically equivalent to money. It occupies the space between private acceptance and public discharge. The parties may agree that value has moved between them, but the sovereign must still determine how the transaction is valued, taxed, reported, screened, supervised, remedied, and, where public obligations are involved, closed in lawful money.[1217]

That gap is the legal architecture this doctrine names. It is the gap between a transaction that appears complete within private settlement rails and the public-law requirements that remain necessary for sovereign closure. It is the gap between wallet transfer and tax remittance, between

merchant acceptance and consumer remedy, between payroll settlement and wage withholding, between stablecoin redemption and legal-tender status, between private payment efficiency and public monetary authority.[1218]

The doctrine therefore supplies a final rule of legal interpretation:

A token's classification does not determine closure by itself; the legal function performed by the transaction determines the public obligations that must be closed.

If the token is sold as an investment, securities analysis may control. If it is traded in commodity markets or derivatives contexts, commodities law may apply. If it produces income or gain, tax law applies. If it moves through a regulated intermediary, AML/BSA and sanctions obligations may apply. If it is used in consumer or commercial settlement, private-law remedies and commercial-finality rules may apply. But if it is being used to perform a money-like function in wages, taxes, public dues, merchant settlement, remittances, or public-obligation systems, the sovereign closure question must be answered directly.[1219]

This is the central contribution of the Legal Tender Closure Gap Doctrine: it does not deny that private crypto payment may work. It denies that working privately is the same as closing sovereignly. A payment may be accepted, transferred, valued, and settled while still failing to complete the public monetary architecture required for taxes, dues, wages, legal tender, sanctions, bank intermediation, monetary-policy transmission, and public confidence. The doctrine therefore prevents a category error: confusing successful private payment with lawful monetary closure.[1220]

The final doctrinal statement is therefore as follows:

When cryptocurrency is used directly as payment, it may not function as a securities offering or commodities-market transaction, but neither does it become legal tender. It enters a distinct posture of private settlement without sovereign monetary closure.

That gap — between private acceptance and legal-tender finality — is the legal architecture this doctrine names.

§X.D. Anchored Origins

A crypto payment may close the bargain between parties; it does not necessarily close the obligation within the sovereign monetary order.

This distinction reaches deeper than technology. It reaches back to the origin of monetary architecture itself. A nation does not centralize currency merely for administrative convenience. It does so because a republic cannot endure if every private instrument, local medium, regional credit, or commercial substitute is allowed to define closure for itself. Currency is not only a medium of exchange. It is a public architecture of trust, discharge, accountability, taxation, defense, and continuity.

The United States did not inherit that architecture cheaply. It passed through colonial fragmentation, Revolutionary scarcity, wartime debt, unstable paper instruments, competing state interests, fiscal disorder, banking crises, civil war, monetary contestation, depression, inflation, and repeated tests of public confidence. The nation learned, often painfully, that private exchange may move value, but only sovereign monetary architecture can preserve a common legal field in which obligations are measured, discharged, taxed, defended, and trusted across the whole Republic.

Centralized currency therefore arose not from hostility to private commerce, but from the burden of national survival. A people spread across states, markets, industries, and generations required a shared monetary language capable of binding private action to public obligation. That architecture permits the farmer, worker, merchant, soldier, taxpayer, creditor, debtor, and sovereign to operate within one lawful frame of value. It is one of the quiet infrastructures of national unity.

For that reason, legal tender is not merely a payment instrument. It is the nation's recognized closure mechanism. It tells the public what counts, what discharges, what settles, and what the sovereign will receive for taxes, dues, debts, and public obligations. It is the final bridge between private economic life and public constitutional order.

Private innovation may improve the speed of payment. It may reduce cost, broaden access, and modernize settlement. Those benefits should not be dismissed. But no private rail, however efficient, should be confused with the monetary architecture the United States endured to build. The question is not whether a crypto payment can move value between parties. It can. The question is whether that movement also closes the obligation within the sovereign order.

That is why the doctrine returns to first principles. Payment technology may evolve, but sovereign closure must remain anchored. The Republic may welcome innovation, but it cannot forget the price paid to establish a common monetary architecture capable of carrying public trust across crisis, conflict, and time.

§XI. Author's Reflection

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Much of my career has been spent studying consequences.

In the early years, as an investigator, I learned that decisions do not end at the moment they are made. They travel. They accumulate. They leave traces in lives, institutions, records, obligations, families, markets, and systems. Long after the initial act has passed, its effects remain for others to interpret, reconcile, repair, or endure.

That work taught me to pay attention to details others often overlook. It taught me that the most important facts are not always the loudest facts. They may appear in timing, sequence, custody, motive, pressure, omission, structure, or residue. They may emerge only after the visible event is complete and the deeper architecture begins to reveal itself.

Those years formed the foundation of my later work as a systems architect.

My career has been built around truth. Not truth as preference. Not truth as convenience. Not truth as the version most easily accepted by the audience before me. Truth as structure. Truth as consequence. Truth as the thing that remains after rhetoric, incentive, and assumption have been removed. Over seventeen years as an investigator, I learned that truth does not become harmless when it is withheld. Once a person understands what is true, silence may cease to be neutrality and may become tacit deception. Not all deception is spoken. Some of it occurs when clarity is withheld from those who will bear the consequence of confusion. Truth, once known, imposes stewardship.

Often, that kind of truth is not pleasing. It may be inconvenient. It may disturb established narratives. It may challenge innovation that has moved faster than institutional understanding. Yet truth does not become less necessary because it is unwelcome. In matters touching public trust, monetary authority, national continuity, and the obligations one generation leaves to the next, truth becomes more necessary precisely when it is difficult to hear.

This paper is written from that conviction.

I have spent years designing and studying next-generation blockchain systems intended to operate within sovereign-compatible legal architecture. That experience has not made me hostile to technological innovation. Quite the opposite. It has deepened my respect for what properly designed systems can do when they are built to serve lawful purpose, public continuity, and institutional clarity.

But it has also made one principle unavoidable:

What is built for the future must be built with responsibility to the future.

A system that moves value is not merely a technical object. It becomes part of public architecture when citizens, employers, merchants, institutions, and governments begin to rely upon it. A payment instrument is not merely a convenience when it begins to affect taxation, wages,

sanctions enforcement, public revenue, banking liquidity, trade settlement, monetary authority, and national resilience. At that point, design becomes stewardship.

The Legal Tender Closure Gap Doctrine is therefore not an argument against cryptocurrency, blockchain networks, stablecoins, private settlement, or lawful payment innovation. It is an argument for clarity before consequence.

It asks a simple question with far-reaching implications:

When cryptocurrency is used as payment, what actually closes?

A private transaction may appear complete. A merchant may accept a digital asset. An employee may receive wages. A creditor may treat an obligation as satisfied. A blockchain may record the transfer. The parties may walk away believing the matter is finished.

But private closure is not always sovereign closure.

Tax obligations may remain. Payroll remittance may remain. Dollar valuation may remain. Sanctions screening may remain. Reporting duties may remain. Banking and payment-system consequences may remain. The public monetary order may still require lawful money, recognized channels, and sovereign authority to close what private parties have treated as complete.

That distinction is the heart of this doctrine.

The danger is not that cryptocurrency cannot function. It can. The more serious question is what happens if it functions widely at the private layer while leaving the sovereign layer to absorb the downstream consequences. The long-horizon issue is not merely transactional success. It is systemic substitution: private settlement replacing sovereign monetary closure at scale before law, policy, and public understanding have fully accounted for the consequences.

This paper is offered in service of that understanding.

It is written for policymakers who must govern beyond the immediate moment. It is written for regulators tasked with preserving domains that overlap but do not collapse into one another. It is written for innovators who understand that durable systems must be lawful by architecture, not merely useful by adoption. It is written for citizens who deserve a legible explanation of why private convenience and public monetary finality are not the same thing.

The generations that follow will inherit the consequences of the monetary decisions made in this one. They will not judge those decisions only by the speed of the systems we built, the novelty of the instruments we permitted, or the markets we allowed to form. They will judge whether we understood what those systems did to public obligations, national continuity, constitutional authority, and sovereign trust.

May this paper provide a clear record of that understanding.

May it speak truthfully, even where the truth is unwelcome.

And may it assist those who must one day ask not merely what was built, but whether it was built with sufficient regard for the Republic that would have to live with it.

Respectfully submitted,
Nicolin R. Decker
June 1, 2026
Missio Dei

§XII. References

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[29] See Howey, 328 U.S. at 298–99; SEC v. Ripple Labs, Inc., No. 20-cv-10832, 2023 WL 4507900 (S.D.N.Y. July 13, 2023); SEC v. Terraform Labs Pte. Ltd., 684 F. Supp. 3d 170 (S.D.N.Y. 2023); Securities and Exchange Commission, Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets (Mar. 17, 2026).
[30] See 31 U.S.C. § 5103; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); U.C.C. §§ 1-201(b)(24), 3-311, 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.
[31] See 31 U.S.C. § 5103; U.C.C. §§ 1-201(b)(24), 3-311, 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.
[32] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013) (distinguishing "real" currency from "virtual" currency); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019).
[33] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; see also 12 U.S.C. § 411; 12 U.S.C. § 248.
[34] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026) ("For U.S. tax purposes, digital assets are considered property, not currency."); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); *SEC v. W.J. Howey Co.*, 328 U.S. 293, 298–99 (1946); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); U.C.C. §§ 1-201(b)(24), 3-311, 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.
[35] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; U.C.C. §§ 1-201(b)(24), 3-311, 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013).
[36] See Securities and Exchange Commission, *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets* (Mar. 17, 2026); Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); Financial Crimes

Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); U.C.C. §§ 1-201(b)(24), 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary).

[37] See Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); *SEC v. W.J. Howey Co.*, 328 U.S. 293, 298–99 (1946); *Reves v. Ernst & Young*, 494 U.S. 56 (1990); *SEC v. Ripple Labs, Inc.*, No. 20-cv-10832, 2023 WL 4507900 (S.D.N.Y. July 13, 2023); *SEC v. Terraform Labs Pte. Ltd.*, 684 F. Supp. 3d 170 (S.D.N.Y. 2023).

[38] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; *Commodity Futures Trading Comm'n v. McDonnell*, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); *Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc.*, 334 F. Supp. 3d 492 (D. Mass. 2018).

[39] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026) ("For U.S. tax purposes, digital assets are considered property, not currency."); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; I.R.C. §§ 61, 1001, 1012, 6045.

[40] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; see also 12 U.S.C. § 411; 12 U.S.C. § 248; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 3-311, 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary).

[41] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; U.C.C. §§ 1-201(b)(24), 3-311, 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.

[42] See 31 U.S.C. § 5103; U.C.C. §§ 1-201(b)(24), 3-311, 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff).

[43] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 12 U.S.C. § 411; U.C.C. §§ 1-201(b)(24), 3-311, 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; see also 12 U.S.C. § 248.

[44] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026) ("For U.S. tax purposes, digital assets are considered property, not currency."); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1.

[45] See U.C.C. §§ 1-201(b)(24), 3-311, 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013).

[46] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–

281; U.C.C. §§ 1-201(b)(24), 3-311, 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff).

[47] See U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 3-602, 3-603 (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.

[48] See 31 U.S.C. § 5103; U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-602, 3-603, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.

[49] See 31 U.S.C. § 5103; U.C.C. § 1-201(b)(24) (defining "money" as a medium of exchange currently authorized or adopted by a domestic or foreign government); U.C.C. § 3-107 (addressing instruments payable in foreign money) (model provisions; state enactments may vary).

[50] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; see also 12 U.S.C. § 411; 12 U.S.C. § 248.

[51] See U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-602, 3-603, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[52] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026) ("For U.S. tax purposes, digital assets are considered property, not currency."); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; U.C.C. § 12-102(a)(1) (model provision; state enactments may vary).

[53] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 3-602, 3-603, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.

[54] See U.C.C. §§ 1-201(b)(24), 3-107 (model provisions; state enactments may vary); 31 U.S.C. § 5103; Reuters, *Lawmakers in El Salvador Rush New Bitcoin Reform After IMF Deal* (Jan. 30, 2025); Reuters, *El Salvador Announces More Bitcoin Purchases, Gives IMF Assurances* (Mar. 5, 2025).

[55] See U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 3-602, 3-603 (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; see also 12 U.S.C. §§ 5461–5472.

[56] See 31 U.S.C. § 5103; U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-602, 3-603, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.

[57] See 31 U.S.C. § 5103; Financial Crimes Enforcement Network, Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies, FIN-2013-G001 (Mar. 18, 2013); Financial Crimes Enforcement Network, Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9,

2019); Internal Revenue Service, Digital Assets (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938.
[58] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-602, 3-603 (model provisions; state enactments may vary).
[59] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; see also 12 U.S.C. § 411; 12 U.S.C. § 248.
[60] See U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 3-602, 3-603, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013).
[61] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-602, 3-603, 12-102(a)(1) (model provisions; state enactments may vary).
[62] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary).
[63] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary).
[64] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938.
[65] See U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708.
[66] See U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.
[67] Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11 (stating that the medium in which remuneration for services is paid is generally immaterial to whether remuneration constitutes wages for employment tax purposes and that the fair market value of virtual currency paid as wages, measured in U.S. dollars at the date of receipt, is subject to federal income tax withholding, FICA, FUTA, and Form W-2 reporting); see also Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938.
[68] Internal Revenue Service, *EFTPS: The Electronic Federal Tax Payment System* (stating that EFTPS may be used to pay income, employment, estimated, and excise federal tax payments); U.S. Department of the Treasury, Bureau of the Fiscal Service, *Electronic Federal Tax Payment System* (describing EFTPS as a free way for the public, businesses, and federal agencies to pay taxes online).
[69] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary).
[70] See Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*,

Q11; Internal Revenue Service, *EFTPS: The Electronic Federal Tax Payment System*; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[71] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708.

[72] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; U.C.C. § 1-201(b)(24) (model provision; state enactments may vary); see also 12 U.S.C. § 411; 12 U.S.C. § 248.

[73] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; U.C.C. § 1-201(b)(24) (model provision; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.

[74] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[75] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 12 U.S.C. § 411; 12 U.S.C. § 248.

[76] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708.

[77] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary).

[78] See 31 U.S.C. § 5103; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013).

[79] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; U.C.C. § 1-201(b)(24) (model provision; state enactments may vary); see also 12 U.S.C. § 411; 12 U.S.C. § 248; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary).

[80] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; U.C.C. § 1-201(b)(24) (model provision; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary).

[81] See U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.

[82] See 31 U.S.C. § 5103; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50

U.S.C. §§ 1701–1708.

[83] See Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013) (stating that virtual currency does not meet the criteria to be considered "currency" under the BSA because it is not legal tender); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); 31 U.S.C. § 5103.

[84] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); U.C.C. §§ 12-102(a)(1), 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[85] See U.S. Department of the Treasury, Treasury Proposes Rule to Implement the GENIUS Act's Stablecoin Framework (Apr. 8, 2026); Board of Governors of the Federal Reserve System, Payment Stablecoins and Cross-Border Payments: Benefits and Implications for Monetary Policy Implementation (Mar. 30, 2026); 31 U.S.C. § 5103; 12 U.S.C. § 411; 12 U.S.C. § 248.

[86] See U.C.C. § 1-201(b)(24) (defining "money" as a medium of exchange currently authorized or adopted by a domestic or foreign government); U.C.C. § 3-107 (addressing instruments payable in foreign money) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[87] See U.C.C. §§ 1-201(b)(24), 3-107 (model provisions; state enactments may vary); 31 U.S.C. § 5103; Reuters, *Lawmakers in El Salvador Rush New Bitcoin Reform After IMF Deal* (Jan. 30, 2025); Reuters, *El Salvador Announces More Bitcoin Purchases, Gives IMF Assurances* (Mar. 5, 2025).

[88] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013).

[89] See Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11; Internal Revenue Service, *EFTPS: The Electronic Federal Tax Payment System*; Internal Revenue Service, *Depositing and Reporting Employment Taxes*; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; 12 U.S.C. §§ 5461–5472; Board of Governors of the Federal Reserve System, *Payment Stablecoins and Cross-Border Payments: Benefits and Implications for Monetary Policy Implementation* (Mar. 30, 2026).

[90] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; U.C.C. § 1-201(b)(24) (model provision; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary).

[91] See U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.

[92] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary).

[93] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311,

3-602, 3-603, 12-102(a)(1) (model provisions; state enactments may vary).
[94] See Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); Reves v. Ernst & Young, 494 U.S. 56 (1990); SEC v. Ripple Labs, Inc., No. 20-cv-10832, 2023 WL 4507900 (S.D.N.Y. July 13, 2023); SEC v. Terraform Labs Pte. Ltd., 684 F. Supp. 3d 170 (S.D.N.Y. 2023).
[95] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492 (D. Mass. 2018).
[96] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; I.R.C. §§ 61, 1001, 1012, 6045; Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11.
[97] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708.
[98] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; U.C.C. § 1-201(b)(24) (model provision; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary).
[99] See Internal Revenue Service, Frequently Asked Questions on Virtual Currency Transactions, Q11; Internal Revenue Service, Frequently Asked Questions on Digital Asset Transactions, Q61; Internal Revenue Service, EFTPS: The Electronic Federal Tax Payment System; Internal Revenue Service, Depositing and Reporting Employment Taxes; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938.
[100] See U.S. Department of the Treasury, Treasury Proposes Rule to Implement the GENIUS Act's Stablecoin Framework (Apr. 8, 2026); Board of Governors of the Federal Reserve System, Payment Stablecoins and Cross-Border Payments: Benefits and Implications for Monetary Policy Implementation (Mar. 30, 2026); 31 U.S.C. § 5103; 12 U.S.C. § 411; 12 U.S.C. § 248.
[101] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; U.C.C. §§ 1-201(b)(24), 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.
[102] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; U.C.C. § 1-201(b)(24) (model provision; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.
[103] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary).
[104] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; see also 12 U.S.C. § 411; 12 U.S.C. § 248; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013).
[105] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; I.R.C. §§ 61, 1001, 1012, 6045; Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*,

Q11; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; U.C.C. § 12-102(a)(1) (model provision; state enactments may vary).

[106] See Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); Reves v. Ernst & Young, 494 U.S. 56 (1990); SEC v. Ripple Labs, Inc., No. 20-cv-10832, 2023 WL 4507900 (S.D.N.Y. July 13, 2023); SEC v. Terraform Labs Pte. Ltd., 684 F. Supp. 3d 170 (S.D.N.Y. 2023); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492 (D. Mass. 2018); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938.

[107] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; U.C.C. § 1-201(b)(24) (model provision; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary).

[108] See Internal Revenue Service, Frequently Asked Questions on Virtual Currency Transactions, Q11; Internal Revenue Service, Frequently Asked Questions on Digital Asset Transactions, Q61; Internal Revenue Service, EFTPS: The Electronic Federal Tax Payment System; Internal Revenue Service, Depositing and Reporting Employment Taxes; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938.

[109] See U.S. Department of the Treasury, Treasury Proposes Rule to Implement the GENIUS Act's Stablecoin Framework (Apr. 8, 2026); Board of Governors of the Federal Reserve System, Payment Stablecoins and Cross-Border Payments: Benefits and Implications for Monetary Policy Implementation (Mar. 30, 2026); 31 U.S.C. § 5103; 12 U.S.C. § 411; 12 U.S.C. § 248.

[110] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013).

[111] Articles of Confederation of 1781, arts. VIII–IX; Davis Rich Dewey, *Financial History of the United States*, 12th ed. (New York: Longmans, Green and Co., 1934), 34–56; Nicolin Decker, *The Constitutional Doctrine of Monetary Closure: Elasticity, Institutional Memory, and National Continuity* § II, at 21–22 (Jan. 9, 2026) (describing the Confederation as a system that could circulate obligations without the means to resolve them).

[112] Articles of Confederation of 1781, art. VIII; see also E. James Ferguson, The Power of the Purse: A History of American Public Finance, 1776–1790 111–45 (1961); Max M. Edling, A Revolution in Favor of Government: Origins of the U.S. Constitution and the Making of the American State 85–119 (2003).

[113] Decker, *Constitutional Doctrine of Monetary Closure*, supra note 111, § II.A, at 22 (identifying the absence of taxing enforcement, unified borrowing authority, and national tender finality as fatal constraints on monetary governance); see also Merrill Jensen, *The New Nation: A History of the United States During the Confederation, 1781–1789* 318–45 (1950).

[114] See Ferguson, supra note 112, at 145–94; Jensen, supra note 113, at 318–74; Richard B. Morris, *The Forging of the Union, 1781–1789* 119–51 (1987).

[115] U.S. Const. art. I, § 10, cl. 1; Decker, *Constitutional Doctrine of Monetary Closure*, supra

note 111, §§ II.A–II.B, at 22–23; see also Max Farrand, *The Framing of the Constitution of the United States* 47–60 (1913); Gordon S. Wood, *The Creation of the American Republic, 1776–1787* 393–429 (1969).

[116] Decker, Constitutional Doctrine of Monetary Closure, supra note 111, § II.C, at 24–25; Woody Holton, Unruly Americans and the Origins of the Constitution 52–86 (2007); David P. Szatmary, Shays' Rebellion: The Making of an Agrarian Insurrection 23–61 (1980).

[117] Decker, *Constitutional Doctrine of Monetary Closure*, supra note 111, § II.D, at 25–26; see also U.S. Const. art. I, § 10, cl. 1; *The Federalist No. 44* (James Madison) (discussing restrictions on state bills of credit and tender laws as necessary safeguards against instability and injustice).

[118] Leonard L. Richards, *Shays's Rebellion: The American Revolution's Final Battle* 1–32, 85–116 (2002); Szatmary, supra note 116, at 62–105; Decker, *Constitutional Doctrine of Monetary Closure*, supra note 111, § III.C, at 30–31.

[119] Decker, *Constitutional Doctrine of Monetary Closure*, supra note 111, § III.C, at 30–31; see also Letter from George Washington to Henry Lee (Oct. 31, 1786), in *The Papers of George Washington, Confederation Series*; Letter from George Washington to James Madison (Nov. 5, 1786), in *The Papers of George Washington, Confederation Series*; *The Federalist No. 15* (Alexander Hamilton).

[120] U.S. Const. art. I, § 8, cls. 1–5; U.S. Const. art. I, § 8, cl. 4; U.S. Const. art. I, § 10, cl. 1; Decker, *Constitutional Doctrine of Monetary Closure*, supra note 111, §§ IV.B–IV.C, at 41–44; see also *The Federalist No. 30* (Alexander Hamilton); *The Federalist No. 42* (James Madison); *The Federalist No. 44* (James Madison).

[121] Decker, *Constitutional Doctrine of Monetary Closure*, supra note 111, §§ IV.A.5, V.A, at 40, 47–48; see also 31 U.S.C. § 5103; U.S. Const. art. I, § 8, cl. 5; U.S. Const. art. I, § 10, cl. 1.

[122] See Nicolin Decker, *The Constitutional Doctrine of Monetary Closure: Elasticity, Institutional Memory, and National Continuity* §§ II–III, at 21–32 (Jan. 9, 2026) (developing the Articles of Confederation monetary non-authority framework and identifying Shays' Rebellion as a systemic stress disclosure rather than mere populist unrest).

[123] Articles of Confederation of 1781, arts. VIII–IX; Decker, Constitutional Doctrine of Monetary Closure, supra note 122, § II, at 21–22; E. James Ferguson, The Power of the Purse: A History of American Public Finance, 1776–1790 111–45 (1961); Max M. Edling, A Revolution in Favor of Government: Origins of the U.S. Constitution and the Making of the American State 85–119 (2003).

[124] Decker, *Constitutional Doctrine of Monetary Closure*, supra note 122, § II.B, at 22–23; Ferguson, supra note 123, at 145–94; Merrill Jensen, *The New Nation: A History of the United States During the Confederation, 1781–1789* 318–74 (1950); Richard B. Morris, *The Forging of the Union, 1781–1789* 119–51 (1987).

[125] Decker, *Constitutional Doctrine of Monetary Closure*, supra note 122, § II.B, at 23; U.S. Const. art. I, § 10, cl. 1; Max Farrand, *The Framing of the Constitution of the United States* 47–60 (1913); Gordon S. Wood, *The Creation of the American Republic, 1776–1787* 393–429 (1969).

[126] Decker, Constitutional Doctrine of Monetary Closure, supra note 122, § II.B, at 23–24; Woody Holton, Unruly Americans and the Origins of the Constitution 52–86 (2007); David P. Szatmary, Shays' Rebellion: The Making of an Agrarian Insurrection 23–61 (1980).

[127] Decker, *Constitutional Doctrine of Monetary Closure*, supra note 122, § III.D, at 31–32; Leonard L. Richards, *Shays's Rebellion: The American Revolution's Final Battle* 85–116 (2002);

Szatmary, supra note 126, at 62–105.

[128] Decker, *Constitutional Doctrine of Monetary Closure*, supra note 122, § II.C, at 24–25; Holton, supra note 126, at 52–86; Jensen, supra note 124, at 318–74.

[129] Decker, *Constitutional Doctrine of Monetary Closure*, supra note 122, § II.D, at 25–26; U.S. Const. art. I, § 10, cl. 1; *The Federalist No. 44* (James Madison); Wood, supra note 125, at 393–429.

[130] Decker, *Constitutional Doctrine of Monetary Closure*, supra note 122, § III.C, at 30–31; Richards, supra note 127, at 1–32, 85–116; Szatmary, supra note 126, at 62–105; Robert A. Feer, *Shays's Rebellion and the Constitution: A Study in Causation*, 42 New Eng. Q. 388 (1969).

[131] Decker, *Constitutional Doctrine of Monetary Closure*, supra note 122, § III.C, at 30–31; Letter from George Washington to Henry Lee (Oct. 31, 1786), in *The Papers of George Washington, Confederation Series*; Letter from George Washington to James Madison (Nov. 5, 1786), in *The Papers of George Washington, Confederation Series*; *The Federalist No. 15* (Alexander Hamilton); *The Federalist No. 30* (Alexander Hamilton).

[132] Decker, *Constitutional Doctrine of Monetary Closure*, supra note 122, § III.D, at 31–32; *The Federalist No. 15* (Alexander Hamilton); *The Federalist No. 30* (Alexander Hamilton); Edling, supra note 123, at 85–119.

[133] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. §§ 248, 411; *Juilliard v. Greenman*, 110 U.S. 421 (1884).

[134] See U.C.C. §§ 1-201(b)(24), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[135] 31 U.S.C. § 5103; see also *Juilliard*, 110 U.S. at 448–50.

[136] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary); U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.

[137] 31 U.S.C. § 5101; Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; I.R.C. §§ 61, 1001, 1012, 6045; Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11; Internal Revenue Service, *EFTPS: The Electronic Federal Tax Payment System*; Internal Revenue Service, *Depositing and Reporting Employment Taxes*.

[138] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; *Juilliard*, 110 U.S. 421.

[139] 12 U.S.C. §§ 248, 411; 31 U.S.C. § 5103.

[140] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 12 U.S.C. §§ 248, 411; *Juilliard*, 110 U.S. 421; see also Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary).

[141] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. §§ 248, 411; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary); *Juilliard*, 110 U.S. 421.

[142] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities

Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; 31 U.S.C. § 5103.

[143] See U.S. Department of the Treasury, *Treasury Proposes Rule to Implement the GENIUS Act's Stablecoin Framework* (Apr. 8, 2026); Kyungmin Kim, Romina Ruprecht & Mary-Frances Styczynski, *Payment Stablecoins and Cross-Border Payments: Benefits and Implications for Monetary Policy Implementation*, FEDS Notes, Bd. of Governors of the Fed. Rsrv. Sys. (Mar. 30, 2026); Francesca Carapella & Ander Perez-Orive, *Stablecoins in 2025: Developments and Financial Stability Implications*, FEDS Notes, Bd. of Governors of the Fed. Rsrv. Sys. (Apr. 8, 2026); 31 U.S.C. § 5103; 12 U.S.C. §§ 248, 411.

[144] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. §§ 248, 411; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary).

[145] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. §§ 248, 411; U.C.C. §§ 1-201(b)(24), 12-102(a)(1) (model provisions; state enactments may vary).

[146] See 31 U.S.C. § 5103; Financial Crimes Enforcement Network, Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies, FIN-2013-G001 (Mar. 18, 2013); Financial Crimes Enforcement Network, Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9, 2019); U.C.C. § 12-102(a)(1) (model provision; state enactments may vary).

[147] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938.

[148] See U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[149] See U.C.C. § 12-102(a)(1) (model provision; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[150] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[151] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; I.R.C. §§ 61, 1001, 1012, 6045; Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11; Internal Revenue Service, *EFTPS: The Electronic Federal Tax Payment System*; Internal Revenue Service, *Depositing and Reporting Employment Taxes*.

[152] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708.

[153] See Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); Reves

v. Ernst & Young, 494 U.S. 56 (1990); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492 (D. Mass. 2018).

[154] See 31 U.S.C. § 5103; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, FIN-2013-G001.

[155] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. §§ 248, 411; *Juilliard v. Greenman*, 110 U.S. 421 (1884).

[156] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. §§ 248, 411; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).

[157] 31 U.S.C. § 5103; see also *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); 12 U.S.C. § 411.

[158] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[159] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; I.R.C. §§ 61, 1001, 1012, 6045.

[160] See Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11; Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 1001, 1012, 3401, 3101, 3111, 3301, 6045.

[161] See 31 U.S.C. §§ 5101, 5103; Internal Revenue Service, *EFTPS: The Electronic Federal Tax Payment System*; Internal Revenue Service, *Depositing and Reporting Employment Taxes*; 12 U.S.C. §§ 248, 411.

[162] See U.S. Department of the Treasury, *Treasury Proposes Rule to Implement the GENIUS Act's Stablecoin Framework* (Apr. 8, 2026); Kyungmin Kim, Romina Ruprecht & Mary-Frances Styczynski, *Payment Stablecoins and Cross-Border Payments: Benefits and Implications for Monetary Policy Implementation*, FEDS Notes, Bd. of Governors of the Fed. Rsrv. Sys. (Mar. 30, 2026); Francesca Carapella & Ander Perez-Orive, *Stablecoins in 2025: Developments and Financial Stability Implications*, FEDS Notes, Bd. of Governors of the Fed. Rsrv. Sys. (Apr. 8, 2026); 31 U.S.C. § 5103; 12 U.S.C. §§ 248, 411.

[163] See U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.

[164] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; Juilliard, 110 U.S. 421; Financial Crimes Enforcement Network, Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies, FIN-2013-G001 (Mar. 18, 2013).

[165] See 31 U.S.C. § 5103; 12 U.S.C. § 411; U.S. Const. art. I, § 8, cl. 5.

[166] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); U.C.C. § 12-102(a)(1) (model provision; state enactments may vary); 31 U.S.C. § 5103.

[167] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. §§ 5101, 5103.
[168] See Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); 31 U.S.C. § 5103.
[169] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, FIN-2013-G001; 31 U.S.C. § 5103.
[170] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. §§ 248, 411; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.
[171] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. §§ 248, 411; U.C.C. § 12-102(a)(1) (model provision; state enactments may vary); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013).
[172] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; 31 U.S.C. § 5103.
[173] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. §§ 5101, 5103.
[174] See 31 U.S.C. § 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); U.C.C. § 12-102(a)(1) (model provision; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.
[175] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; Financial Crimes Enforcement Network, FIN-2013-G001.
[176] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; *Juilliard*, 110 U.S. 421; Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, FIN-2019-G001; U.C.C. § 12-102(a)(1) (model provision; state enactments may vary).
[177] See 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 12 U.S.C. § 411.
[178] See Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*,

Q11; Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; Internal Revenue Service, *EFTPS: The Electronic Federal Tax Payment System*; Internal Revenue Service, *Depositing and Reporting Employment Taxes*; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708.

[179] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. §§ 248, 411; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).

[180] See 31 U.S.C. § 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary).

[181] See Securities and Exchange Commission, *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets* (Mar. 17, 2026); Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); U.C.C. §§ 1-201(b)(24), 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary).

[182] See Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).

[183] See Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708.

[184] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); Financial Crimes Enforcement Network, FIN-2019-G001; 31 U.S.C. § 5103.

[185] SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 852–53 (1975); see also Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10).

[186] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; Reves v. Ernst & Young, 494 U.S. 56 (1990); SEC v. Ripple Labs, Inc., No. 20-cv-10832, 2023 WL 4507900, at *11–16 (S.D.N.Y. July 13, 2023); SEC v. Terraform Labs Pte. Ltd., 684 F. Supp. 3d 170 (S.D.N.Y. 2023).

[187] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492 (D. Mass. 2018); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering,*

Exchanging, or Using Virtual Currencies, FIN-2013-G001 (Mar. 18, 2013); 31 U.S.C. § 5103.

[188] See *Howey*, 328 U.S. at 298–99; *Ripple Labs*, 2023 WL 4507900, at *11–16; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[189] See Securities and Exchange Commission, *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets* (Mar. 17, 2026); Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, FIN-2019-G001; U.C.C. § 12-102(a)(1) (model provision; state enactments may vary).

[190] See 31 U.S.C. § 5103; 12 U.S.C. § 411; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); supra § II.K.

[191] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. §§ 248, 411; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, FIN-2019-G001; Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Restatement (Second) of Contracts §§ 278–281.

[192] See Securities and Exchange Commission, *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets* (Mar. 17, 2026); Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); U.C.C. §§ 1-201(b)(24), 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary).

[193] See Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).

[194] See Securities and Exchange Commission, *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets* (Mar. 17, 2026); Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, FIN-2019-G001; U.C.C. § 12-102(a)(1) (model provision; state enactments may vary).

[195] SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 852–53 (1975); Reves v. Ernst & Young, 494 U.S. 56 (1990); Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10).

[196] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; *Reves*, 494 U.S. 56; SEC v. Ripple Labs, Inc., No. 20-cv-10832, 2023 WL 4507900, at *11–16 (S.D.N.Y. July 13, 2023); SEC v. Terraform Labs Pte. Ltd., 684 F. Supp. 3d 170 (S.D.N.Y. 2023).

[197] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[198] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492 (D. Mass. 2018).

[199] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); 17 C.F.R. § 180.1; U.C.C. §§ 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.

[200] See Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; *McDonnell*, 287 F. Supp. 3d 213; *My Big Coin Pay*, 334 F. Supp. 3d 492; 31 U.S.C. § 5103.

[201] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; I.R.C. §§ 61, 1001, 1012, 6045; U.C.C. §§ 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary).

[202] See Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11; Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 1001, 1012, 3401, 3101, 3111, 3301, 6045.

[203] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[204] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Financial Crimes Enforcement Network, FIN-2013-G001; Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11.

[205] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, FIN-2019-G001; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; 31 U.S.C. § 5103; I.R.C. §§ 3401, 3101, 3111, 3301.

[206] See 31 U.S.C. § 5103; 12 U.S.C. § 411; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); supra § II.K.

[207] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, FIN-2019-G001; U.C.C. §§ 1-201(b)(24), 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[208] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; *Reves*, 494 U.S. 56; Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Securities and Exchange Commission, *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets*, Securities Act Release No. 11412, Exchange Act Release No. 105020 (Mar. 17, 2026); Commodity Futures Trading Commission, *CFTC Joins SEC to Clarify the Application of Federal Securities Laws to Crypto Assets*, Release No. 9198-26 (Mar. 17, 2026); *In re Impact Theory, LLC*, Securities Act Release No. 11226 (Aug. 28, 2023); *In re Stoner Cats 2, LLC*, Securities Act Release No. 11233 (Sept. 13, 2023); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1.

[209] SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 852–53 (1975); Reves v. Ernst & Young, 494 U.S. 56 (1990); Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10).

[210] See Howey, 328 U.S. at 298–99; Forman, 421 U.S. at 852–53; Reves, 494 U.S. 56; SEC v. Ripple Labs, Inc., No. 20-cv-10832, 2023 WL 4507900, at *11–16 (S.D.N.Y. July 13, 2023); SEC v. Terraform Labs Pte. Ltd., 684 F. Supp. 3d 170 (S.D.N.Y. 2023).

[211] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492 (D. Mass. 2018).

[212] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; McDonnell, 287 F. Supp. 3d 213; My Big Coin Pay, 334 F. Supp. 3d 492.

[213] See Internal Revenue Service, Digital Assets (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; I.R.C. §§ 61, 1001, 1012, 6045; U.C.C. §§ 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary).

[214] See Internal Revenue Service, Frequently Asked Questions on Virtual Currency Transactions, Q11; Internal Revenue Service, Frequently Asked Questions on Digital Asset Transactions, Q61; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 1001, 1012, 3401, 3101, 3111, 3301, 6045.

[215] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Financial Crimes Enforcement Network, FIN-2013-G001; Internal Revenue Service, Frequently Asked Questions on Virtual Currency Transactions, Q11.

[216] See 31 U.S.C. § 5103; 12 U.S.C. § 411; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); supra § II.K.

[217] See Howey, 328 U.S. at 298–99; Forman, 421 U.S. at 852–53; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, FIN-2019-G001; U.C.C. §§ 1-201(b)(24), 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[218] SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 852–53 (1975); Reves v. Ernst & Young, 494 U.S. 56 (1990); Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Securities and Exchange Commission, *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets*, Securities Act Release No. 11412, Exchange Act Release No. 105020 (Mar. 17, 2026).

[219] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; *Reves*, 494 U.S. 56; SEC v. Ripple Labs, Inc., No. 20-cv-10832, 2023 WL 4507900, at *11–16 (S.D.N.Y. July 13, 2023); SEC v. Terraform Labs Pte. Ltd., 684 F. Supp. 3d 170 (S.D.N.Y. 2023); *In re Impact Theory, LLC*, Securities Act Release No. 11226 (Aug. 28, 2023); *In re Stoner Cats 2, LLC*, Securities Act Release No. 11233 (Sept. 13, 2023).

[220] Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7

U.S.C. § 9(1); 17 C.F.R. § 180.1; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492 (D. Mass. 2018); Commodity Futures Trading Commission, *CFTC Joins SEC to Clarify the Application of Federal Securities Laws to Crypto Assets*, Release No. 9198-26 (Mar. 17, 2026).

[221] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; *McDonnell*, 287 F. Supp. 3d 213; *My Big Coin Pay*, 334 F. Supp. 3d 492; Securities and Exchange Commission, *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets*, Securities Act Release No. 11412, Exchange Act Release No. 105020 (Mar. 17, 2026).

[222] Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; I.R.C. §§ 61, 1001, 1012, 6045; U.C.C. §§ 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary).

[223] See Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11; Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 1001, 1012, 3401, 3101, 3111, 3301, 6045.

[224] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938.

[225] See 31 U.S.C. § 5103; 12 U.S.C. § 411; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11; Internal Revenue Service, *EFTPS: The Electronic Federal Tax Payment System*; Internal Revenue Service, *Depositing and Reporting Employment Taxes*.

[226] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); U.C.C. §§ 1-201(b)(24), 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[227] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013).

[228] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); Restatement (Second)

of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).
[229] SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 852–53 (1975); Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10).
[230] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; *Reves v. Ernst & Young*, 494 U.S. 56 (1990); SEC v. Ripple Labs, Inc., No. 20-cv-10832, 2023 WL 4507900, at *11–16 (S.D.N.Y. July 13, 2023); SEC v. Terraform Labs Pte. Ltd., 684 F. Supp. 3d 170 (S.D.N.Y. 2023); Securities and Exchange Commission, *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets*, Securities Act Release No. 11412, Exchange Act Release No. 105020 (Mar. 17, 2026).
[231] Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492 (D. Mass. 2018).
[232] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; *McDonnell*, 287 F. Supp. 3d 213; *My Big Coin Pay*, 334 F. Supp. 3d 492; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).
[233] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11; Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; I.R.C. §§ 61, 1001, 1012, 3401, 3101, 3111, 3301, 6045.
[234] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.
[235] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary).
[236] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103; 12 U.S.C. § 411.
[237] See 31 U.S.C. § 5103; 12 U.S.C. § 411; Financial Crimes Enforcement Network, FIN-2013-G001; U.C.C. §§ 1-201(b)(24), 3-107, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281.
[238] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, FIN-2019-G001; U.C.C. §§ 1-201(b)(24), 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.
[239] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.
[240] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may

vary); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013).

[241] 31 U.S.C. § 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884).

[242] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 2-511, 3-107, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[243] See U.C.C. §§ 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[244] See Restatement (Second) of Contracts §§ 33, 71, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938.

[245] See 31 U.S.C. § 5103; 12 U.S.C. § 411; Restatement (Second) of Contracts §§ 33, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary).

[246] See Restatement (Second) of Contracts §§ 33, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[247] See Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11; Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; U.C.C. §§ 1-304, 12-102(a)(1) (model provisions; state enactments may vary).

[248] See Restatement (Second) of Contracts §§ 33, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Financial Crimes Enforcement Network, FIN-2013-G001; 31 U.S.C. § 5103.

[249] See SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 852–53 (1975); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Restatement (Second) of Contracts §§ 278–281; U.C.C. § 12-102(a)(1) (model provision; state enactments may vary); 31 U.S.C. § 5103.

[250] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 3-107, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).

[251] See Restatement (Second) of Contracts §§ 33, 71, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013).

[252] See Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); 31 C.F.R. § 1010.100(ff).

[253] See Restatement (Second) of Contracts §§ 33, 71, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[254] See Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); U.C.C. § 1-201(b)(24) (model provision; state enactments may vary); 31 U.S.C. § 5103.
[255] See Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; Restatement (Second) of Torts § 552; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, FIN-2019-G001.
[256] See Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103; 12 U.S.C. § 411.
[257] See Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; Restatement (Second) of Torts § 552; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Federal Trade Commission Act § 5, 15 U.S.C. § 45; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff).
[258] See Restatement (Second) of Torts § 552; Federal Trade Commission Act § 5, 15 U.S.C. § 45; Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).
[259] See Restatement (Second) of Torts § 552; Federal Trade Commission Act § 5, 15 U.S.C. § 45; Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).
[260] See Restatement (Second) of Contracts §§ 33, 71, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 3-602, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.
[261] See Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Federal Trade Commission Act § 5, 15 U.S.C. § 45; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[262] See Restatement (Second) of Torts § 552; Federal Trade Commission Act § 5, 15 U.S.C. § 45; Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.
[263] See Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; Financial Crimes Enforcement Network, FIN-2013-G001.
[264] See Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.
[265] See U.S. Department of the Treasury, *Treasury Proposes Rule to Implement the GENIUS Act's Stablecoin Framework* (Apr. 8, 2026); Kyungmin Kim, Romina Ruprecht & Mary-Frances Styczynski, *Payment Stablecoins and Cross-Border Payments: Benefits and Implications for Monetary Policy Implementation*, FEDS Notes, Board of Governors of the Federal Reserve System (Mar. 30, 2026); Francesca Carapella & Ander Perez-Orive, *Stablecoins in 2025: Developments and Financial Stability Implications*, FEDS Notes, Board of Governors of the Federal Reserve System (Apr. 8, 2026); 31 U.S.C. § 5103; 12 U.S.C. § 411; Restatement

(Second) of Contracts §§ 33, 71, 205, 278–281.

[266] See Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Internal Revenue Service, *Digital Assets* (last updated Apr. 3, 2026); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; 31 U.S.C. § 5103.

[267] See Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; Restatement (Second) of Torts § 552; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Federal Trade Commission Act § 5, 15 U.S.C. § 45; Financial Crimes Enforcement Network, FIN-2013-G001; 31 U.S.C. § 5103.

[268] See U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; Restatement (Second) of Torts § 552; 31 U.S.C. § 5103.

[269] See Restatement (Second) of Contracts §§ 33, 71, 205, 278–281; Restatement (Second) of Torts § 552; U.C.C. §§ 1-304, 2-204, 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Financial Crimes Enforcement Network, FIN-2013-G001; 31 U.S.C. § 5103.

[270] See Nicolin Decker, *The NEXUS Token: A Regulation D-Compliant Interchange Fee Mechanism for Infrastructure-Backed Public Finance Systems* (May 12, 2025), available at SSRN: https://ssrn.com/abstract=5251839 or http://dx.doi.org/10.2139/ssrn.5251839; Nicolin Decker, *CLEARfund™ : The First Smart Contract–Governed, IRS-Compliant, SEC-Regulated SaaS Infrastructure for Multi-Chain Fund Operations* (June 1, 2025), available at SSRN: https://ssrn.com/abstract=5277932 or http://dx.doi.org/10.2139/ssrn.5277932.

[271] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-107, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); 31 U.S.C. § 5103.

[272] SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 852–53 (1975); Reves v. Ernst & Young, 494 U.S. 56 (1990); Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10).

[273] Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492 (D. Mass. 2018).

[274] Internal Revenue Service, *Digital Assets*; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11; I.R.C. §§ 61, 1001, 1012, 3401, 3101, 3111, 3301, 6045.

[275] Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708.

[276] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes

Enforcement Network, FIN-2013-G001; U.C.C. §§ 1-201(b)(24), 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[277] See U.C.C. §§ 1-201(b)(24), 3-107, 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; 31 U.S.C. § 5103.

[278] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; *Reves*, 494 U.S. 56; Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10).

[279] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; *McDonnell*, 287 F. Supp. 3d 213; *My Big Coin Pay*, 334 F. Supp. 3d 492.

[280] See Internal Revenue Service, *Digital Assets*; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*, Q11; I.R.C. §§ 61, 1001, 1012, 3401, 3101, 3111, 3301, 6045; U.C.C. §§ 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary).

[281] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); Financial Crimes Enforcement Network, FIN-2013-G001.

[282] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); Restatement (Second) of Contracts §§ 278–281.

[283] See *Howey*, 328 U.S. at 298–99; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; U.C.C. §§ 1-201(b)(24), 3-107, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[284] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-107, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001.

[285] See SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 852–53 (1975); Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[286] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; Reves v. Ernst & Young, 494 U.S. 56 (1990); Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-107, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).

[287] See Internal Revenue Service, *Digital Assets*; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Restatement (Second) of Contracts §§ 278–281.

[288] See **Table 1 — Proposed Monetary Closure Standard, supra §II.K**; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50

(1884); Restatement (Second) of Contracts §§ 278–281.

[289] See supra Table 2; *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[290] See supra Table 3; *Howey*, 328 U.S. at 298–99; Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; U.C.C. §§ 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[291] See **Table 1 — Proposed Monetary Closure Standard, supra §II.K**; supra Tables 2–3; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Howey*, 328 U.S. at 298–99; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; Restatement (Second) of Contracts §§ 278–281.

[292] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; *Reves*, 494 U.S. 56; Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); supra Table 2.

[293] See 31 U.S.C. § 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-107, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); **Table 1 — Proposed Monetary Closure Standard, supra §II.K**.

[294] See *Howey*, 328 U.S. at 298–99; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281; **Table 1 — Proposed Monetary Closure Standard, supra §II.K**; supra Tables 2–3.

[295] See **Table 1 — Proposed Monetary Closure Standard, supra §II.K**; supra Tables 2–3; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).

[296] See supra §III.A–§III.E; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-107, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); 31 U.S.C. § 5103.

[297] See SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 852–53 (1975); Reves v. Ernst & Young, 494 U.S. 56 (1990); Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Securities and Exchange Commission, *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets*, Securities Act Release No. 11412, Exchange Act Release No. 105020, File No. S7-2026-09 (Mar. 17, 2026); Securities and Exchange Commission, *Framework for "Investment Contract" Analysis of Digital Assets* (Apr. 3, 2019). The 2026 SEC interpretive release addresses how federal securities laws apply to certain crypto assets and crypto-asset transactions, including how a non-security crypto asset may become subject to, and later cease to be subject to, an investment contract.

[298] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)

(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492 (D. Mass. 2018); Commodity Futures Trading Commission, *CFTC Joins SEC to Clarify the Application of Federal Securities Laws to Crypto Assets*, Release No. 9198-26 (Mar. 17, 2026). The CFTC joined the SEC's 2026 interpretation and stated that certain non-security crypto assets could meet the Commodity Exchange Act definition of "commodity."

[299] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Internal Revenue Service, *Digital Assets*; Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); U.C.C. §§ 1-201(b)(24), 12-102(a)(1) (model provisions; state enactments may vary). The IRS states that digital assets are considered property, not currency, for U.S. tax purposes.

[300] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; *Reves*, 494 U.S. 56; Commodity Exchange Act §§ 1a(9), 6(c)(1), 7 U.S.C. §§ 1a(9), 9(1); 17 C.F.R. § 180.1; *McDonnell*, 287 F. Supp. 3d 213; *My Big Coin Pay*, 334 F. Supp. 3d 492; Securities and Exchange Commission, Securities Act Release No. 11412, Exchange Act Release No. 105020; Commodity Futures Trading Commission, Release No. 9198-26.

[301] See supra §II.B–§II.K; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.

[302] See Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, FIN-2019-G001; International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708. FinCEN's 2019 guidance states that it consolidates existing FinCEN regulations, administrative rulings, and guidance and applies them to business models involving convertible virtual currencies.

[303] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; *Reves*, 494 U.S. 56; Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Securities and Exchange Commission, Securities Act Release No. 11412, Exchange Act Release No. 105020; supra Table 2; supra Table 3.

[304] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Internal Revenue Service, *Digital Assets*; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, FIN-2019-G001; International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).

[305] See supra §III.A–§III.D; U.C.C. §§ 1-201(b)(24), 3-107, 9-102(a)(31), 12-102(a)(1) (model provisions; state enactments may vary); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); *Howey*, 328 U.S. at 298–99; Securities and Exchange Commission, Securities Act Release No. 11412, Exchange Act Release No. 105020.

[306] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Juilliard v. Greenman, 110 U.S. 421, 448–50 (1884); supra §II.K; supra Table 1 — Proposed Monetary Closure Standard.
[307] See supra §II.K; supra §III.E; *Howey*, 328 U.S. at 298–99; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, FIN-2013-G001; 31 U.S.C. § 5103.
[308] See SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 852–53 (1975); Reves v. Ernst & Young, 494 U.S. 56 (1990); Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Securities and Exchange Commission, *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets*, Securities Act Release No. 11412, Exchange Act Release No. 105020, File No. S7-2026-09 (Mar. 17, 2026).
[309] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; supra §III.B; supra Table 2; supra Table 3.
[310] See *Howey*, 328 U.S. at 298–99; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.
[311] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Juilliard v. Greenman, 110 U.S. 421, 448–50 (1884); supra §II.K; supra Table 1 — Proposed Monetary Closure Standard.
[312] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492 (D. Mass. 2018); Commodity Futures Trading Commission, *CFTC Joins SEC to Clarify the Application of Federal Securities Laws to Crypto Assets*, Release No. 9198-26 (Mar. 17, 2026).
[313] See Commodity Exchange Act §§ 1a(9), 6(c)(1), 7 U.S.C. §§ 1a(9), 9(1); 17 C.F.R. § 180.1; *McDonnell*, 287 F. Supp. 3d 213; *My Big Coin Pay*, 334 F. Supp. 3d 492; supra §III.C.
[314] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.
[315] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.K.
[316] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; I.R.C. §§ 61, 83, 1001, 1012, 3401, 3101, 3111, 3301, 6045; Internal Revenue Service, *Digital Assets*; Internal Revenue Service, *Frequently Asked Questions on Virtual Currency Transactions*.
[317] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 1001, 1012, 6045; 31 U.S.C. § 5103.
[318] See *Howey*, 328 U.S. at 298–99; Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; I.R.C. §§ 61, 1001, 1012, 3401, 3101, 3111, 3301, 6045; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the*

Virtual Currency Industry (Oct. 2021); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[319] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50.

[320] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); Financial Crimes Enforcement Network, FIN-2013-G001; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; 31 C.F.R. pts. 500–599; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021).

[321] See 31 C.F.R. § 1010.100(ff); FinCEN, FIN-2013-G001; FinCEN, FIN-2019-G001; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); 31 U.S.C. § 5103.

[322] See Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.C. §§ 61, 1001, 1012, 3401, 3101, 3111, 3301, 6045; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[323] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.I–§II.K.

[324] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-107, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604, 12-102(a)(1) (model provisions; state enactments may vary).

[325] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311, 3-601, 3-602, 3-603, 3-604 (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[326] See *Howey*, 328 U.S. at 298–99; Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; I.R.C. §§ 61, 1001, 1012, 3401, 3101, 3111, 3301, 6045; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[327] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.E; supra §II.I.

[328] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.K; supra Table 1 — Proposed Monetary Closure Standard.

[329] See supra §II.K; supra §III.D–§III.E; *Howey*, 328 U.S. at 298–99; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, FIN-2013-G001; Restatement (Second) of Contracts §§ 278–281.

[330] See Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Commodity Exchange Act §§ 1a(9), 6(c)(1), 7 U.S.C. §§ 1a(9), 9(1); I.R.C. §§ 61, 1001, 1012, 6045; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-511, 3-310, 3-311 (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[331] See supra §III.D–§III.E; supra §IV.A; *Howey*, 328 U.S. at 298–99; Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, FIN-2013-G001; Restatement (Second) of Contracts §§ 278–281.

[332] See supra §II.A–§II.K; supra §III.A–§III.E; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103;

Howey, 328 U.S. at 298–99; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, FIN-2013-G001; Restatement (Second) of Contracts §§ 278–281.

[333] See supra §II.K; supra §III.D–§III.E; supra Table 4; 31 U.S.C. § 5103; Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); Restatement (Second) of Contracts §§ 278–281.

[334] See Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 852–53 (1975); Reves v. Ernst & Young, 494 U.S. 56, 60–67 (1990); supra §III.D; supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*.

[335] *Howey*, 328 U.S. at 298–99.

[336] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; SEC v. Edwards, 540 U.S. 389, 393–97 (2004); Securities and Exchange Commission, *Framework for "Investment Contract" Analysis of Digital Assets* (Apr. 3, 2019) (staff guidance).

[337] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 848–53; *Edwards*, 540 U.S. at 393–97; SEC v. Telegram Grp. Inc., 448 F. Supp. 3d 352, 365–80 (S.D.N.Y. 2020); SEC v. Kik Interactive Inc., 492 F. Supp. 3d 169, 177–80 (S.D.N.Y. 2020).

[338] *Forman*, 421 U.S. at 848–53.

[339] *Reves*, 494 U.S. at 60–67.

[340] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 848–53; *Reves*, 494 U.S. at 60–67; *Telegram*, 448 F. Supp. 3d at 365–80; *Kik*, 492 F. Supp. 3d at 177–80; Securities and Exchange Commission, *Framework for "Investment Contract" Analysis of Digital Assets* (Apr. 3, 2019) (staff guidance).

[341] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; *Reves*, 494 U.S. at 60–67; *Telegram*, 448 F. Supp. 3d at 365–80; *Kik*, 492 F. Supp. 3d at 177–80; supra Table 2; supra Table 3.

[342] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); supra §II.G; supra §III.D.

[343] See *Howey*, 328 U.S. at 298–99; *Edwards*, 540 U.S. at 393–97; *Telegram*, 448 F. Supp. 3d at 365–80; *Kik*, 492 F. Supp. 3d at 177–80; SEC v. Terraform Labs Pte. Ltd., 684 F. Supp. 3d 170, 192–99 (S.D.N.Y. 2023) (evaluating digital-asset transactions where investment facts were independently alleged); Securities Act of 1933 § 5, 15 U.S.C. § 77e; Securities Act of 1933 § 17(a), 15 U.S.C. § 77q(a).

[344] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; *Reves*, 494 U.S. at 60–67; supra §III.D; supra Table 4.

[345] See supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*; see also *Howey*, 328 U.S. at 298–99; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); 31 U.S.C. § 5103.

[346] See Securities Act of 1933 §§ 2(a)(1), 5, 17(a), 15 U.S.C. §§ 77b(a)(1), 77e, 77q(a); Securities Exchange Act of 1934 §§ 3(a)(10), 10(b), 15 U.S.C. §§ 78c(a)(10), 78j(b); 17 C.F.R. § 240.10b-5; 31 U.S.C. § 5103; U.S. Const. art. I, § 8, cl. 5; Juilliard v. Greenman, 110 U.S. 421, 448–50 (1884).

[347] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 1012, 3401, 3101, 3111, 3301, 6045; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Financial Crimes Enforcement Network, FIN-2013-G001; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.

[348] See supra §III.A–§III.E; supra Table 2; supra Table 3; supra Table 4; Figure 1, Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis.

[349] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; *Reves*, 494 U.S. at 60–67; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.B–§II.K; supra §III.D–§III.E; supra Table 4.

[350] See SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 848–53 (1975); Reves v. Ernst & Young, 494 U.S. 56, 60–67 (1990); supra §IV.B.

[351] See supra §II.B–§II.G; supra §III.A–§III.E; supra Table 2; supra Table 3; supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*.

[352] *Howey*, 328 U.S. at 298–99; see also SEC v. Edwards, 540 U.S. 389, 393–97 (2004).

[353] See *Howey*, 328 U.S. at 298–99; *Edwards*, 540 U.S. at 393–97; SEC v. Telegram Grp. Inc., 448 F. Supp. 3d 352, 365–80 (S.D.N.Y. 2020); SEC v. Kik Interactive Inc., 492 F. Supp. 3d 169, 177–80 (S.D.N.Y. 2020); SEC v. Terraform Labs Pte. Ltd., 684 F. Supp. 3d 170, 192–99 (S.D.N.Y. 2023).

[354] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 852–53; *Edwards*, 540 U.S. at 393–97; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).

[355] See supra §II.B–§II.H; supra §III.D; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 1012, 3401, 3101, 3111, 3301, 6045; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; FinCEN, FIN-2013-G001; 31 U.S.C. § 5103.

[356] See *Howey*, 328 U.S. at 298–99; *Edwards*, 540 U.S. at 393–97; *Telegram*, 448 F. Supp. 3d at 365–80; *Kik*, 492 F. Supp. 3d at 177–80; *Terraform Labs*, 684 F. Supp. 3d at 192–99; Securities Act of 1933 § 5, 15 U.S.C. § 77e; Securities Act of 1933 § 17(a), 15 U.S.C. § 77q(a).

[357] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 848–53; *Reves*, 494 U.S. at 60–67; supra §IV.B; supra Table 4.

[358] See supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*; see also I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; FinCEN, FIN-2013-G001; Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[359] See supra Table 4; Figure 1, Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis.

[360] See supra §I.A–§I.F; supra §II.G; supra §III.A–§III.E; supra Table 2; supra Table 3; supra Table 4.
[361] See *Howey*, 328 U.S. at 298–99; *Edwards*, 540 U.S. at 393–97; *Telegram*, 448 F. Supp. 3d at 365–80; *Kik*, 492 F. Supp. 3d at 177–80; *Terraform Labs*, 684 F. Supp. 3d at 192–99; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, FIN-2013-G001; 31 U.S.C. § 5103.
[362] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 848–53; *Reves*, 494 U.S. at 60–67.
[363] See supra §IV.B; supra Table 4; Figure 1, Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis; Howey, 328 U.S. at 298–99; Forman, 421 U.S. at 852–53; 31 U.S.C. § 5103.
[364] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213, 228–29 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492, 496–99 (D. Mass. 2018); supra §III.C; supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*.
[365] Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1.
[366] See *McDonnell*, 287 F. Supp. 3d at 228–29; *My Big Coin Pay*, 334 F. Supp. 3d at 496–99; see also Commodity Futures Trading Comm'n v. Gelfman Blueprint, Inc., No. 17-cv-7181, 2018 WL 6320656 (S.D.N.Y. Oct. 16, 2018).
[367] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); *McDonnell*, 287 F. Supp. 3d at 228–29; *My Big Coin Pay*, 334 F. Supp. 3d at 496–99; supra §II.G; supra §III.C–§III.E; supra Table 2; supra Table 3; supra Table 4.
[368] See supra §II.B–§II.K; supra §III.C–§III.E; Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; 31 U.S.C. § 5103.
[369] See Commodity Exchange Act §§ 1a(9), 2(c)(2), 4, 4c, 4d, 4s, 5h, 6(c)(1), 7 U.S.C. §§ 1a(9), 2(c)(2), 6, 6c, 6d, 6s, 7b-3, 9(1); 17 C.F.R. § 180.1; *McDonnell*, 287 F. Supp. 3d at 228–29; *My Big Coin Pay*, 334 F. Supp. 3d at 496–99.
[370] See supra §II.B–§II.H; supra §III.D–§III.E; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.
[371] See Commodity Exchange Act §§ 1a(9), 2(c)(2), 4c, 4d, 4s, 5h, 6(c)(1), 7 U.S.C. §§ 1a(9), 2(c)(2), 6c, 6d, 6s, 7b-3, 9(1); 17 C.F.R. § 180.1; *McDonnell*, 287 F. Supp. 3d at 228–29; *My Big Coin Pay*, 334 F. Supp. 3d at 496–99; *Gelfman Blueprint*, 2018 WL 6320656.
[372] See Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; McDonnell, 287 F. Supp. 3d at 228–29; My Big Coin Pay, 334 F. Supp. 3d at 496–99; supra Table 4; Figure 1, Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis.
[373] See supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.
[374] See Commodity Exchange Act §§ 1a(9), 2(c)(2), 4c, 4d, 4s, 5h, 6(c)(1), 7 U.S.C. §§ 1a(9), 2(c)(2), 6c, 6d, 6s, 7b-3, 9(1); 17 C.F.R. § 180.1; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411;

Juilliard v. Greenman, 110 U.S. 421, 448–50 (1884).

[375] See supra §II.B–§II.K; supra §III.D–§III.E; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 1012, 3401, 3101, 3111, 3301, 6045; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; FinCEN, FIN-2013-G001; Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[376] See supra §I.A–§I.F; supra §II.G; supra §III.A–§III.E; supra Table 2; supra Table 3; supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*.

[377] See supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*; see also Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[378] See Commodity Exchange Act §§ 1a(9), 2(c)(2), 4c, 4d, 4s, 5h, 6(c)(1), 7 U.S.C. §§ 1a(9), 2(c)(2), 6c, 6d, 6s, 7b-3, 9(1); 17 C.F.R. § 180.1; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.B–§II.K; supra §III.D–§III.E; supra Table 4.

[379] Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); *Commodity Futures Trading Comm'n v. McDonnell*, 287 F. Supp. 3d 213, 228–29 (E.D.N.Y. 2018); *Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc.*, 334 F. Supp. 3d 492, 496–99 (D. Mass. 2018); *SEC v. W.J. Howey Co.*, 328 U.S. 293, 298–99 (1946); *United Hous. Found., Inc. v. Forman*, 421 U.S. 837, 848–53 (1975); *Reves v. Ernst & Young*, 494 U.S. 56, 60–67 (1990); 31 U.S.C. § 5103. See also Nicolin Decker, *The Doctrine of Anchored Decentralization: A Law for the Stateless Economy* 3–4, 7–8 (2025) (distinguishing decentralization as architectural substrate from cryptocurrency as asset behavior and identifying Bitcoin's core innovation as distributed verification rather than sovereign money creation).

[380] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; *Commodity Futures Trading Comm'n v. McDonnell*, 287 F. Supp. 3d 213, 228–29 (E.D.N.Y. 2018); *Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc.*, 334 F. Supp. 3d 492, 496–99 (D. Mass. 2018); supra §IV.D.

[381] See supra §II.B–§II.G; supra §III.A–§III.E; supra §IV.D; supra Table 2; supra Table 3; supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*.

[382] Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; *McDonnell*, 287 F. Supp. 3d at 228–29; *My Big Coin Pay*, 334 F. Supp. 3d at 496–99; see also *Commodity Futures Trading Comm'n v. Gelfman Blueprint, Inc.*, No. 17-cv-7181, 2018 WL 6320656 (S.D.N.Y. Oct. 16, 2018).

[383] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); *McDonnell*, 287 F. Supp. 3d at 228–29; *My Big Coin Pay*, 334 F. Supp. 3d at 496–99; supra §II.G; supra §III.C–§III.E; supra §IV.D.

[384] See Commodity Exchange Act §§ 1a(9), 2(c)(2), 4, 4c, 4d, 4s, 5h, 6(c)(1), 7 U.S.C. §§ 1a(9), 2(c)(2), 6, 6c, 6d, 6s, 7b-3, 9(1); 17 C.F.R. § 180.1; *McDonnell*, 287 F. Supp. 3d at 228–29; *My Big Coin Pay*, 334 F. Supp. 3d at 496–99.

[385] See supra §II.B–§II.H; supra §III.D–§III.E; supra §IV.D; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103; Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1.

[386] See supra §II.G; supra §III.C–§III.E; supra §IV.D; Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, FIN-2013-G001; 31 U.S.C. § 5103.

[387] See Commodity Exchange Act §§ 1a(9), 2(c)(2), 4c, 4d, 4s, 5h, 6(c)(1), 7 U.S.C. §§ 1a(9), 2(c)(2), 6c, 6d, 6s, 7b-3, 9(1); 17 C.F.R. § 180.1; *McDonnell*, 287 F. Supp. 3d at 228–29; *My Big Coin Pay*, 334 F. Supp. 3d at 496–99; *Gelfman Blueprint*, 2018 WL 6320656.

[388] See Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; supra §IV.D; supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*.

[389] See supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*; see also Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[390] See supra Table 4; Figure 1, Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis.

[391] See supra §I.A–§I.F; supra §II.G; supra §III.A–§III.E; supra §IV.D; supra Table 2; supra Table 3; supra Table 4.

[392] See Commodity Exchange Act §§ 1a(9), 2(c)(2), 4c, 4d, 4s, 5h, 6(c)(1), 7 U.S.C. §§ 1a(9), 2(c)(2), 6c, 6d, 6s, 7b-3, 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, FIN-2013-G001; Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[393] See Commodity Exchange Act §§ 1a(9), 6(c)(1), 7 U.S.C. §§ 1a(9), 9(1); 17 C.F.R. § 180.1; *McDonnell*, 287 F. Supp. 3d at 228–29; *My Big Coin Pay*, 334 F. Supp. 3d at 496–99; supra §IV.D.

[394] See Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); McDonnell, 287 F. Supp. 3d at 228–29; My Big Coin Pay, 334 F. Supp. 3d at 496–99; 31 U.S.C. § 5103; supra §IV.D; supra Table 4; Figure 1, Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis.

[395] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; U.S. Const. art. I, § 8, cl. 5; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §II.B–§II.K; supra §IV.A–§IV.E.

[396] See Securities Act of 1933 § 2(a)(1), 15 U.S.C. § 77b(a)(1); Securities Exchange Act of 1934 § 3(a)(10), 15 U.S.C. § 78c(a)(10); Commodity Exchange Act § 1a(9), 7 U.S.C. § 1a(9); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); 31 U.S.C. § 5103.

[397] See *SEC v. W.J. Howey Co.*, 328 U.S. 293, 298–99 (1946); *SEC v. Edwards*, 540 U.S. 389, 393–97 (2004); *United Hous. Found., Inc. v. Forman*, 421 U.S. 837, 848–53 (1975); *Reves v. Ernst & Young*, 494 U.S. 56, 60–67 (1990); Securities Act of 1933 §§ 5, 17(a), 15 U.S.C. §§ 77e, 77q(a); 31 U.S.C. § 5103; supra §IV.B–§IV.C.

[398] See Commodity Exchange Act §§ 1a(9), 2(c)(2), 4c, 4d, 4s, 5h, 6(c)(1), 7 U.S.C. §§ 1a(9), 2(c)(2), 6c, 6d, 6s, 7b-3, 9(1); 17 C.F.R. § 180.1; *Commodity Futures Trading Comm'n v. McDonnell*, 287 F. Supp. 3d 213, 228–29 (E.D.N.Y. 2018); *Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc.*, 334 F. Supp. 3d 492, 496–99 (D. Mass. 2018); 31 U.S.C. § 5103; supra §IV.D–§IV.E.

[399] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 1012, 3401, 3101, 3111, 3301, 6045; 31 U.S.C. §§ 5101, 5103; supra §II.C–§II.G; supra §III.D.
[400] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; FinCEN, FIN-2013-G001; FinCEN, Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9, 2019); 31 U.S.C. § 5103.
[401] See International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; Trading with the Enemy Act, 50 U.S.C. §§ 4301–4341; 31 C.F.R. ch. V; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); 31 U.S.C. § 5103.
[402] See 12 U.S.C. §§ 24(Seventh), 92a, 1818; 12 C.F.R. pt. 9; 12 U.S.C. § 248a; 12 U.S.C. §§ 5461–5472; Office of the Comptroller of the Currency, Interpretive Letter No. 1170 (July 2020); Office of the Comptroller of the Currency, Interpretive Letter No. 1174 (Jan. 2021); 31 U.S.C. § 5103; supra §II.H–§II.K.
[403] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103; supra §III.D–§III.E.
[404] See supra §IV.B–§IV.E; Securities Act of 1933 §§ 5, 17(a), 15 U.S.C. §§ 77e, 77q(a); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 U.S.C. § 5103.
[405] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Restatement (Second) of Contracts §§ 278–281; supra §II.B–§II.K.
[406] See 31 U.S.C. § 5103; U.S. Const. art. I, § 8, cl. 5; Securities Act of 1933 §§ 5, 17(a), 15 U.S.C. §§ 77e, 77q(a); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021).
[407] See supra Table 4; Figure 1, Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis; supra Table 5; Figure 2, SEC Boundary Guide: Distinguishing Investment Posture from Payment Posture; supra Table 6; Figure 3, CFTC Boundary Guide: Distinguishing Market Posture from Payment Posture; supra §IV.B–§IV.E.
[408] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, FIN-2013-G001; supra §II.B–§II.K; supra §IV.A–§IV.E.
[409] See President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); supra §II.E; supra §IV.F.
[410] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; U.S. Const. art. I, § 8, cl. 5; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); President's Working Group, *Report on Stablecoins*, supra note 409, at 10–17; supra §II.E–§II.K.
[411] See President's Working Group, *Report on Stablecoins*, supra note 409, at 1–4, 10–17; Board of Governors, *Money and Payments*, supra note 409, at 11–18; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938.
[412] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Board of Governors, *Money and Payments*, supra note 409, at 11–18; President's Working Group, *Report on Stablecoins*, supra note 409, at 10–17; supra §IV.F.

[413] See President's Working Group, *Report on Stablecoins*, supra note 409, at 1–4, 10–17; Board of Governors, *Money and Payments*, supra note 409, at 11–18; 31 U.S.C. § 5103; supra §II.E; supra §IV.F.
[414] See President's Working Group, *Report on Stablecoins*, supra note 409, at 10–17; Board of Governors, *Money and Payments*, supra note 409, at 11–18; 12 U.S.C. § 411; 31 U.S.C. §§ 5101, 5103; Restatement (Second) of Contracts §§ 278–281; supra §II.H–§II.K.
[415] See President's Working Group, *Report on Stablecoins*, supra note 409, at 10–17; 12 U.S.C. § 411; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281; supra §II.E; supra §IV.F.
[416] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); President's Working Group, *Report on Stablecoins*, supra note 409, at 10–17; 31 U.S.C. § 5103.
[417] See *SEC v. W.J. Howey Co.*, 328 U.S. 293, 298–99 (1946); *SEC v. Edwards*, 540 U.S. 389, 393–97 (2004); Commodity Exchange Act §§ 1a(9), 6(c)(1), 7 U.S.C. §§ 1a(9), 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 U.S.C. § 5103; supra §IV.B–§IV.F.
[418] See supra Table 4; Figure 1, Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis; supra §IV.B–§IV.F; 31 U.S.C. § 5103.
[419] See President's Working Group, *Report on Stablecoins*, supra note 409, at 1–4, 10–17; Board of Governors, *Money and Payments*, supra note 409, at 11–18; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; supra §IV.F.
[420] See 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); President's Working Group, *Report on Stablecoins*, supra note 409, at 10–17; supra §II.E; supra §IV.F.
[421] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; 31 C.F.R. pt. 206; I.R.C. §§ 61, 3401, 3101, 3111, 3301, 6045; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; supra §II.E–§II.K; supra §IV.F.
[422] See 31 U.S.C. § 5103; 12 U.S.C. § 411; President's Working Group, *Report on Stablecoins*, supra note 409, at 10–17; Board of Governors, *Money and Payments*, supra note 409, at 11–18; supra §IV.A–§IV.F.
[423] See supra §III.A–§III.E; supra §IV.A–§IV.G; supra Table 2; supra Table 3; supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*; Figure 2, *SEC Boundary Guide: Distinguishing Investment Posture from Payment Posture*; Figure 3, *CFTC Boundary Guide: Distinguishing Market Posture from Payment Posture*.
[424] See *SEC v. W.J. Howey Co.*, 328 U.S. 293, 298–99 (1946); *SEC v. Edwards*, 540 U.S. 389, 393–97 (2004); *United Hous. Found., Inc. v. Forman*, 421 U.S. 837, 848–53 (1975); *Reves v. Ernst & Young*, 494 U.S. 56, 60–67 (1990); *SEC v. Telegram Grp. Inc.*, 448 F. Supp. 3d 352, 365–80 (S.D.N.Y. 2020); *SEC v. Kik Interactive Inc.*, 492 F. Supp. 3d 169, 177–80 (S.D.N.Y. 2020); supra §IV.B–§IV.C; supra Table 5.
[425] See Commodity Exchange Act §§ 1a(9), 2(c)(2), 4, 4c, 4d, 4s, 5h, 6(c)(1), 7 U.S.C. §§ 1a(9), 2(c)(2), 6, 6c, 6d, 6s, 7b-3, 9(1); 17 C.F.R. § 180.1; *Commodity Futures Trading Comm'n v. McDonnell*, 287 F. Supp. 3d 213, 228–29 (E.D.N.Y. 2018); *Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc.*, 334 F. Supp. 3d 492, 496–99 (D. Mass. 2018); supra §IV.D–§IV.E;

supra Table 6.
[426] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 1012, 3401, 3101, 3111, 3301, 6045; supra §II.C–§II.G; supra §III.D; supra §IV.F–§IV.G.
[427] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); supra §II.B–§II.H; supra §III.D–§III.E.
[428] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; U.S. Const. art. I, § 8, cl. 5; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §II.E–§II.K; supra §IV.F–§IV.G.
[429] See supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*; supra §IV.B–§IV.G; Securities Act of 1933 §§ 5, 17(a), 15 U.S.C. §§ 77e, 77q(a); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 U.S.C. § 5103.
[430] See *Howey*, 328 U.S. at 298–99; *Edwards*, 540 U.S. at 393–97; Commodity Exchange Act §§ 1a(9), 6(c)(1), 7 U.S.C. §§ 1a(9), 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. §§ 5101, 5103; supra Table 4; supra Table 5; supra Table 6.
[431] See supra §IV.B–§IV.G; supra Table 4; Figure 1; supra Table 5; Figure 2; supra Table 6; Figure 3; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; FinCEN, FIN-2013-G001; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021).
[432] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 848–53; *Reves*, 494 U.S. at 60–67; Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 U.S.C. § 5103; supra §IV.F–§IV.G.
[433] See supra Table 4; Figure 1; supra Table 5; Figure 2; supra Table 6; Figure 3; supra §IV.B–§IV.G; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50.
[434] See supra §III.A–§III.E; supra §IV.A–§IV.G; supra Table 2; supra Table 3; supra Table 4; supra Table 5; supra Table 6; 31 U.S.C. § 5103.
[435] See supra §IV.A–§IV.H; supra Table 4; Figure 1, Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis; supra Table 5; Figure 2, SEC Boundary Guide: Distinguishing Investment Posture from Payment Posture; supra Table 6; Figure 3, CFTC Boundary Guide: Distinguishing Market Posture from Payment Posture; supra Table 7; Figure 4, Boundary Test for Crypto Transactions: Determining the Proper Legal Lens.
[436] See *SEC v. W.J. Howey Co.*, 328 U.S. 293, 298–99 (1946); *SEC v. Edwards*, 540 U.S. 389, 393–97 (2004); Commodity Exchange Act §§ 1a(9), 6(c)(1), 7 U.S.C. §§ 1a(9), 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; supra §IV.B–§IV.H.
[437] See supra Table 4; Figure 1, *Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis*; supra §IV.B–§IV.H; Securities Act of 1933 §§ 5, 17(a), 15 U.S.C. §§ 77e, 77q(a); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 U.S.C. § 5103.

[438] See *Howey*, 328 U.S. at 298–99; *United Hous. Found., Inc. v. Forman*, 421 U.S. 837, 848–53 (1975); *Reves v. Ernst & Young*, 494 U.S. 56, 60–67 (1990); Commodity Exchange Act §§ 1a(9), 2(c)(2), 6(c)(1), 7 U.S.C. §§ 1a(9), 2(c)(2), 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Financial Crimes Enforcement Network, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[439] See *Howey*, 328 U.S. at 298–99; *Forman*, 421 U.S. at 848–53; *Reves*, 494 U.S. at 60–67; Commodity Exchange Act §§ 1a(9), 2(c)(2), 6(c)(1), 7 U.S.C. §§ 1a(9), 2(c)(2), 9(1); 17 C.F.R. § 180.1; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, FIN-2013-G001; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. §§ 5101, 5103.

[440] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; U.S. Const. art. I, § 8, cl. 5; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); supra §IV.F–§IV.G.

[441] See supra §IV.H; supra Table 7; Figure 4, *Boundary Test for Crypto Transactions: Determining the Proper Legal Lens*; *Howey*, 328 U.S. at 298–99; Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. §§ 5101, 5103.

[442] See supra §IV.B–§IV.H; supra Table 4; Figure 1; supra Table 5; Figure 2; supra Table 6; Figure 3; supra Table 7; Figure 4; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50.

[443] See supra §I.A–§I.F; supra §IV.A–§IV.H; supra Table 4; Figure 1; supra Table 7; Figure 4; see also President's Working Group, *Report on Stablecoins*, supra note 440, at 1–4, 10–17; Board of Governors, *Money and Payments*, supra note 440, at 11–18.

[444] See supra §IV.A–§IV.H; supra Table 4; Figure 1; supra Table 5; Figure 2; supra Table 6; Figure 3; supra Table 7; Figure 4; 31 U.S.C. § 5103.

[445] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401, 3101, 3111, 3301, 6045; 31 U.S.C. § 5103; Internal Revenue Service, *Digital Assets* (last reviewed or updated Apr. 3, 2026); supra §II.C–§II.H; supra §IV.F–§IV.H.

[446] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938, Q&A-6, Q&A-7; I.R.C. §§ 1001, 1011, 1012, 1016; Treas. Reg. § 1.1001-1(a); Treas. Reg. § 1.1012-1(a).

[447] See I.R.S. Notice 2014-21, supra note 445, Q&A-6, Q&A-7; I.R.C. §§ 61, 1001, 1011, 1012; 31 U.S.C. § 5103; supra §II.E–§II.H; supra §IV.F.

[448] See I.R.S. Notice 2014-21, supra note 445, Q&A-3, Q&A-4, Q&A-8, Q&A-10, Q&A-11; Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; I.R.C. §§ 61, 83, 3401, 6041, 6045, 6051; Treas. Reg. §§ 1.61-1(a), 1.61-2(d)(1).

[449] See I.R.S. Notice 2014-21, supra note 445, Q&A-11; Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; Internal Revenue Service, *Internal Revenue Manual* § 4.23.5, Technical Guidelines for Employment Tax Issues; I.R.C. §§ 3401–3406, 3101, 3111, 3301, 6051; 31 C.F.R. pt. 203; 31 U.S.C. § 5103; supra §II.D; supra §II.G–§II.H.

[450] See I.R.S. Notice 2014-21, supra note 445, Q&A-5, Q&A-6; I.R.C. §§ 61, 1001, 1012; Treas. Reg. §§ 1.61-1(a), 1.1001-1(a); supra §II.E; supra §IV.F–§IV.H.
[451] See Fin. Accounting Standards Bd., Accounting Standards Update No. 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets (Dec. 2023); I.R.S. Notice 2014-21, supra note 445; I.R.C. §§ 446, 451, 471; supra §IV.H.
[452] See I.R.S. Notice 2014-21, supra note 445, Q&A-5, Q&A-6, Q&A-7; I.R.C. §§ 61, 83, 1001, 1012, 451; Treas. Reg. §§ 1.451-1(a), 1.1001-1(a).
[453] See I.R.S. Notice 2014-21, supra note 445; Internal Revenue Service, *Digital Assets*; I.R.C. §§ 61, 83, 1001, 1012, 3401, 6045; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; supra §IV.F–§IV.G.
[454] See supra §IV.H; supra Table 7; Figure 4, *Boundary Test for Crypto Transactions: Determining the Proper Legal Lens*; I.R.S. Notice 2014-21, supra note 445; I.R.C. §§ 61, 1001, 1012; Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.
[455] See I.R.S. Notice 2014-21, supra note 445, Q&A-3–Q&A-8, Q&A-10, Q&A-11; Internal Revenue Service, *Digital Assets*; Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; I.R.C. §§ 61, 83, 1001, 1012, 3401, 6041, 6045, 6051; supra §II.H; supra §IV.F–§IV.H.
[456] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; I.R.S. Notice 2014-21, supra note 445; Internal Revenue Service, *Digital Assets*; I.R.C. §§ 61, 83, 1001, 1012, 3401, 6045; supra §II.E–§II.H; supra §IV.F–§IV.H.
[457] See Nicolin Decker, *The Doctrine of Anchored Decentralization: A Law for the Stateless Economy* (Dec. 1, 2025), available at SSRN: https://ssrn.com/abstract=5862504 or http://dx.doi.org/10.2139/ssrn.5862504; Nicolin Decker, *The Federal Trust Layer™ : A Smart-Law Infrastructure for U.S. Financial Governance, Statutory Compliance, and Algorithmic Public Trust* (May 25, 2025), available at SSRN: https://ssrn.com/abstract=5268432 or http://dx.doi.org/10.2139/ssrn.5268432, dataset available at Mendeley Data: https://data.mendeley.com/datasets/skbv76mvjw/1; Nicolin Decker, *The Harvest Labs Doctrine™ : Replacing Speculative Crypto with Constitutional Yield Architecture for National Solvency and Infrastructure Restoration* (June 10, 2025), available at SSRN: https://ssrn.com/abstract=5288465 or http://dx.doi.org/10.2139/ssrn.5288465; Nicolin Decker, *The Constitutional Doctrine of Monetary Closure: Elasticity, Institutional Memory, and National Continuity* (Jan. 9, 2026), available at SSRN: https://ssrn.com/abstract=6050136 or http://dx.doi.org/10.2139/ssrn.6050136.
[458] See supra §V.A; supra Table 8; Figure 5, *Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure*; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; supra §IV.F–§IV.H.
[459] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938, Q&A-1, Q&A-2, Q&A-3, Q&A-4, Q&A-5; Internal Revenue Service, *Digital Assets* (last reviewed or updated Apr. 3, 2026); I.R.C. §§ 61, 83, 1001, 1011, 1012; Treas. Reg. §§ 1.61-1(a), 1.1001-1(a), 1.1012-1(a).
[460] See I.R.S. Notice 2014-21, supra note 459, Q&A-11; Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; I.R.C. §§ 61, 83, 3401–3406, 3101, 3111, 3301, 6051; Treas. Reg. § 1.61-2(d)(1); 31 C.F.R. pt. 203.
[461] See I.R.S. Notice 2014-21, supra note 459, Q&A-3, Q&A-4, Q&A-6, Q&A-7, Q&A-8; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 6041, 6045; Treas. Reg. §§ 1.61-1(a), 1.1001-1(a), 1.1012-1(a).

[462] See I.R.S. Notice 2014-21, supra note 459, Q&A-3, Q&A-4, Q&A-5, Q&A-8; Fin. Accounting Standards Bd., Accounting Standards Update No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets* (Dec. 2023); I.R.C. §§ 61, 446, 451, 471.
[463] See I.R.S. Notice 2014-21, supra note 459, Q&A-6, Q&A-7; I.R.C. §§ 1001, 1011, 1012, 1016; Treas. Reg. §§ 1.1001-1(a), 1.1012-1(a).
[464] See I.R.C. §§ 1001, 1011, 1012, 1016; Treas. Reg. §§ 1.1001-1(a), 1.1012-1(a); I.R.S. Notice 2014-21, supra note 459, Q&A-6, Q&A-7; 31 U.S.C. § 5103; supra §V.A; supra Table 8.
[465] See I.R.S. Notice 2014-21, supra note 459, Q&A-3, Q&A-4, Q&A-8, Q&A-10, Q&A-11; Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; I.R.C. §§ 61, 83, 3401, 6041, 6045, 6051; Treas. Regs. §§ 1.61-1(a), 1.61-2(d)(1).
[466] See I.R.S. Notice 2014-21, supra note 459, Q&A-11; I.R.C. §§ 3401–3406, 3101, 3111, 3301, 6051; Internal Revenue Service, *Internal Revenue Manual* § 4.23.5, Technical Guidelines for Employment Tax Issues; 31 C.F.R. pt. 203; 31 U.S.C. § 5103; supra §II.D; supra §V.A.
[467] See Fin. Accounting Standards Bd., Accounting Standards Update No. 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets (Dec. 2023); I.R.C. §§ 446, 451, 471; I.R.S. Notice 2014-21, supra note 459; supra §V.A; supra Table 8.
[468] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; I.R.S. Notice 2014-21, supra note 459; Internal Revenue Service, *Digital Assets*; supra §IV.F–§IV.H; supra §V.A.
[469] See supra §V.A; supra Table 8; Figure 5, *Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure*; I.R.S. Notice 2014-21, supra note 459; I.R.C. §§ 61, 83, 1001, 1011, 1012, 3401, 6045; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.
[470] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938, Q&A-11; I.R.C. §§ 3401–3406, 3101, 3111, 3301, 6051; 31 U.S.C. § 5103; supra §II.D; supra §V.A–§V.B.
[471] See I.R.S. Notice 2014-21, supra note 470, Q&A-11; Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; I.R.C. §§ 61, 83, 3401, 3101, 3111, 3301, 6051; Treas. Reg. § 1.61-2(d)(1).
[472] See I.R.C. §§ 3401–3406, 3101, 3111, 3301, 6051; Internal Revenue Service, *Depositing and Reporting Employment Taxes* (last updated Dec. 2, 2025); 31 U.S.C. § 5103; supra §II.D; supra §V.B.
[473] See 31 C.F.R. pt. 203; 31 C.F.R. § 203.10; U.S. Dep't of the Treasury, Bureau of the Fiscal Service, *31 CFR Part 203: Payment of Federal Taxes and the Treasury Tax and Loan Program* (Mar. 11, 2026); 31 U.S.C. § 5103; supra §V.B.
[474] See I.R.S. Notice 2014-21, supra note 470, Q&A-5, Q&A-6, Q&A-11; I.R.C. §§ 61, 83, 1001, 1012, 3401–3406, 3101, 3111, 3301, 6051; 31 C.F.R. pt. 203; supra §V.A–§V.B.
[475] See I.R.C. §§ 3401–3406, 3101, 3111, 3301, 6051; Internal Revenue Service, *Publication 15 (Circular E), Employer's Tax Guide* (2026); Internal Revenue Service, *Depositing and Reporting Employment Taxes* (last updated Dec. 2, 2025); 31 C.F.R. pt. 203; supra §V.A–§V.B.
[476] See Internal Revenue Service, *Publication 15 (Circular E), Employer's Tax Guide* (2026); Internal Revenue Service, *Employment Tax Due Dates* (last updated Apr. 21, 2026); I.R.C. §§ 3402, 3102, 3111, 3301, 6302; 31 C.F.R. pt. 203.
[477] See I.R.S. Notice 2014-21, supra note 470, Q&A-11; I.R.C. §§ 3401, 3402, 3101, 3111, 3301, 6051; Internal Revenue Service, *Frequently Asked Questions on Digital Asset*

Transactions, Q61; supra §V.A–§V.B; supra Table 8; Figure 5, *Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure*.

[478] See I.R.S. Notice 2014-21, supra note 470, Q&A-3, Q&A-4, Q&A-8, Q&A-11; I.R.C. §§ 61, 83, 3401–3406, 3101, 3111, 3301, 6041, 6051; 31 C.F.R. pt. 203; supra §II.D; supra §V.A–§V.B.

[479] See I.R.C. §§ 3101, 3111, 3301, 3401–3406, 6302; Internal Revenue Service, *Publication 15 (Circular E), Employer's Tax Guide* (2026); 31 C.F.R. pt. 203; supra §II.H; supra §V.A–§V.B.

[480] See I.R.S. Notice 2014-21, supra note 470, Q&A-11; I.R.C. §§ 61, 83, 3401–3406, 3101, 3111, 3301, 6051; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; supra §V.A–§V.B.

[481] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; 31 C.F.R. pt. 203; I.R.C. §§ 3401–3406, 3101, 3111, 3301, 6302; I.R.S. Notice 2014-21, supra note 470, Q&A-11; supra §IV.F–§IV.H; supra §V.A–§V.B.

[482] See supra §II.B–§II.H; supra §IV.H; supra §V.A–§V.C; supra Table 7; Figure 4, *Boundary Test for Crypto Transactions: Determining the Proper Legal Lens*; supra Table 8; Figure 5, *Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure*.

[483] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 1011, 1012, 3401, 6045; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; supra §V.A–§V.C.

[484] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938, Q&A-3, Q&A-4, Q&A-6, Q&A-7, Q&A-8, Q&A-10, Q&A-11; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401, 3101, 3111, 3301, 6041, 6045, 6051; Treas. Regs. §§ 1.61-1(a), 1.61-2(d)(1), 1.1001-1(a), 1.1012-1(a); supra §V.A–§V.C.

[485] See I.R.S. Notice 2014-21, supra note 484, Q&A-5, Q&A-6, Q&A-7, Q&A-11; I.R.C. §§ 6001, 6041, 6045, 6051; Treas. Reg. § 1.6001-1; Internal Revenue Service, *Digital Assets* (last reviewed or updated Apr. 3, 2026); supra §V.A–§V.B.

[486] See I.R.S. Notice 2014-21, supra note 484, Q&A-11; Internal Revenue Service, *Frequently Asked Questions on Digital Asset Transactions*, Q61; I.R.C. §§ 3401–3406, 3101, 3111, 3301, 6051, 6302; 31 C.F.R. pt. 203; supra §II.D; supra §V.C.

[487] See Fin. Accounting Standards Bd., Accounting Standards Update No. 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets (Dec. 2023); I.R.C. §§ 446, 451, 471; I.R.S. Notice 2014-21, supra note 484; supra §V.A–§V.B.

[488] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103; supra §II.B–§II.H; supra §IV.H.

[489] See FinCEN, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); U.C.C. § 12-102(a)(1) (model provision; state enactments may vary); supra §II.B–§II.H; supra §V.B.

[490] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; FinCEN, FIN-2013-G001, supra note 489; FinCEN, FIN-2019-G001, supra note 489; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); 31 U.S.C. § 5103; supra §IV.F–§IV.H.

[491] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; FinCEN, FIN-2013-G001, supra note 489; FinCEN, FIN-2019-G001, supra note 489; I.R.C. § 6045; Internal Revenue

Service, *Digital Assets*; supra §IV.F–§IV.H; supra §V.A.

[492] See I.R.S. Notice 2014-21, supra note 484; I.R.C. §§ 61, 83, 1001, 3401–3406, 6041, 6045, 6051, 6302, 7201, 7202, 7203; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Securities Act of 1933 § 17(a), 15 U.S.C. § 77q(a); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; supra §IV.B–§IV.H; supra §V.A–§V.C.

[493] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; I.R.S. Notice 2014-21, supra note 484; I.R.C. §§ 61, 83, 1001, 1011, 1012, 3401, 6045; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; supra §II.E–§II.H; supra §V.A–§V.C.

[494] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); I.R.S. Notice 2014-21, supra note 484; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*; supra §II.B–§II.H; supra §V.A–§V.C.

[495] See supra §I.A–§I.F; supra §II.B–§II.H; supra §IV.H; supra §V.A–§V.C; supra Table 7; Figure 4; supra Table 8; Figure 5; 31 U.S.C. § 5103.

[496] See U.S. Dep't of the Treasury, *National Illicit Finance Strategy* (2024); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; supra §IV.F–§IV.H; supra §V.A–§V.D.

[497] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; Office of Foreign Assets Control, Sanctions Compliance Guidance for the Virtual Currency Industry (Oct. 2021); FinCEN, Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies, FIN-2013-G001 (Mar. 18, 2013); FinCEN, Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9, 2019); supra §V.C–§V.D.

[498] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); supra §IV.G; supra §V.A–§V.B.

[499] See supra §IV.F–§IV.H; supra §V.A–§V.D; supra Table 8; Figure 5, Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure; supra Table 9; Figure 6, Legal Residue Categories: Downstream Evidence of Non-Closure.

[500] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; I.R.C. §§ 61, 83, 3401–3406, 3101, 3111, 3301, 6302; 31 C.F.R. pt. 203.

[501] See Circle Internet Financial, LLC, *USDC Terms*; Circle Internet Financial, LLC, *USDC Reserve Reports*; President's Working Group, *Report on Stablecoins*, supra note 498, at 1–4, 10–17; Board of Governors, *Money and Payments*, supra note 498, at 11–18.

[502] See Fin. Accounting Standards Bd., Accounting Standards Update No. 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets (Dec. 2023); I.R.C. §§ 446, 451, 471; supra §V.A–§V.B.

[503] See FASB ASU 2023-08, supra note 502; Securities and Exchange Commission, Staff Accounting Bulletin No. 121, 17 C.F.R. pt. 211 (Apr. 11, 2022); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; supra §V.A–§V.D.

[504] See I.R.C. §§ 61, 83, 3401–3406, 3101, 3111, 3301, 6302; 31 C.F.R. pt. 203; FASB ASU 2023-08, supra note 502; supra §V.A–§V.C.

[505] See FASB ASU 2023-08, supra note 502; SEC Staff Accounting Bulletin No. 121, supra note 503; President's Working Group, *Report on Stablecoins*, supra note 498, at 1–4, 10–17; supra §V.D.
[506] See 12 U.S.C. §§ 248a, 4001–4010; 31 C.F.R. pt. 210; 31 C.F.R. pt. 203; supra §V.C.
[507] See FinCEN, FIN-2013-G001, supra note 497; FinCEN, FIN-2019-G001, supra note 497; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; FASB ASU 2023-08, supra note 502.
[508] See 12 U.S.C. §§ 1811–1835a; 12 U.S.C. § 248; 31 C.F.R. pt. 203; 31 C.F.R. pt. 210; supra §V.C–§V.D.
[509] See OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 497; FinCEN, FIN-2019-G001, supra note 497; SEC Staff Accounting Bulletin No. 121, supra note 503; President's Working Group, *Report on Stablecoins*, supra note 498, at 10–17.
[510] See I.R.C. §§ 61, 83, 3401–3406, 3101, 3111, 3301, 6302; 31 C.F.R. pt. 203; I.R.S. Notice 2014-21; supra §V.A–§V.C.
[511] See I.R.S. Notice 2014-21, supra note 510, Q&A-3–Q&A-8, Q&A-11; Internal Revenue Service, *Digital Assets*; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401, 6045, 6051; supra §V.A–§V.D.
[512] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; 31 C.F.R. pts. 203, 210; 12 U.S.C. § 248a; supra §II.E–§II.H.
[513] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103; supra §II.B–§II.H; supra §IV.G.
[514] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 497; 12 U.S.C. §§ 1811–1835a; supra §V.D.
[515] See FinCEN, FIN-2013-G001, supra note 497; FinCEN, FIN-2019-G001, supra note 497; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 497; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; supra §V.D.
[516] See I.R.C. §§ 446, 451, 471; FASB ASU 2023-08, supra note 502; 31 U.S.C. §§ 5101, 5103; supra §V.A–§V.B.
[517] See FASB ASU 2023-08, supra note 502; SEC Staff Accounting Bulletin No. 121, supra note 503; I.R.S. Notice 2014-21, supra note 510; supra §V.A–§V.D.
[518] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; U.S. Const. art. I, § 8, cl. 5; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §II.E–§II.H.
[519] See 31 U.S.C. § 5103; President's Working Group, *Report on Stablecoins*, supra note 498, at 1–4, 10–17; Board of Governors, *Money and Payments*, supra note 498, at 11–18; supra §IV.G.
[520] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.E–§II.H.
[521] See President's Working Group, *Report on Stablecoins*, supra note 498, at 1–4, 10–17; Board of Governors, *Money and Payments*, supra note 498, at 11–18; Circle, *USDC Terms*, supra note 501; supra §IV.G.
[522] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; I.R.C. §§ 3401–3406, 6302; 31 C.F.R. pt. 203; supra §V.C.
[523] See 31 U.S.C. § 5103; 31 C.F.R. pt. 203; I.R.C. §§ 3401–3406, 6302; I.R.S. Notice 2014-21, supra note 510, Q&A-11; supra §V.C.

[524] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Board of Governors, *Money and Payments*, supra note 498, at 11–18; supra §II.E–§II.H.
[525] See President's Working Group, *Report on Stablecoins*, supra note 498, at 1–4, 10–17; Board of Governors, *Money and Payments*, supra note 498, at 11–18; Circle, *USDC Terms*, supra note 501; supra §IV.G.
[526] See supra Table 10; supra §IV.F–§IV.H; supra §V.A–§V.D; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; President's Working Group, *Report on Stablecoins*, supra note 498.
[527] See supra Table 10; 31 U.S.C. § 5103; Board of Governors, *Money and Payments*, supra note 498; President's Working Group, *Report on Stablecoins*, supra note 498; supra §IV.G.
[528] See U.S. Dep't of the Treasury, *National Illicit Finance Strategy* (2024); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 497; 31 C.F.R. pt. 203; supra §V.C–§V.D.
[529] See President's Working Group, *Report on Stablecoins*, supra note 498, at 10–17; Board of Governors, *Money and Payments*, supra note 498, at 11–18; 12 U.S.C. §§ 1811–1835a; supra §V.C–§V.D.
[530] See Decker, Nicolin, The Doctrine of Anchored Decentralization: A Law for the Stateless Economy (Dec. 1, 2025), available at SSRN: https://ssrn.com/abstract=5862504 or http://dx.doi.org/10.2139/ssrn.5862504; Decker, Nicolin, The Federal Trust Layer™: A Smart-Law Infrastructure for U.S. Financial Governance, Statutory Compliance, and Algorithmic Public Trust (May 25, 2025), available at SSRN: https://ssrn.com/abstract=5268432 or http://dx.doi.org/10.2139/ssrn.5268432; Decker, Nicolin, The Harvest Labs Doctrine™: Replacing Speculative Crypto with Constitutional Yield Architecture for National Solvency and Infrastructure Restoration (June 10, 2025), available at SSRN: https://ssrn.com/abstract=5288465 or http://dx.doi.org/10.2139/ssrn.5288465; Decker, Nicolin, The Constitutional Doctrine of Monetary Closure: Elasticity, Institutional Memory, and National Continuity (Jan. 9, 2026), available at SSRN: https://ssrn.com/abstract=6050136 or http://dx.doi.org/10.2139/ssrn.6050136.
[531] See supra §V.D–§V.E; supra Table 10; President's Working Group, *Report on Stablecoins*, supra note 498, at 10–17; Board of Governors, *Money and Payments*, supra note 498, at 11–18; U.S. Dep't of the Treasury, *National Illicit Finance Strategy* (2024).
[532] See supra Table 10; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. pt. 203; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 497; supra §IV.F–§IV.H; supra §V.A–§V.D.
[533] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; FinCEN, *The Bank Secrecy Act*; OCC, *Bank Secrecy Act (BSA)*; U.S. Dep't of the Treasury, *National Illicit Finance Strategy* (2024); supra §V.D–§V.E.
[534] See FinCEN, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); 31 C.F.R. §§ 1010.100(ff), 1022.210; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[535] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; FinCEN, FIN-2013-G001, supra note 534; 31 U.S.C. § 5103; supra §II.E–§II.H; supra §IV.F–§IV.H.
[536] See FinCEN, FIN-2013-G001, supra note 534; FinCEN, FIN-2019-G001, supra note 534; 31 C.F.R. §§ 1010.100(ff), 1022.210, 1022.320; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336;

OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021).

[537] See FinCEN, FIN-2019-G001, supra note 534; 31 C.F.R. §§ 1010.100(ff), 1022.210, 1022.320, 1010.410; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 536.

[538] See FinCEN, FIN-2013-G001, supra note 534; FinCEN, FIN-2019-G001, supra note 534; 31 C.F.R. §§ 1010.100(ff), 1022.210; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; supra §V.A–§V.E.

[539] See President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 536; supra §IV.G; supra §V.E.

[540] See FinCEN, FIN-2019-G001, supra note 534; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 536; U.S. Dep't of the Treasury, *National Illicit Finance Strategy* (2024); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X.

[541] See I.R.S. Notice 2014-21, supra note 538, Q&A-3, Q&A-4, Q&A-8, Q&A-11; I.R.C. §§ 61, 83, 3401–3406, 3101, 3111, 3301, 6041, 6045, 6051; FinCEN, FIN-2019-G001, supra note 534; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; supra §V.C–§V.E.

[542] See supra §IV.B–§IV.H; supra §V.A–§V.E; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; FinCEN, FIN-2013-G001, supra note 534; FinCEN, FIN-2019-G001, supra note 534; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 536.

[543] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; FinCEN, FIN-2013-G001, supra note 534; FinCEN, FIN-2019-G001, supra note 534; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; supra §II.E–§II.H.

[544] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; FinCEN, FIN-2013-G001, supra note 534; FinCEN, FIN-2019-G001, supra note 534; supra §IV.F–§IV.H; supra §V.E.

[545] See supra §V.D–§V.E; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 536; 31 U.S.C. § 5103.

[546] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. §§ 1010.100(ff), 1022.210, 1022.320; FinCEN, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); supra §V.F.

[547] See FinCEN, FIN-2013-G001, supra note 546; FinCEN, FIN-2019-G001, supra note 546; 31 C.F.R. § 1010.100(ff); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.

[548] See FinCEN, FIN-2013-G001, supra note 546; FinCEN, FIN-2019-G001, supra note 546; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; supra §V.A–§V.F.

[549] See FinCEN, FIN-2013-G001, supra note 546; FinCEN, FIN-2019-G001, supra note 546; 31 C.F.R. §§ 1010.100(ff), 1022.210, 1022.320; I.R.C. §§ 3401–3406, 3101, 3111, 3301, 6051, 6302; supra §V.C–§V.F.

[550] See FinCEN, FIN-2019-G001, supra note 546; 31 C.F.R. §§ 1010.100(ff), 1010.410, 1022.210, 1022.320; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets

Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021).

[551] See FinCEN, FIN-2013-G001, supra note 546; FinCEN, FIN-2019-G001, supra note 546; 31 C.F.R. § 1010.100(ff); I.R.S. Notice 2014-21, supra note 548; supra §V.A–§V.F.

[552] See President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); FinCEN, FIN-2019-G001, supra note 546; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; supra §IV.G; supra §V.E–§V.F.

[553] See FinCEN, FIN-2019-G001, supra note 546; 31 C.F.R. § 1010.100(ff); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; supra §V.F.

[554] See FinCEN, FIN-2019-G001, supra note 546; U.S. Dep't of the Treasury, *National Illicit Finance Strategy* (2024); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; supra §V.F.

[555] See OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 550; U.S. Dep't of the Treasury, *National Illicit Finance Strategy* (2024); FinCEN, FIN-2019-G001, supra note 546; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.

[556] See FinCEN, FIN-2013-G001, supra note 546; FinCEN, FIN-2019-G001, supra note 546; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; supra §II.E–§II.H; supra §V.E–§V.F.

[557] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; FinCEN, FIN-2013-G001, supra note 546; FinCEN, FIN-2019-G001, supra note 546; 31 C.F.R. § 1010.100(ff); supra §IV.F–§IV.H; supra §V.F.

[558] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; FinCEN, FIN-2013-G001, supra note 546; FinCEN, FIN-2019-G001, supra note 546; 31 U.S.C. § 5103; supra §V.D–§V.F.

[559] See International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; Trading with the Enemy Act, 50 U.S.C. §§ 4301–4341; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); supra §V.F–§V.G.

[560] See OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 559; Office of Foreign Assets Control, *Questions on Virtual Currency*; Office of Foreign Assets Control, FAQ 562; Office of Foreign Assets Control, FAQ 646.

[561] See OFAC, Questions on Virtual Currency, supra note 560; OFAC FAQ 562; OFAC, Sanctions Compliance Guidance for the Virtual Currency Industry, supra note 559; 50 U.S.C. §§ 1701–1708.

[562] See OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 559; OFAC FAQ 646; 31 C.F.R. pt. 501; 50 U.S.C. §§ 1701–1708.

[563] See OFAC, Sanctions Compliance Guidance for the Virtual Currency Industry, supra note 559; U.S. Dep't of the Treasury, National Illicit Finance Strategy (2024); FinCEN, Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9, 2019); supra §V.F–§V.G.

[564] See U.S. Dep't of the Treasury, *U.S. Treasury Sanctions Notorious Virtual Currency Mixer Tornado Cash* (Aug. 8, 2022); *Van Loon v. Dep't of the Treasury*, No. 23-50669, slip op. at 2–9, 13–25 (5th Cir. Nov. 26, 2024); OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 559; 50 U.S.C. §§ 1701–1708.

[565] See OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 559; FinCEN, FIN-2019-G001, supra note 563; U.S. Dep't of the Treasury, *National Illicit Finance Strategy* (2024); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[566] See FinCEN, Advisory on Ransomware and the Use of the Financial System to Facilitate Ransom Payments, FIN-2021-A004 (Nov. 8, 2021); U.S. Dep't of the Treasury, Sanctions Ransomware Operators and Virtual Currency Exchange Network (Nov. 8, 2021); OFAC, Sanctions Compliance Guidance for the Virtual Currency Industry, supra note 559.
[567] See 50 U.S.C. §§ 1701–1708; OFAC, Sanctions Compliance Guidance for the Virtual Currency Industry, supra note 559; U.S. Dep't of the Treasury, National Illicit Finance Strategy (2024); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[568] See OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 559; FinCEN, FIN-2019-G001, supra note 563; U.S. Dep't of the Treasury, *National Illicit Finance Strategy* (2024); supra §V.F–§V.G.
[569] See OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 559; OFAC, *Questions on Virtual Currency*, supra note 560; FinCEN, FIN-2019-G001, supra note 563; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[570] See supra §V.D–§V.G; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 559; OFAC FAQ 562; OFAC FAQ 646; 31 U.S.C. § 5103.
[571] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 559; 50 U.S.C. §§ 1701–1708; supra §II.E–§II.H; supra §IV.F–§IV.H.
[572] See supra §V.D–§V.G; 31 U.S.C. § 5103; OFAC, Sanctions Compliance Guidance for the Virtual Currency Industry, supra note 559; OFAC, Questions on Virtual Currency, supra note 560; Van Loon, No. 23-50669, slip op. at 13–25.
[573] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; FinCEN, Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9, 2019); Office of Foreign Assets Control, Sanctions Compliance Guidance for the Virtual Currency Industry (Oct. 2021); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; supra §V.D–§V.H.
[574] See I.R.S. Notice 2014-21, supra note 573, Q&A-3–Q&A-8, Q&A-11; I.R.C. §§ 61, 83, 1001, 1011, 1012, 3401–3406, 6041, 6045, 6051; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 573; supra §V.A–§V.H.
[575] See supra §II.B–§II.H; supra §V.D–§V.H; FinCEN, FIN-2019-G001, supra note 573; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 573; 31 U.S.C. § 5103.
[576] See FinCEN, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); FinCEN, FIN-2019-G001, supra note 573; 31 C.F.R. §§ 1010.100(ff), 1022.210, 1022.320; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[577] See FinCEN, FIN-2019-G001, supra note 573; 31 C.F.R. §§ 1010.100(ff), 1010.410, 1022.210, 1022.320; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 573; supra §V.F–§V.G.
[578] See FinCEN, FIN-2013-G001, supra note 576; FinCEN, FIN-2019-G001, supra note 573; 31

C.F.R. § 1010.100(ff); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; supra §V.E–§V.G.
[579] See I.R.S. Notice 2014-21, supra note 573, Q&A-11; I.R.C. §§ 3401–3406, 3101, 3111, 3301, 6051, 6302; 31 C.F.R. pt. 203; FinCEN, FIN-2019-G001, supra note 573; supra §V.C–§V.G.
[580] See I.R.S. Notice 2014-21, supra note 573, Q&A-3, Q&A-4, Q&A-5, Q&A-6, Q&A-7, Q&A-8; I.R.C. §§ 61, 1001, 1011, 1012, 6041, 6045; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 573; supra §V.A–§V.H.
[581] See I.R.S. Notice 2014-21, supra note 573, Q&A-11; I.R.C. §§ 61, 83, 3401–3406, 3101, 3111, 3301, 6051, 6302; 31 C.F.R. pt. 203; supra §V.C.
[582] See President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); 31 U.S.C. § 5103; supra §IV.G; supra §V.E.
[583] See FinCEN, FIN-2019-G001, supra note 573; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 573; I.R.S. Notice 2014-21, supra note 573; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; supra §V.D–§V.H.
[584] See FinCEN, FIN-2019-G001, supra note 573; U.S. Dep't of the Treasury, *National Illicit Finance Strategy* (2024); OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 573; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[585] See supra §V.D–§V.H; I.R.S. Notice 2014-21, supra note 573; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 573; 31 C.F.R. ch. X.
[586] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; 12 U.S.C. §§ 1811–1835a; FinCEN, FIN-2019-G001, supra note 573; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 573; supra §V.E–§V.H.
[587] See supra §IV.H; supra §V.D–§V.H; I.R.S. Notice 2014-21, supra note 573; FinCEN, FIN-2013-G001, supra note 576; FinCEN, FIN-2019-G001, supra note 573; 31 U.S.C. § 5103.
[588] See supra §I.A–§I.F; supra §II.B–§II.H; supra §V.D–§V.H; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 573.
[589] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); supra §V.A–§V.I.
[590] See supra §II.E–§II.H; supra §IV.F–§IV.H; supra §V.D–§V.I; 31 U.S.C. § 5103; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[591] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938, Q&A-3–Q&A-8, Q&A-11; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401, 6041, 6045, 6051; 31 U.S.C. §§ 5101, 5103; supra §V.A–§V.B.
[592] See I.R.S. Notice 2014-21, supra note 591, Q&A-11; I.R.C. §§ 3401–3406, 3101, 3111, 3301, 6051, 6302; 31 C.F.R. pt. 203; 31 U.S.C. § 5103; supra §V.C.
[593] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; FinCEN, Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies, FIN-2013-G001 (Mar. 18, 2013); FinCEN, Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9, 2019);

supra §V.F–§V.G.
[594] See FinCEN, FIN-2013-G001, supra note 593; FinCEN, FIN-2019-G001, supra note 593; 31 C.F.R. §§ 1010.100(ff), 1022.210, 1022.320; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; supra §V.G.
[595] See International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 589; OFAC, *Questions on Virtual Currency*; OFAC FAQ 562; OFAC FAQ 646; 31 U.S.C. § 5103; supra §V.H.
[596] See I.R.C. §§ 6001, 6041, 6045, 6051; Treas. Reg. § 1.6001-1; I.R.S. Notice 2014-21, supra note 591; Fin. Accounting Standards Bd., Accounting Standards Update No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets* (Dec. 2023); supra §V.D.
[597] See FinCEN, FIN-2013-G001, supra note 593; FinCEN, FIN-2019-G001, supra note 593; I.R.S. Notice 2014-21, supra note 591; 31 C.F.R. pt. 203; 31 U.S.C. §§ 5101, 5103; supra §V.B–§V.C; supra §V.E–§V.G.
[598] See I.R.C. §§ 7201, 7202, 7203; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Securities Act of 1933 § 17(a), 15 U.S.C. § 77q(a); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17 C.F.R. § 180.1; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 589; supra §V.D–§V.H.
[599] See supra §IV.H; supra §V.D–§V.I; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; I.R.S. Notice 2014-21, supra note 591; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[600] See supra Table 9; Figure 6, *Legal Residue Categories: Downstream Evidence of Non-Closure*; supra §V.D–§V.I; I.R.S. Notice 2014-21, supra note 591; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 589; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[601] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; U.S. Const. art. I, § 8, cl. 5; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §II.E–§II.H; supra §IV.F–§IV.H.
[602] See supra §V.A–§V.I; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; I.R.S. Notice 2014-21, supra note 591; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 589; 31 U.S.C. § 5103.
[603] See supra §V.E–§V.J; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); 31 U.S.C. §§ 5101, 5103.
[604] See supra §V.J; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; FinCEN, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019).
[605] See I.R.S. Notice 2014-21, supra note 603, Q&A-3–Q&A-8, Q&A-11; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401–3406, 3101, 3111, 3301, 6041, 6045, 6051, 6302; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. §§ 1010.100(ff), 1022.210, 1022.320; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 603.
[606] See I.R.C. §§ 7201, 7202, 7203; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Securities Act of 1933 § 17(a), 15 U.S.C. § 77q(a); Commodity Exchange Act § 6(c)(1), 7 U.S.C. § 9(1); 17

C.F.R. § 180.1; International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; supra §V.D–§V.J.

[607] See supra §V.B–§V.C; I.R.S. Notice 2014-21, supra note 603, Q&A-11; I.R.C. §§ 3401–3406, 3101, 3111, 3301, 6051, 6302; 31 C.F.R. pt. 203; 31 U.S.C. § 5103.

[608] See supra §V.F–§V.I; FinCEN, FIN-2013-G001, supra note 604; FinCEN, FIN-2019-G001, supra note 604; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 603.

[609] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); supra §IV.G; supra §V.E.

[610] See supra §V.D–§V.J; I.R.S. Notice 2014-21, supra note 603; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 603; 31 U.S.C. § 5103.

[611] See supra §IV.F–§IV.H; supra §V.A–§V.J; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; FinCEN, FIN-2013-G001, supra note 604; FinCEN, FIN-2019-G001, supra note 604; I.R.S. Notice 2014-21, supra note 603.

[612] See supra §II.E–§II.H; supra §IV.H; supra §V.E–§V.J; 31 U.S.C. § 5103; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; I.R.S. Notice 2014-21, supra note 603.

[613] See supra §V.A–§V.J; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; I.R.C. §§ 61, 83, 1001, 3401–3406, 6045, 6051, 6302; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 603; 31 U.S.C. §§ 5101, 5103.

[614] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; I.R.S. Notice 2014-21, supra note 603; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; FinCEN, FIN-2013-G001, supra note 604; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 603; supra §V.J.

[615] See supra §V.A–§V.K; supra Table 8; Figure 5, Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure; supra Table 9; Figure 6, Legal Residue Categories: Downstream Evidence of Non-Closure; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.

[616] See supra §II.B–§II.H; supra §V.A–§V.K; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021).

[617] See supra §V.A–§V.D; supra Table 8; supra Table 9; I.R.S. Notice 2014-21, supra note 616, Q&A-3–Q&A-8, Q&A-11; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401–3406, 3101, 3111, 3301, 6041, 6045, 6051, 6302; Fin. Accounting Standards Bd., Accounting Standards Update No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets* (Dec. 2023).

[618] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103; supra §II.B–§II.H; supra §V.A–§V.D.

[619] See SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); SEC v. Edwards, 540 U.S. 389, 393–97 (2004); Commodity Exchange Act §§ 1a(9), 2(c)(2), 6(c)(1), 7 U.S.C. §§ 1a(9), 2(c)(2), 9(1); 17 C.F.R. § 180.1; supra §IV.B–§IV.H; supra §V.E–§V.K.

[620] See I.R.S. Notice 2014-21, supra note 616, Q&A-3–Q&A-8, Q&A-11; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401, 6041, 6045, 6051; 31 U.S.C. §§ 5101, 5103; supra §V.A–§V.B.
[621] See I.R.S. Notice 2014-21, supra note 616, Q&A-11; I.R.C. §§ 3401–3406, 3101, 3111, 3301, 6051, 6302; 31 C.F.R. pt. 203; supra §V.C.
[622] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; FinCEN, Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies, FIN-2013-G001 (Mar. 18, 2013); FinCEN, Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9, 2019); OFAC, Sanctions Compliance Guidance for the Virtual Currency Industry, supra note 616; supra §V.F–§V.H.
[623] See FinCEN, FIN-2019-G001, supra note 622; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 616; I.R.S. Notice 2014-21, supra note 616; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; supra §V.I.
[624] See supra §V.A–§V.K; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; I.R.S. Notice 2014-21, supra note 616; 31 C.F.R. pt. 203; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[625] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Juilliard v. Greenman, 110 U.S. 421, 448–50 (1884); supra §II.E–§II.H; supra §V.E–§V.K.
[626] See supra §V.J–§V.K; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; FinCEN, FIN-2013-G001, supra note 622; FinCEN, FIN-2019-G001, supra note 622; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 616; 31 U.S.C. § 5103.
[627] See supra §V.A–§V.K; I.R.C. §§ 61, 83, 1001, 3401–3406, 6045, 6051, 6302; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. pt. 203; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 616; 31 U.S.C. § 5103.
[628] See supra §I.A–§I.F; supra §II.B–§II.H; supra §V.A–§V.K; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.
[629] See Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 1–5, 11–18 (Jan. 2022); Federal Reserve Act §§ 10, 11, 13, 16, 19, 12 U.S.C. §§ 241–252, 248, 342, 343, 411, 461; 31 U.S.C. §§ 5101, 5103; supra §V.E–§V.L.
[630] See supra §IV.B–§IV.H; supra §V.A–§V.L; Board of Governors, *Money and Payments*, supra note 629, at 11–18; Dodd-Frank Wall Street Reform and Consumer Protection Act, Title VIII, 12 U.S.C. §§ 5461–5472.
[631] See Board of Governors of the Federal Reserve System, *Policy on Payment System Risk* 7–14, 29–42 (July 2023); 12 U.S.C. § 248a; 12 C.F.R. pt. 210; Dodd-Frank Title VIII, 12 U.S.C. §§ 5461–5472.
[632] See 12 C.F.R. pt. 210; Board of Governors of the Federal Reserve System, Fedwire Funds Service: Assessment of Compliance with the Core Principles for Systemically Important Payment Systems (Sept. 2014); Board of Governors, Policy on Payment System Risk, supra note 631, Principle 8; supra §II.E–§II.H.
[633] See Federal Reserve Act §§ 10B, 13, 16, 19, 12 U.S.C. §§ 347b, 342, 343, 411, 461; 12 C.F.R. pt. 204; Board of Governors, *Money and Payments*, supra note 629, at 11–18; Board of Governors, *Policy on Payment System Risk*, supra note 631.
[634] See President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021);

Board of Governors, *Money and Payments*, supra note 629, at 11–18; supra §IV.G; supra §V.E.

[635] See Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Joint Statement on Crypto-Asset Risks to Banking Organizations* (Jan. 3, 2023); Board of Governors, *Money and Payments*, supra note 629, at 11–18; Federal Reserve Act § 9, 12 U.S.C. § 321 et seq.; 12 U.S.C. §§ 1811–1835a; supra §V.E.

[636] See Board of Governors, *Money and Payments*, supra note 629, at 11–18; 12 U.S.C. § 411; 31 U.S.C. §§ 5101, 5103; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §II.E–§II.H.

[637] See Board of Governors, *Policy on Payment System Risk*, supra note 631; 12 C.F.R. pt. 210; 12 U.S.C. §§ 248a, 5461–5472; Board of Governors, *Money and Payments*, supra note 629; supra §V.E–§V.L.

[638] See supra §V.A–§V.L; Board of Governors, *Money and Payments*, supra note 629; U.S. Dep't of the Treasury, *The Future of Money and Payments* 1–14, 23–36 (Sept. 2022); 31 U.S.C. §§ 5101, 5103.

[639] See Federal Reserve Act §§ 10, 11, 13, 16, 19, 12 U.S.C. §§ 241–252, 248, 342, 343, 411, 461; 12 C.F.R. pt. 210; 31 U.S.C. § 5103; Board of Governors, *Policy on Payment System Risk*, supra note 631; supra §II.E–§II.H.

[640] See Board of Governors, *Money and Payments*, supra note 629, at 11–18; Board of Governors, *Policy on Payment System Risk*, supra note 631; 12 U.S.C. §§ 248a, 411, 461, 5461–5472; supra §V.E–§V.L.

[641] See supra §I.A–§I.F; supra §II.B–§II.H; supra §V.E–§V.L; Board of Governors, *Money and Payments*, supra note 629; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.

[642] See Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 1–5, 11–18 (Jan. 2022); Federal Reserve Act §§ 10, 11, 13, 16, 19, 12 U.S.C. §§ 241–252, 248, 342, 343, 411, 461; 31 U.S.C. §§ 5101, 5103; supra §VI.A.

[643] See Board of Governors, *Money and Payments*, supra note 642, at 11–18; 12 U.S.C. § 411; 31 U.S.C. §§ 5101, 5103; U.C.C. §§ 1-201(b)(24), 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §II.B–§II.H.

[644] See Board of Governors, *Money and Payments*, supra note 642, at 11–18; Federal Reserve Act §§ 13, 16, 19, 12 U.S.C. §§ 342, 343, 411, 461; 12 U.S.C. §§ 1811–1835a; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021).

[645] See 12 C.F.R. pt. 210; Board of Governors of the Federal Reserve System, Policy on Payment System Risk 7–14, 29–42 (July 2023); Board of Governors of the Federal Reserve System, Fedwire Funds Service: Assessment of Compliance with the Core Principles for Systemically Important Payment Systems (Sept. 2014); supra §VI.A.

[646] See Board of Governors, *Money and Payments*, supra note 642, at 11–18; President's Working Group, *Report on Stablecoins*, supra note 644, at 1–4, 10–17; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; supra §IV.G; supra §V.E.

[647] See President's Working Group, Report on Stablecoins, supra note 644, at 1–4, 10–17; Board of Governors, Money and Payments, supra note 642, at 11–18; Board of Governors, Policy on Payment System Risk, supra note 645; Board of Governors, FDIC & OCC, Joint Statement on Crypto-Asset Risks to Banking Organizations (Jan. 3, 2023).

[648] See President's Working Group, *Report on Stablecoins*, supra note 644, at 1–4, 10–17; Board of Governors, *Money and Payments*, supra note 642, at 11–18; 31 U.S.C. § 5103; 12 U.S.C. § 411; supra §IV.G; supra Table 10; Figure 7, *U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions*.
[649] See Board of Governors, *Money and Payments*, supra note 642, at 11–18; Federal Deposit Insurance Act, 12 U.S.C. §§ 1811–1835a; Federal Reserve Act §§ 13, 16, 19, 12 U.S.C. §§ 342, 343, 411, 461; Board of Governors, *Policy on Payment System Risk*, supra note 645.
[650] See Board of Governors, Money and Payments, supra note 642, at 11–18; President's Working Group, Report on Stablecoins, supra note 644, at 10–17; Board of Governors, FDIC & OCC, Joint Statement on Crypto-Asset Risks to Banking Organizations, supra note 647; supra §V.E; supra §VI.A.
[651] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; U.S. Const. art. I, § 8, cl. 5; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §II.E–§II.H.
[652] See Board of Governors, *Policy on Payment System Risk*, supra note 645; Board of Governors, *Money and Payments*, supra note 642; Dodd-Frank Wall Street Reform and Consumer Protection Act, Title VIII, 12 U.S.C. §§ 5461–5472; Federal Reserve Act § 11, 12 U.S.C. § 248; supra §VI.A.
[653] See Board of Governors, *Money and Payments*, supra note 642, at 11–18; Board of Governors, *Policy on Payment System Risk*, supra note 645; President's Working Group, *Report on Stablecoins*, supra note 644; supra §V.E–§V.L; supra §VI.A.
[654] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Board of Governors, *Money and Payments*, supra note 642; Board of Governors, *Policy on Payment System Risk*, supra note 645; supra §II.E–§II.H.
[655] See supra §I.A–§I.F; supra §II.B–§II.H; supra §V.E–§V.L; supra §VI.A–§VI.B; Board of Governors, *Money and Payments*, supra note 642; 31 U.S.C. § 5103.
[656] See supra §VI.A–§VI.B; Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 1–5, 11–18 (Jan. 2022); 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.
[657] See Board of Governors, *Money and Payments*, supra note 656, at 1–5, 11–18; Federal Reserve Act §§ 10, 11, 13, 16, 19, 12 U.S.C. §§ 241–252, 248, 342, 343, 411, 461.
[658] See Board of Governors, *Money and Payments*, supra note 656, at 11–18; Federal Deposit Insurance Act, 12 U.S.C. §§ 1811–1835a; Federal Reserve Act §§ 13, 16, 19, 12 U.S.C. §§ 342, 343, 411, 461; supra §VI.B.
[659] See President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors, *Money and Payments*, supra note 656, at 11–18; 31 U.S.C. § 5103; supra §IV.G; supra §V.E.
[660] See 12 C.F.R. pt. 210; Board of Governors of the Federal Reserve System, Policy on Payment System Risk 7–14, 29–42 (July 2023); Board of Governors of the Federal Reserve System, Fedwire Funds Service: Assessment of Compliance with the Core Principles for Systemically Important Payment Systems (Sept. 2014); supra §VI.A–§VI.B.
[661] See Board of Governors, *Policy on Payment System Risk*, supra note 660; Dodd-Frank Wall

Street Reform and Consumer Protection Act, Title VIII, 12 U.S.C. §§ 5461–5472; 12 U.S.C. §§ 248a, 411, 461; 31 U.S.C. § 5103.

[662] See Board of Governors, *Money and Payments*, supra note 656, at 11–18; President's Working Group, *Report on Stablecoins*, supra note 659, at 1–4, 10–17; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; supra §V.E–§V.K.

[663] See Board of Governors, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Joint Statement on Crypto-Asset Risks to Banking Organizations* (Jan. 3, 2023); Board of Governors, *Money and Payments*, supra note 656, at 11–18; Federal Reserve Act § 9, 12 U.S.C. § 321 et seq.; Federal Deposit Insurance Act, 12 U.S.C. §§ 1811–1835a; supra §VI.A–§VI.B.

[664] See Board of Governors, *Money and Payments*, supra note 656, at 11–18; President's Working Group, *Report on Stablecoins*, supra note 659, at 10–17; Board of Governors, *Policy on Payment System Risk*, supra note 660; supra §V.E; supra §VI.B.

[665] See Board of Governors, *Money and Payments*, supra note 656, at 1–5, 11–18; U.S. Dep't of the Treasury, *The Future of Money and Payments* 1–14, 23–36 (Sept. 2022); Board of Governors, *Policy on Payment System Risk*, supra note 660; supra §V.K–§V.L.

[666] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Board of Governors, *Money and Payments*, supra note 656; President's Working Group, *Report on Stablecoins*, supra note 659; supra §VI.B.

[667] See supra §V.K–§V.L; supra §VI.A–§VI.C; Board of Governors, *Money and Payments*, supra note 656; 31 U.S.C. § 5103; 12 U.S.C. § 411.

[668] See U.S. Const. art. I, § 8, cl. 5; supra §I.A–§I.F; supra §II.B–§II.H; supra §VI.A–§VI.C; Board of Governors, *Money and Payments*, supra note 656; 31 U.S.C. §§ 5101, 5103.

[669] See President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); supra §IV.G; supra §V.E; supra §VI.A–§VI.C.

[670] See Board of Governors, *Money and Payments*, supra note 669, at 11–18; President's Working Group, *Report on Stablecoins*, supra note 669, at 1–4, 10–17; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; supra §VI.B–§VI.C.

[671] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §II.E–§II.H; supra §VI.C.

[672] See President's Working Group, Report on Stablecoins, supra note 669, at 1–4, 10–17; Board of Governors, Money and Payments, supra note 669, at 11–18; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra §V.E.

[673] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 12 U.S.C. § 411; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §IV.G; supra §V.E.

[674] See President's Working Group, *Report on Stablecoins*, supra note 669, at 10–17; Board of Governors, *Money and Payments*, supra note 669, at 11–18; 31 U.S.C. § 5103; supra §VI.B–§VI.C.

[675] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Board of Governors, *Money and Payments*, supra note 669, at 11–18; Board of Governors of the Federal Reserve System, *Policy on Payment System Risk* 7–14, 29–42 (July 2023); supra §VI.B–§VI.C.

[676] See President's Working Group, *Report on Stablecoins*, supra note 669, at 10–17; Board of Governors, *Money and Payments*, supra note 669, at 11–18; Board of Governors, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Joint Statement on Crypto-Asset Risks to Banking Organizations* (Jan. 3, 2023); supra §V.E; supra §VI.A.
[677] See supra §V.A–§V.L; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); 31 C.F.R. pt. 203; supra Table 8; supra Table 9; supra Table 10.
[678] See supra §IV.G; supra §V.E; supra §VI.B–§VI.C; 31 U.S.C. § 5103; President's Working Group, *Report on Stablecoins*, supra note 669; Board of Governors, *Money and Payments*, supra note 669.
[679] See supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra §V.E; supra §VI.C; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.
[680] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §VI.A–§VI.D.
[681] See Chuan Du, Ria Sonawane & Cy Watsky, *In the Shadow of Bank Runs: Lessons from the Silicon Valley Bank Failure and Its Impact on Stablecoins*, FEDS Notes, Board of Governors of the Federal Reserve System (Dec. 17, 2025), https://doi.org/10.17016/2380-7172.3958; Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC (Mar. 12, 2023); Circle Internet Financial, LLC, *$3.3 Billion of USDC Reserve Risk Removed, Dollar De-Peg Closes* (Mar. 13, 2023); CoinDesk Data, *Market Analysis: Silicon Valley Bank, Circle & USDC* (Mar. 13, 2023).
[682] See supra §IV.G; supra §V.E; supra Table 10; Figure 7, *U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions*; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022).
[683] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §II.E–§II.H; supra §VI.C–§VI.D.
[684] See President's Working Group, *Report on Stablecoins*, supra note 682, at 1–4, 10–17; Board of Governors, *Money and Payments*, supra note 682, at 11–18; supra Table 10; supra §V.E; supra §VI.D.
[685] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; 31 C.F.R. pt. 203; I.R.C. §§ 3401–3406, 6302; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §V.C; supra §V.E.
[686] See Board of Governors, *Money and Payments*, supra note 682, at 1–5, 11–18; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; supra §VI.B–§VI.D.
[687] See Chuan Du, Ria Sonawane & Cy Watsky, *In the Shadow of Bank Runs: Lessons from the Silicon Valley Bank Failure and Its Impact on Stablecoins*, FEDS Notes, Board of Governors of the Federal Reserve System (Dec. 17, 2025), https://doi.org/10.17016/2380-7172.3958; Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC (Mar. 12, 2023); Circle Internet Financial, LLC, *$3.3 Billion of USDC Reserve Risk Removed, Dollar De-Peg Closes* (Mar. 13, 2023); supra note 681.

[688] See President's Working Group, *Report on Stablecoins*, supra note 682, at 10–17; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); Board of Governors, *Money and Payments*, supra note 682; supra §V.F–§V.K.

[689] See Board of Governors, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Joint Statement on Crypto-Asset Risks to Banking Organizations* (Jan. 3, 2023); Federal Deposit Insurance Act, 12 U.S.C. §§ 1811–1835a; 31 U.S.C. § 5103; supra §V.E; supra §VI.C–§VI.D.

[690] See Board of Governors, *Money and Payments*, supra note 682, at 11–18; Board of Governors of the Federal Reserve System, *Policy on Payment System Risk* 7–14, 29–42 (July 2023); 12 C.F.R. pt. 210; supra §VI.A–§VI.C.

[691] See supra §V.A–§V.L; supra Table 8; Figure 5, *Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure*; supra Table 9; Figure 6, *Legal Residue Categories: Downstream Evidence of Non-Closure*; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.

[692] See supra §IV.G; supra §V.E; supra §VI.B–§VI.D; 31 U.S.C. §§ 5101, 5103; President's Working Group, *Report on Stablecoins*, supra note 682; Board of Governors, *Money and Payments*, supra note 682.

[693] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.E–§II.H; supra §VI.C.

[694] See supra §I.A–§I.F; supra §II.B–§II.H; supra §VI.A–§VI.E; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.

[695] See President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); supra §VI.B–§VI.E.

[696] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); Board of Governors, *Money and Payments*, supra note 695, at 11–18; supra §II.E–§II.H; supra §VI.B–§VI.E.

[697] See Federal Reserve Act §§ 10, 11, 13, 16, 19, 12 U.S.C. §§ 241–252, 248, 342, 343, 411, 461; 31 U.S.C. §§ 5101, 5103; 31 C.F.R. pt. 203; Board of Governors, *Policy on Payment System Risk* 7–14, 29–42 (July 2023); supra §VI.A–§VI.C.

[698] See President's Working Group, Report on Stablecoins, supra note 695, at 10–17; Board of Governors, FDIC & OCC, Joint Statement on Crypto-Asset Risks to Banking Organizations (Jan. 3, 2023); Board of Governors, Money and Payments, supra note 695, at 11–18; supra §V.E; supra §VI.C–§VI.E.

[699] See supra §VI.E; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; President's Working Group, Report on Stablecoins, supra note 695, at 1–4, 10–17; Board of Governors, Money and Payments, supra note 695, at 11–18.

[700] See Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC (Mar. 12, 2023); Circle Internet Financial, LLC, *$3.3 Billion of USDC Reserve Risk Removed, Dollar De-Peg Closes* (Mar. 13, 2023); Chuan Du, Ria Sonawane & Cy Watsky, *In the Shadow of Bank Runs: Lessons from the Silicon Valley Bank Failure and Its Impact on Stablecoins*, FEDS Notes, Board of Governors of the Federal Reserve System (Dec. 17, 2025), https://doi.org/

10.17016/2380-7172.3958.

[701] See Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC, supra note 700; Circle, *$3.3 Billion of USDC Reserve Risk Removed*, supra note 700; Du, Sonawane & Watsky, supra note 700.

[702] See Investopedia, SVB Collapse Sparks Stablecoin Turmoil as USDC Loses Dollar Peg (Mar. 2023); S&P Global, Stablecoins: A Deep Dive into Valuation and Depegging (2023); Du, Sonawane & Watsky, supra note 700.

[703] See S&P Global, *Stablecoins: A Deep Dive into Valuation and Depegging*, supra note 702; Du, Sonawane & Watsky, supra note 700; President's Working Group, *Report on Stablecoins*, supra note 695, at 10–17.

[704] See Circle, *$3.3 Billion of USDC Reserve Risk Removed*, supra note 700; Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC, supra note 700; Board of Governors, *Money and Payments*, supra note 695, at 11–18; supra §VI.E.

[705] See President's Working Group, Report on Stablecoins, supra note 695, at 10–17; Board of Governors, FDIC & OCC, Joint Statement on Crypto-Asset Risks to Banking Organizations, supra note 698; Board of Governors, Money and Payments, supra note 695, at 11–18; supra §V.E–§V.L.

[706] See Federal Reserve Act §§ 10, 11, 13, 16, 19, 12 U.S.C. §§ 241–252, 248, 342, 343, 411, 461; 31 U.S.C. §§ 5101, 5103; Board of Governors, *Policy on Payment System Risk*, supra note 697; President's Working Group, *Report on Stablecoins*, supra note 695.

[707] See President's Working Group, Report on Stablecoins, supra note 695, at 10–17; Board of Governors, FDIC & OCC, Joint Statement on Crypto-Asset Risks to Banking Organizations, supra note 698; U.S. Dep't of the Treasury, The Future of Money and Payments 1–14, 23–36 (Sept. 2022); supra §V.E–§V.L.

[708] See Board of Governors, *Money and Payments*, supra note 695, at 11–18; Board of Governors, *Policy on Payment System Risk*, supra note 697; 12 C.F.R. pt. 210; 31 U.S.C. § 5103; supra §VI.B–§VI.E.

[709] See President's Working Group, *Report on Stablecoins*, supra note 695, at 10–17; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); 31 U.S.C. § 5103; supra §V.J–§V.K.

[710] See Board of Governors, *Money and Payments*, supra note 695, at 11–18; 12 U.S.C. § 411; 31 U.S.C. §§ 5101, 5103; *Juilliard*, 110 U.S. at 448–50; supra §VI.B–§VI.E.

[711] See supra §VI.B–§VI.E; supra §V.E; supra Table 10; Figure 7; President's Working Group, *Report on Stablecoins*, supra note 695; Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC, supra note 700.

[712] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.E–§II.H; supra §VI.A–§VI.E.

[713] See supra §VI.D–§VI.E.1; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); 31 U.S.C. §§ 5101, 5103.

[714] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §II.E–§II.H; supra §VI.C–§VI.E.

[715] See President's Working Group, Report on Stablecoins, supra note 713, at 1–4, 10–17; Board of Governors, Money and Payments, supra note 713, at 11–18; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra §V.E.

[716] See Board of Governors, *Money and Payments*, supra note 713, at 11–18; Federal Reserve Act §§ 13, 16, 19, 12 U.S.C. §§ 342, 343, 411, 461; 31 U.S.C. §§ 5101, 5103; supra §VI.B–§VI.C.

[717] See supra §V.A–§V.L; supra Table 8; Figure 5, *Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure*; supra Table 9; Figure 6, *Legal Residue Categories: Downstream Evidence of Non-Closure*; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021).

[718] See Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC (Mar. 12, 2023); Circle Internet Financial, LLC, *$3.3 Billion of USDC Reserve Risk Removed, Dollar De-Peg Closes* (Mar. 13, 2023); Chuan Du, Ria Sonawane & Cy Watsky, *In the Shadow of Bank Runs: Lessons from the Silicon Valley Bank Failure and Its Impact on Stablecoins*, FEDS Notes, Board of Governors of the Federal Reserve System (Dec. 17, 2025), https://doi.org/10.17016/2380-7172.3958; supra §VI.E.1.

[719] See supra §VI.E.1; President's Working Group, *Report on Stablecoins*, supra note 713, at 10–17; Board of Governors, *Money and Payments*, supra note 713, at 11–18; 31 U.S.C. § 5103.

[720] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; U.C.C. §§ 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); Restatement (Second) of Contracts §§ 278–281; Board of Governors, *Money and Payments*, supra note 713, at 11–18; supra §II.B–§II.H.

[721] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 31 C.F.R. pt. 203; I.R.C. §§ 3401–3406, 6302; Board of Governors, *Policy on Payment System Risk* 7–14, 29–42 (July 2023); supra §V.C; supra §VI.A–§VI.C.

[722] See Board of Governors, *Money and Payments*, supra note 713, at 11–18; President's Working Group, *Report on Stablecoins*, supra note 713, at 10–17; Board of Governors, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Joint Statement on Crypto-Asset Risks to Banking Organizations* (Jan. 3, 2023); supra §VI.A–§VI.E.1.

[723] See supra §V.E–§V.L; I.R.S. Notice 2014-21, supra note 717; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 717; 31 C.F.R. pt. 203; 31 U.S.C. § 5103.

[724] See supra §VI.C–§VI.E.1; President's Working Group, *Report on Stablecoins*, supra note 713; Board of Governors, *Money and Payments*, supra note 713; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.

[725] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §VI.B–§VI.E.1.

[726] See supra §I.A–§I.F; supra §II.B–§II.H; supra §VI.A–§VI.F; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.

[727] See supra §VI.D–§VI.F; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); supra Table 10; Figure 7, *U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions*.

[728] See President's Working Group, *Report on Stablecoins*, supra note 727, at 10–17; Board of Governors, *Money and Payments*, supra note 727, at 11–18; supra §VI.E.1–§VI.F.
[729] See President's Working Group, *Report on Stablecoins*, supra note 727, at 10–17; Board of Governors, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Joint Statement on Crypto-Asset Risks to Banking Organizations* (Jan. 3, 2023); supra §VI.E.1–§VI.F.
[730] See President's Working Group, *Report on Stablecoins*, supra note 727, at 1–4, 10–17; Board of Governors, *Money and Payments*, supra note 727, at 11–18; supra §VI.D–§VI.F.
[731] See President's Working Group, *Report on Stablecoins*, supra note 727, at 10–17; Securities and Exchange Commission, Staff Accounting Bulletin No. 121, 17 C.F.R. pt. 211 (Apr. 11, 2022); Board of Governors, FDIC & OCC, *Joint Statement on Crypto-Asset Risks to Banking Organizations*, supra note 729.
[732] See Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC (Mar. 12, 2023); Circle Internet Financial, LLC, *$3.3 Billion of USDC Reserve Risk Removed, Dollar De-Peg Closes* (Mar. 13, 2023); Chuan Du, Ria Sonawane & Cy Watsky, *In the Shadow of Bank Runs: Lessons from the Silicon Valley Bank Failure and Its Impact on Stablecoins*, FEDS Notes, Board of Governors of the Federal Reserve System (Dec. 17, 2025), https://doi.org/10.17016/2380-7172.3958; supra §VI.E.1.
[733] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; supra §V.F–§V.K; supra §VI.E–§VI.F.
[734] See OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 733; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; President's Working Group, *Report on Stablecoins*, supra note 727, at 10–17; supra §V.H; supra §VI.E–§VI.F.
[735] See U.S. Dep't of the Treasury, The Future of Money and Payments 1–14, 23–36 (Sept. 2022); Financial Stability Board, High-level Recommendations for the Regulation, Supervision and Oversight of Global Stablecoin Arrangements (July 17, 2023); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; OFAC, Sanctions Compliance Guidance for the Virtual Currency Industry, supra note 733.
[736] See Board of Governors, Policy on Payment System Risk 7–14, 29–42 (July 2023); Board of Governors, FDIC & OCC, Joint Statement on Crypto-Asset Risks to Banking Organizations, supra note 729; President's Working Group, Report on Stablecoins, supra note 727, at 10–17; supra §VI.A–§VI.F.
[737] See President's Working Group, *Report on Stablecoins*, supra note 727, at 1–4, 10–17; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §II.B–§II.H; supra §VI.F.
[738] See supra §VI.D–§VI.F; supra Table 10; Figure 7; President's Working Group, *Report on Stablecoins*, supra note 727; Board of Governors, *Money and Payments*, supra note 727.
[739] See President's Working Group, Report on Stablecoins, supra note 727, at 10–17; Board of Governors, FDIC & OCC, Joint Statement on Crypto-Asset Risks to Banking Organizations, supra note 729; U.S. Dep't of the Treasury, The Future of Money and Payments, supra note 735; supra §VI.E.1–§VI.F.
[740] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Board of Governors, *Money and Payments*, supra note 727; President's Working Group, *Report on Stablecoins*, supra note 727; supra §VI.B–

§VI.F.
[741] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §VI.C–§VI.F.
[742] See supra §I.A–§I.F; supra §II.B–§II.H; supra §VI.A–§VI.G; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.
[743] See supra §VI.D–§VI.G; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); supra Table 11; Figure 8, *Stablecoin Issuer Dependencies and Correlating Effects on Stability*.
[744] See Board of Governors, *Money and Payments*, supra note 743, at 11–18; Federal Reserve Act §§ 13, 16, 19, 12 U.S.C. §§ 342, 343, 411, 461; 31 U.S.C. §§ 5101, 5103; supra §VI.B–§VI.C.
[745] See President's Working Group, *Report on Stablecoins*, supra note 743, at 10–17; supra §VI.G; supra Table 11; Figure 8.
[746] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary).
[747] See supra §VI.E–§VI.G; 31 U.S.C. § 5103; Board of Governors, *Money and Payments*, supra note 743; President's Working Group, *Report on Stablecoins*, supra note 743.
[748] See President's Working Group, *Report on Stablecoins*, supra note 743, at 10–17; Board of Governors, *Money and Payments*, supra note 743, at 11–18; supra §VI.E.1; supra §VI.G.
[749] See Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC (Mar. 12, 2023); Circle Internet Financial, LLC, *$3.3 Billion of USDC Reserve Risk Removed, Dollar De-Peg Closes* (Mar. 13, 2023); Chuan Du, Ria Sonawane & Cy Watsky, *In the Shadow of Bank Runs: Lessons from the Silicon Valley Bank Failure and Its Impact on Stablecoins*, FEDS Notes, Board of Governors of the Federal Reserve System (Dec. 17, 2025), https://doi.org/10.17016/2380-7172.3958; supra §VI.E.1.
[750] See supra §V.A–§V.L; supra §VI.B–§VI.G; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; 31 C.F.R. pt. 203; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.
[751] See I.R.S. Notice 2014-21, supra note 750, Q&A-3–Q&A-8, Q&A-11; I.R.C. §§ 61, 83, 1001, 1011, 1012, 3401–3406, 3101, 3111, 3301, 6045, 6051, 6302; 31 C.F.R. pt. 203; supra §V.A–§V.C; supra §V.L.
[752] See supra §VI.F–§VI.G; President's Working Group, *Report on Stablecoins*, supra note 743, at 10–17; Board of Governors, *Money and Payments*, supra note 743; 31 U.S.C. § 5103.
[753] See supra §VI.C–§VI.G; Board of Governors, FDIC & OCC, *Joint Statement on Crypto-Asset Risks to Banking Organizations* (Jan. 3, 2023); President's Working Group, *Report on Stablecoins*, supra note 743; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.
[754] See President's Working Group, Report on Stablecoins, supra note 743, at 10–17; Board of Governors, Money and Payments, supra note 743, at 11–18; Board of Governors, FDIC & OCC, Joint Statement on Crypto-Asset Risks to Banking Organizations, supra note 753; supra §VI.E.1–§VI.G.
[755] See Board of Governors, *Money and Payments*, supra note 743, at 11–18; Board of Governors of the Federal Reserve System, *Policy on Payment System Risk* 7–14, 29–42 (July

2023); 12 C.F.R. pt. 210; supra §VI.A–§VI.C.
[756] See supra §VI.B–§VI.G; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; President's Working Group, *Report on Stablecoins*, supra note 743; Board of Governors, *Money and Payments*, supra note 743.
[757] See supra §I.A–§I.F; supra §II.B–§II.H; supra §VI.A–§VI.H; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.
[758] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §VI.A–§VI.H.
[759] See President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); supra §IV.G; supra §VI.D–§VI.H.
[760] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.E–§II.H; supra §VI.C.
[761] See supra §VI.E–§VI.F; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; President's Working Group, Report on Stablecoins, supra note 759; Board of Governors, Money and Payments, supra note 759.
[762] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §VI.E–§VI.H.
[763] See Board of Governors, *Money and Payments*, supra note 759, at 11–18; Board of Governors of the Federal Reserve System, *Policy on Payment System Risk* 7–14, 29–42 (July 2023); 12 C.F.R. pt. 210; supra §VI.A–§VI.C.
[764] See supra §V.A–§V.L; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); 31 C.F.R. pt. 203; supra §VI.E.
[765] See supra §VI.G–§VI.H; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; President's Working Group, Report on Stablecoins, supra note 759; Board of Governors, Money and Payments, supra note 759.
[766] See supra §VI.E.1–§VI.F; Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC (Mar. 12, 2023); Circle Internet Financial, LLC, *$3.3 Billion of USDC Reserve Risk Removed, Dollar De-Peg Closes* (Mar. 13, 2023); 31 U.S.C. § 5103.
[767] See supra §V.J–§V.L; supra §VI.A–§VI.H; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; President's Working Group, *Report on Stablecoins*, supra note 759; U.S. Const. art. I, § 8, cl. 5.
[768] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.E–§II.H; supra §VI.A–§VI.H.
[769] See supra §I.A–§I.F; supra §II.B–§II.H; supra §V.A–§V.L; supra §VI.A–§VI.I; 31 U.S.C. § 5103.
[770] See President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); supra §VI.D–§VI.I.
[771] See President's Working Group, *Report on Stablecoins*, supra note 770, at 10–17; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance*

Guidance for the Virtual Currency Industry (Oct. 2021); supra §V.F–§V.K; supra §VI.F–§VI.I.
[772] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103; supra §II.B–§II.H; supra §VI.I.
[773] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §II.E–§II.H.
[774] See supra §VI.C–§VI.I; President's Working Group, *Report on Stablecoins*, supra note 770; Board of Governors, *Money and Payments*, supra note 770; 31 U.S.C. § 5103.
[775] See supra §VI.F; President's Working Group, *Report on Stablecoins*, supra note 770, at 10–17; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.
[776] See supra §VI.G–§VI.H; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; President's Working Group, Report on Stablecoins, supra note 770; Board of Governors, Money and Payments, supra note 770.
[777] See supra §V.E–§V.L; supra §VI.A–§VI.I; Board of Governors, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Joint Statement on Crypto-Asset Risks to Banking Organizations* (Jan. 3, 2023); 31 U.S.C. § 5103.
[778] See Board of Governors, *Money and Payments*, supra note 770, at 11–18; Board of Governors of the Federal Reserve System, *Policy on Payment System Risk* 7–14, 29–42 (July 2023); 12 C.F.R. pt. 210; supra §VI.A–§VI.C.
[779] See supra §V.A–§V.L; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 771; 31 C.F.R. pt. 203.
[780] See supra §IV.H; supra §V.L; supra §VI.B–§VI.I; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.
[781] See supra §VI.D–§VI.I; President's Working Group, *Report on Stablecoins*, supra note 770; Board of Governors, *Money and Payments*, supra note 770; U.S. Const. art. I, § 8, cl. 5.
[782] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §VI.I.
[783] See supra §I.A–§I.F; supra §II.B–§II.H; supra §V.J–§V.L; supra §VI.A–§VI.I; 31 U.S.C. § 5103.
[784] See supra §VI.A–§VI.J; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); 31 U.S.C. § 5103.
[785] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §II.B–§II.H.
[786] See President's Working Group, *Report on Stablecoins*, supra note 784, at 1–4, 10–17; Board of Governors, *Money and Payments*, supra note 784, at 11–18; supra §IV.G; supra §VI.D–§VI.J.
[787] See supra §VI.E–§VI.F; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.
[788] See supra §VI.A–§VI.C; Board of Governors, *Money and Payments*, supra note 784, at 11–18; Board of Governors of the Federal Reserve System, *Policy on Payment System Risk* 7–14, 29–42 (July 2023); U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.

[789] See supra §V.A–§V.L; supra §VI.E; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); 31 C.F.R. pt. 203.
[790] See supra §VI.G; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; President's Working Group, Report on Stablecoins, supra note 784; Board of Governors, Money and Payments, supra note 784.
[791] See supra §VI.H; 31 U.S.C. § 5103; Board of Governors, *Money and Payments*, supra note 784; President's Working Group, *Report on Stablecoins*, supra note 784; supra §VI.F–§VI.G.
[792] See Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC (Mar. 12, 2023); Circle Internet Financial, LLC, *$3.3 Billion of USDC Reserve Risk Removed, Dollar De-Peg Closes* (Mar. 13, 2023); Chuan Du, Ria Sonawane & Cy Watsky, *In the Shadow of Bank Runs: Lessons from the Silicon Valley Bank Failure and Its Impact on Stablecoins*, FEDS Notes, Board of Governors of the Federal Reserve System (Dec. 17, 2025), https://doi.org/10.17016/2380-7172.3958; supra §VI.E.1.
[793] See supra §VI.E.1; supra §VI.F–§VI.H; U.S. Const. art. I, § 8, cl. 5; Federal Reserve Act §§ 13, 16, 19, 12 U.S.C. §§ 342, 343, 411, 461; 31 U.S.C. §§ 5101, 5103.
[794] See supra §VI.I–§VI.J; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; President's Working Group, *Report on Stablecoins*, supra note 784; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.
[795] See supra §VI.A–§VI.J; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Board of Governors, *Money and Payments*, supra note 784; President's Working Group, *Report on Stablecoins*, supra note 784.
[796] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.E–§II.H; supra §VI.I–§VI.J.
[797] See supra §I.A–§I.F; supra §II.B–§II.H; supra §V.L; supra §VI.A–§VI.K; 31 U.S.C. § 5103.
[798] See supra §I.A–§I.F; supra §II.B–§II.H; supra §V.L; supra §VI.K; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; U.S. Const. art. I, § 8, cl. 5.
[799] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §II.B–§II.H; supra §IV.H.
[800] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §II.E–§II.H; supra §VI.I–§VI.K.
[801] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401–3406, 3101, 3111, 3301, 6041, 6045, 6051, 6302; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); supra §V.A–§V.J.
[802] See supra §IV.F–§IV.H; supra §V.J–§V.L; supra §VI.J–§VI.K; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311; 31 U.S.C. § 5103.
[803] See supra §VI.D–§VI.K; supra Table 10; Figure 7, *U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions*; supra Table 11; Figure 8, *Stablecoin Issuer Dependencies and Correlating Effects on Stability*; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022).

[804] See supra §V.K–§V.L; supra §VI.I–§VI.K; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; I.R.S. Notice 2014-21, supra note 801.
[805] See supra §V.D; supra Table 9; Figure 6, *Legal Residue Categories: Downstream Evidence of Non-Closure*; supra §V.A–§V.C; supra §VI.G–§VI.H; I.R.S. Notice 2014-21, supra note 801; 31 U.S.C. § 5103.
[806] See supra §II.B–§II.H; supra §IV.H; supra §V.L; supra §VI.K; 31 U.S.C. §§ 5101, 5103; Restatement (Second) of Contracts §§ 278–281.
[807] See supra §V.A–§V.L; supra §VI.A–§VI.K; 31 U.S.C. § 5103; 12 U.S.C. § 411; I.R.S. Notice 2014-21, supra note 801; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[808] See supra §VII.A; supra §V.D–§V.L; supra §VI.K; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; U.S. Const. art. I, § 8, cl. 5.
[809] See supra §IV.H; supra §V.L; supra §VI.K; supra §VII.A; Restatement (Second) of Contracts §§ 278–281; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; 31 U.S.C. § 5103.
[810] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §II.B–§II.H; supra §VII.A.
[811] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; supra §V.A–§V.D; supra §VII.A.
[812] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401–3406, 6041, 6045, 6051, 6302; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); supra §V.A–§V.J.
[813] See I.R.S. Notice 2014-21, supra note 812, Q&A-3–Q&A-8, Q&A-11; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401–3406, 3101, 3111, 3301, 6041, 6045, 6051, 6302; 31 C.F.R. pt. 203; supra §V.A–§V.C.
[814] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; FinCEN, Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies, FIN-2013-G001 (Mar. 18, 2013); FinCEN, Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9, 2019); OFAC, Sanctions Compliance Guidance for the Virtual Currency Industry, supra note 812; supra §V.F–§V.J.
[815] See supra §V.D; supra Table 9; Figure 6, *Legal Residue Categories: Downstream Evidence of Non-Closure*; I.R.S. Notice 2014-21, supra note 812; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; supra §VII.A.
[816] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §II.E–§II.H; supra §VI.I–§VI.K.
[817] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; Federal Reserve Act § 16, 12 U.S.C. § 411; supra §II.E–§II.H.
[818] See supra §IV.G–§IV.H; supra §V.J–§V.L; supra §VI.D–§VI.K; 31 U.S.C. § 5103; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022).
[819] See supra §VII.A; supra §VII.B; supra §IV.H; supra §V.L; supra §VI.K.

[820] See supra §V.D–§V.L; supra §VI.K; supra §VII.A; I.R.S. Notice 2014-21, supra note 812; 31 U.S.C. §§ 5101, 5103.
[821] See I.R.S. Notice 2014-21, supra note 812, Q&A-3–Q&A-8; I.R.C. §§ 61, 1001, 1011, 1012, 1016; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511; 31 U.S.C. § 5103.
[822] See supra §VI.D–§VI.K; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; 31 U.S.C. § 5103.
[823] See supra §IV.H; supra §V.L; supra §VI.K; supra §VII.A; Restatement (Second) of Contracts §§ 278–281; I.R.S. Notice 2014-21, supra note 812; 31 U.S.C. § 5103.
[824] See supra §II.E–§II.H; supra §V.L; supra §VI.I–§VI.K; supra §VII.A–§VII.B; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.
[825] See supra §VII.A–§VII.B; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281; I.R.S. Notice 2014-21, supra note 812.
[826] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §II.B–§II.H; supra §VII.A–§VII.B.
[827] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311; supra §VII.A–§VII.B.
[828] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 6041, 6045; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); supra §V.A–§V.D.
[829] See supra §VII.A–§VII.B; supra §IV.H; supra §V.D–§V.L; I.R.S. Notice 2014-21, supra note 828; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[830] See I.R.S. Notice 2014-21, supra note 828, Q&A-3–Q&A-8, Q&A-11; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401–3406, 3101, 3111, 3301, 6041, 6045, 6051, 6302; 31 C.F.R. pt. 203; supra §V.A–§V.C.
[831] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §II.B–§II.H; supra §VII.B.
[832] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; FinCEN, Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies, FIN-2013-G001 (Mar. 18, 2013); FinCEN, Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9, 2019); OFAC, Sanctions Compliance Guidance for the Virtual Currency Industry, supra note 828; supra §V.F–§V.I.
[833] See supra §V.D; supra Table 9; Figure 6, *Legal Residue Categories: Downstream Evidence of Non-Closure*; supra §VII.A–§VII.B; I.R.S. Notice 2014-21, supra note 828.
[834] See supra §II.E–§II.H; supra §IV.F–§IV.H; supra §V.J–§V.L; supra §VI.K; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.
[835] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); Federal Reserve Act § 16, 12 U.S.C. § 411; supra §VI.I–§VI.K.
[836] See supra §VI.I–§VI.K; supra §VII.A–§VII.B; 31 U.S.C. § 5103; U.S. Const. art. I, § 8, cl. 5.

[837] See supra §VI.D–§VI.K; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; 31 U.S.C. § 5103.
[838] See I.R.S. Notice 2014-21, supra note 828; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213, 228–29 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492, 496–99 (D. Mass. 2018); 31 U.S.C. § 5103; supra §IV.D–§IV.H.
[839] See supra §VII.A–§VII.B; supra §V.L; supra §VI.K; Restatement (Second) of Contracts §§ 278–281; I.R.S. Notice 2014-21, supra note 828; 31 U.S.C. § 5103.
[840] See supra §VII.A–§VII.C; supra §IV.H; supra §V.L; supra §VI.K; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.
[841] See supra §I.A–§I.F; supra §II.B–§II.H; supra §V.A–§V.L; supra §VI.A–§VI.K; supra §VII.A–§VII.C; 31 U.S.C. § 5103.
[842] See supra §VII.A–§VII.C; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103.
[843] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311; supra §VII.B–§VII.C.
[844] See Restatement (Second) of Contracts §§ 33, 71, 278–281; U.C.C. §§ 2-204, 2-304(1), 2-511; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; supra §IV.H; supra §VII.C.
[845] See I.R.S. Notice 2014-21, supra note 844, Q&A-5, Q&A-6, Q&A-7; I.R.C. §§ 61, 1001, 1011, 1012; Treas. Reg. §§ 1.61-1(a), 1.1001-1(a); supra §V.B; supra §VI.H.
[846] See I.R.S. Notice 2014-21, supra note 844, Q&A-5–Q&A-7; I.R.C. §§ 61, 1001, 1011, 1012; Restatement (Second) of Contracts §§ 33, 71, 278–281; U.C.C. §§ 2-304(1), 2-511.
[847] See U.C.C. § 12-102(a)(1) (model provision; state enactments may vary); Restatement (Second) of Contracts §§ 33, 202, 203, 278–281; supra §V.I; supra §VI.G.
[848] See Restatement (Second) of Contracts §§ 202, 203, 224–227, 278–281; U.C.C. §§ 2-511, 3-310, 3-311; supra §VII.B–§VII.C.
[849] See Restatement (Second) of Contracts §§ 202, 203, 205, 278–281; U.C.C. §§ 2-304(1), 2-511; supra §VII.B–§VII.C.
[850] See Restatement (Second) of Contracts §§ 151–158, 202, 203, 224–227, 278–281; U.C.C. §§ 2-601, 2-602, 2-607, 2-711; supra §V.I; supra §VII.C.
[851] See U.C.C. §§ 2-711, 2-712, 2-713, 2-714, 2-715, 2-716; Restatement (Second) of Contracts §§ 344–352, 373–377; I.R.S. Notice 2014-21, supra note 844; supra §V.A–§V.B.
[852] See I.R.S. Notice 2014-21, supra note 844, Q&A-3–Q&A-8, Q&A-11; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401–3406, 6041, 6045, 6051, 6302; supra §V.A–§V.C.
[853] See Restatement (Second) of Contracts §§ 224–227, 278–281; U.C.C. §§ 2-511, 3-310, 3-311; 31 U.S.C. § 5103; supra §VII.B–§VII.C.
[854] See supra §V.D–§V.L; supra §VII.A–§VII.C; I.R.S. Notice 2014-21, supra note 844; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); 31 U.S.C. § 5103.
[855] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); Restatement (Second) of Contracts §§ 278–281; supra §VI.I–§VI.K.

[856] See supra §VII.A–§VII.D; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311; I.R.S. Notice 2014-21, supra note 844; 31 U.S.C. § 5103.
[857] See supra §I.A–§I.F; supra §II.B–§II.H; supra §VI.I–§VI.K; supra §VII.A–§VII.D; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.
[858] See supra §VII.A–§VII.D; U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); 31 U.S.C. § 5103; U.S. Const. art. I, § 8, cl. 5.
[859] See Restatement (Second) of Contracts §§ 33, 71, 202, 203, 278–281; U.C.C. §§ 2-204, 2-304(1), 2-511; supra §VII.C–§VII.D.
[860] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311; supra §II.B–§II.H; supra §VII.B–§VII.D.
[861] See U.C.C. §§ 12-102(a)(1), 12-104, 12-105, 12-106, 12-107 (model provisions; state enactments may vary); U.C.C. § 9-105A (model provision; state enactments may vary); supra §VII.B–§VII.D.
[862] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. §§ 1010.100(ff), 1022.210, 1022.320; FinCEN, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013); FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); supra §V.F–§V.G.
[863] See U.C.C. §§ 1-201(b)(20), 1-303, 1-304, 2-103, 2-304(1), 2-511; Restatement (Second) of Contracts §§ 202, 203, 205, 224–227; supra §VII.D.
[864] See Federal Trade Commission Act § 5, 15 U.S.C. § 45; Electronic Fund Transfer Act, 15 U.S.C. §§ 1693–1693r; Regulation E, 12 C.F.R. pt. 1005; U.C.C. §§ 1-304, 2-302; supra §VII.D.
[865] See U.C.C. §§ 2-601, 2-602, 2-607, 2-711, 2-712, 2-713, 2-714, 2-715, 2-716; Restatement (Second) of Contracts §§ 344–352, 373–377; supra §VII.D.
[866] See Restatement (Second) of Conflict of Laws §§ 187, 188; U.C.C. §§ 1-301, 12-107 (model provisions; state enactments may vary); supra §VII.D.
[867] See Restatement (Second) of Contracts §§ 33, 71, 202, 203, 224–227, 278–281; U.C.C. §§ 1-303, 2-204, 2-304(1), 2-511; supra §VII.C–§VII.D.
[868] See Restatement (Second) of Contracts §§ 344–352, 356–360, 373–377; U.C.C. §§ 2-304(1), 2-711, 2-713, 2-714, 2-716; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; supra §V.A–§V.B; supra §VII.D.
[869] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); U.C.C. §§ 2-304(1), 12-102(a)(1) (model provisions; state enactments may vary).
[870] See supra §VI.I–§VI.K; supra §VII.A–§VII.E; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; U.C.C. art. 12 (model provisions; state enactments may vary).
[871] See supra §VII.A–§VII.E; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1); 31 U.S.C. § 5103; U.S. Const. art. I, § 8, cl. 5.
[872] See supra §VII.B–§VII.E; supra §VI.K; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Restatement (Second) of Contracts §§ 278–281.
[873] See Restatement (Second) of Contracts §§ 33, 71, 202, 203, 278–281; U.C.C. §§ 2-204, 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §VII.B–§VII.E.

[874] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); Restatement (Second) of Contracts §§ 278–281; supra §II.E–§II.H.
[875] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311; 31 U.S.C. § 5103; supra §VII.C–§VII.E.
[876] See supra §VII.A–§VII.C; supra §V.D; supra Table 9; Figure 6, *Legal Residue Categories: Downstream Evidence of Non-Closure*; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; 31 U.S.C. § 5103.
[877] See I.R.S. Notice 2014-21, supra note 876, Q&A-3–Q&A-8; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 6041, 6045; Restatement (Second) of Contracts §§ 278–281; supra §V.A–§V.B.
[878] See I.R.S. Notice 2014-21, supra note 876, Q&A-11; I.R.C. §§ 61, 83, 3401–3406, 3101, 3111, 3301, 6051, 6302; 31 C.F.R. pt. 203; supra §V.C.
[879] See U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1), 12-104, 12-105, 12-106, 12-107 (model provisions; state enactments may vary); U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; supra §VII.E.
[880] See Restatement (Second) of Contracts §§ 33, 202, 203, 224–227, 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311; supra §VII.D.
[881] See supra §VI.D–§VI.K; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; 31 U.S.C. § 5103.
[882] See Restatement (Second) of Contracts §§ 278–281; U.C.C. § 3-311; I.R.S. Notice 2014-21, supra note 876; supra §VII.B–§VII.E.
[883] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; Restatement (Second) of Contracts §§ 278–281; supra §VII.A–§VII.E.
[884] See supra §VII.B–§VII.E; supra §VI.I–§VI.K; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281.
[885] See supra §V.L; supra §VI.K; supra §VII.A–§VII.E; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103.
[886] See supra §VII.A–§VII.F; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 3-310, 3-311.
[887] See supra §VII.A–§VII.F; supra §IV.H; supra §V.J–§V.L; supra §VI.K; 31 U.S.C. §§ 5101, 5103; U.S. Const. art. I, § 8, cl. 5.
[888] See SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); SEC v. Edwards, 540 U.S. 389, 393–97 (2004); United Hous. Found., Inc. v. Forman, 421 U.S. 837, 848–53 (1975); Reves v. Ernst & Young, 494 U.S. 56, 60–67 (1990); Securities Act of 1933 §§ 5, 17(a), 15 U.S.C. §§ 77e, 77q(a); supra §IV.B–§IV.C.
[889] See Commodity Exchange Act §§ 1a(9), 2(c)(2), 4, 4c, 4d, 4s, 5h, 6(c)(1), 7 U.S.C. §§ 1a(9), 2(c)(2), 6, 6c, 6d, 6s, 7b-3, 9(1); 17 C.F.R. § 180.1; Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213, 228–29 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492, 496–99 (D. Mass. 2018); supra §IV.D–§IV.E.
[890] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401–3406, 3101, 3111, 3301, 6041, 6045, 6051, 6302; Treas. Reg. §§ 1.61-1(a), 1.1001-1(a); supra §V.A–§V.C.

[891] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); U.S. Dep't of the Treasury, *The Future of Money and Payments* 1–14, 23–36 (Sept. 2022); supra §V.E–§V.L.

[892] See FinCEN, Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies, FIN-2013-G001 (Mar. 18, 2013); FinCEN, Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9, 2019); 31 C.F.R. §§ 1010.100(ff), 1022.210, 1022.320; supra §V.F–§V.G.

[893] See Board of Governors of the Federal Reserve System, Money and Payments: The U.S. Dollar in the Age of Digital Transformation 11–18 (Jan. 2022); Board of Governors of the Federal Reserve System, Policy on Payment System Risk 7–14, 29–42 (July 2023); 12 C.F.R. pt. 210; supra §VI.A–§VI.K.

[894] See Restatement (Second) of Contracts §§ 33, 71, 202, 203, 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §VII.D–§VII.F.

[895] See U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1), 12-104, 12-105, 12-106, 12-107 (model provisions; state enactments may vary); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; supra §VII.E.

[896] See supra §IV.B–§IV.H; supra §V.A–§V.L; supra §VI.A–§VI.K; supra §VII.A–§VII.F; 31 U.S.C. § 5103.

[897] See supra §V.J–§V.K; supra §VII.B–§VII.F; I.R.S. Notice 2014-21, supra note 890; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 U.S.C. § 5103.

[898] See supra Table 9; Figure 6, Legal Residue Categories: Downstream Evidence of Non-Closure; supra §V.D; supra §VII.B–§VII.F; 31 U.S.C. §§ 5101, 5103.

[899] See supra §VI.D–§VI.K; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.

[900] See supra §V.J–§V.K; supra §VI.I–§VI.K; supra §VII.A–§VII.F; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103.

[901] See supra §IV.H; supra §V.L; supra §VI.K; supra §VII.B–§VII.G; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281; I.R.S. Notice 2014-21, supra note 890.

[902] See supra §VII.A–§VII.G; supra §II.E–§II.H; supra §V.J–§V.L; 31 U.S.C. § 5103; 12 U.S.C. § 411.

[903] See supra §VII.A–§VII.G; supra §V.J–§V.L; supra §VI.K; 31 U.S.C. §§ 5101, 5103; U.S. Const. art. I, § 8, cl. 5.

[904] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §VII.B–§VII.F.

[905] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401–3406, 3101, 3111, 3301, 6041, 6045, 6051, 6302; Treas. Reg. §§ 1.61-1(a), 1.1001-1(a); supra §V.A–§V.C; supra §VII.C.

[906] See Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. X; FinCEN, FIN-2013-G001; FinCEN, FIN-2019-G001; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); supra §V.F–§V.J; supra §VII.G.

[907] See SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); Reves v. Ernst & Young, 494 U.S. 56, 60–67 (1990); Commodity Exchange Act §§ 1a(9), 6(c)(1), 7 U.S.C. §§ 1a(9), 9(1); 17 C.F.R. § 180.1; CFTC v. McDonnell, 287 F. Supp. 3d 213, 228–29 (E.D.N.Y. 2018); supra §IV.B–§IV.E; supra §VII.G.

[908] See Board of Governors of the Federal Reserve System, Money and Payments: The U.S. Dollar in the Age of Digital Transformation 11–18 (Jan. 2022); Board of Governors of the Federal Reserve System, Policy on Payment System Risk 7–14, 29–42 (July 2023); 12 C.F.R. pt. 210; supra §VI.A–§VI.K.

[909] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 1-201(b)(24), 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1), 12-104, 12-105, 12-106, 12-107 (model provisions; state enactments may vary); 31 U.S.C. § 5103; supra §VII.E–§VII.F.

[910] See supra §VII.B–§VII.G; supra Table 9; Figure 6, Legal Residue Categories: Downstream Evidence of Non-Closure; supra §V.D; supra §V.J.

[911] See supra §VII.A–§VII.G; Restatement (Second) of Contracts §§ 278–281; I.R.S. Notice 2014-21, supra note 905; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 U.S.C. § 5103.

[912] See supra §VII.A–§VII.H; 31 U.S.C. §§ 5101, 5103; U.S. Const. art. I, § 8, cl. 5; 12 U.S.C. § 411.

[913] See supra §I.A–§I.F; supra §II.B–§II.H; supra §V.L; supra §VI.K; supra §VII.A–§VII.H; 31 U.S.C. § 5103.

[914] See supra §VII.A–§VII.H; supra §V.L; supra §VI.K; 31 U.S.C. §§ 5101, 5103; U.S. Const. art. I, § 8, cl. 5.

[915] See Restatement (Second) of Contracts §§ 33, 71, 202, 203, 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §VII.D–§VII.F.

[916] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); Restatement (Second) of Contracts §§ 278–281; supra §VII.F.

[917] See supra §VII.B–§VII.C; supra §VII.H; 31 U.S.C. § 5103; U.S. Const. art. I, § 8, cl. 5; 12 U.S.C. § 411.

[918] See supra §VII.G–§VII.H; supra §IV.B–§IV.H; supra §V.A–§V.L; supra §VI.A–§VI.K; 31 U.S.C. §§ 5101, 5103.

[919] See I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1016, 3401–3406, 3101, 3111, 3301, 6041, 6045, 6051, 6302; 31 C.F.R. pt. 203; supra §V.A–§V.C.

[920] See supra §VI.D–§VI.H; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; 31 U.S.C. § 5103.

[921] See supra §VI.G; supra Table 11; Figure 8, *Stablecoin Issuer Dependencies and Correlating Effects on Stability*; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022).

[922] See supra §VII.G; SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213, 228–29 (E.D.N.Y. 2018); I.R.S. Notice 2014-21, supra note 919; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 U.S.C. § 5103.

[923] See supra §VII.A–§VII.H; Restatement (Second) of Contracts §§ 278–281; I.R.S. Notice 2014-21, supra note 919; 31 U.S.C. §§ 5101, 5103.
[924] See supra §V.D–§V.L; supra §VI.K; supra §VII.G–§VII.H; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 U.S.C. § 5103.
[925] See supra §VII.A–§VII.I; supra §V.L; supra §VI.K; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281.
[926] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.E–§II.H.
[927] See supra §VII.A–§VII.I; supra §II.B–§II.H; supra §V.L; supra §VI.K; 31 U.S.C. § 5103.
[928] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §II.E–§II.H; supra §VII.A–§VII.I.
[929] See U.S. Const. art. I, § 8, cl. 5; *Juilliard*, 110 U.S. at 448–50; 31 U.S.C. §§ 5101, 5103; supra §II.E–§II.H; supra §VI.I–§VI.K.
[930] See 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Federal Reserve Act § 16, 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50; supra §II.E–§II.H.
[931] See supra §IV.H; supra §V.L; supra §VI.K; supra §VII.H–§VII.I; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281.
[932] See supra §VII.G–§VII.I; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 U.S.C. § 5103.
[933] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; supra §VII.B–§VII.F.
[934] See supra §VI.D–§VI.K; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; 31 U.S.C. § 5103.
[935] See Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); Federal Reserve Act § 16, 12 U.S.C. § 411; 31 U.S.C. §§ 5101, 5103; supra §VI.A–§VI.K.
[936] See supra §V.A–§V.L; I.R.S. Notice 2014-21, supra note 932; I.R.C. §§ 61, 83, 1001, 3401–3406, 6045, 6051, 6302; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); 31 C.F.R. pt. 203.
[937] See supra §VI.E.1–§VI.H; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors, *Money and Payments*, supra note 935, at 11–18; supra Table 11; Figure 8.
[938] See supra §VI.I–§VI.K; supra §VII.G–§VII.I; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.
[939] See supra §II.E–§II.H; supra §V.L; supra §VI.K; supra §VII.I; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103.
[940] See supra §VI.I–§VI.K; supra §VII.F–§VII.I; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; President's Working Group, *Report on Stablecoins*, supra note 937; 31 U.S.C. § 5103.
[941] See supra §VIII.A; supra §I.A–§I.F; supra §II.B–§II.H; supra §VII.I; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.
[942] See supra §VII.A–§VII.I; Restatement (Second) of Contracts §§ 33, 71, 202, 203, 278–281;

U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311; 31 U.S.C. § 5103.
[943] See Restatement (Second) of Contracts §§ 71, 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311; supra §VII.D–§VII.F.
[944] See supra §VII.B–§VII.C; supra §VII.I; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511.
[945] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §VI.I–§VI.K; supra §VII.F–§VII.I.
[946] See supra §VII.G–§VII.H; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; FinCEN, FIN-2013-G001; FinCEN, FIN-2019-G001; Office of Foreign Assets Control, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021).
[947] See I.R.C. §§ 61, 1001, 1011, 1012; Treas. Reg. §§ 1.61-1(a), 1.1001-1(a); I.R.S. Notice 2014-21, supra note 946; Restatement (Second) of Contracts §§ 71, 278–281; 31 U.S.C. § 5103.
[948] See Restatement (Second) of Contracts §§ 71, 202, 203, 278–281; U.C.C. §§ 2-304(1), 2-511; 31 U.S.C. §§ 5101, 5103; supra §VII.E–§VII.F.
[949] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311; supra §VII.D–§VII.F.
[950] See supra §V.L; supra §VI.K; supra §VII.I; 31 U.S.C. § 5103; I.R.S. Notice 2014-21, supra note 946.
[951] See supra §VI.E–§VI.K; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability.
[952] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; *Juilliard*, 110 U.S. at 448–50; supra §VI.I–§VI.K.
[953] See supra §VIII.A; supra §VI.K; supra §VII.G–§VII.I; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281.
[954] See supra §VIII.A–§VIII.B; supra §VII.I; 31 U.S.C. § 5103.
[955] See supra §I.A–§I.F; supra §II.B–§II.H; supra §VII.A–§VII.I; supra §VIII.A–§VIII.B; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.
[956] See supra §VIII.A–§VIII.B; supra §VII.A–§VII.I; 31 U.S.C. §§ 5101, 5103; U.S. Const. art. I, § 8, cl. 5; 12 U.S.C. § 411.
[957] See supra §V.L; supra §VI.K; supra §VII.B–§VII.I; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311.
[958] See supra §VIII.B; supra §VII.H–§VII.I; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; 31 U.S.C. § 5103.
[959] See Board of Governors of the Federal Reserve System, Money and Payments: The U.S. Dollar in the Age of Digital Transformation 11–18 (Jan. 2022); Board of Governors of the Federal Reserve System, Policy on Payment System Risk 7–14, 29–42 (July 2023); 12 C.F.R. pt. 210; supra §VI.A–§VI.C.
[960] See supra §VI.D–§VI.K; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; President's Working Group on Financial Markets, FDIC & OCC, Report on Stablecoins 1–4, 10–17 (Nov. 2021).
[961] See supra §VI.E.1; Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC (Mar. 12, 2023); Circle Internet Financial, LLC, *$3.3 Billion of USDC Reserve Risk*

Removed, Dollar De-Peg Closes (Mar. 13, 2023); Chuan Du, Ria Sonawane & Cy Watsky, *In the Shadow of Bank Runs: Lessons from the Silicon Valley Bank Failure and Its Impact on Stablecoins*, FEDS Notes, Board of Governors of the Federal Reserve System (Dec. 17, 2025), https://doi.org/10.17016/2380-7172.3958.

[962] See supra §VI.E.1; supra §VI.G; supra Table 11; Figure 8; President's Working Group, FDIC & OCC, *Report on Stablecoins*, supra note 960, at 10–17; Board of Governors, *Money and Payments*, supra note 959, at 11–18.

[963] See supra §V.A–§V.L; I.R.S. Notice 2014-21, supra note 958; I.R.C. §§ 61, 83, 1001, 3401–3406, 6045, 6051, 6302; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. pt. 203.

[964] See supra §VII.G–§VII.H; supra §IV.B–§IV.H; supra §V.F–§V.J; supra §VI.A–§VI.K; 31 U.S.C. § 5103.

[965] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §VI.I–§VI.K.

[966] See supra §V.J–§V.K; supra §VI.I–§VI.K; supra §VIII.B; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; President's Working Group, FDIC & OCC, *Report on Stablecoins*, supra note 960.

[967] See supra §VII.H–§VII.I; supra §VIII.A–§VIII.B; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281.

[968] See supra §VIII.A–§VIII.C; supra §VI.K; supra §VII.I; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.

[969] See supra §V.L; supra §VI.K; supra §VII.A–§VII.I; supra §VIII.A–§VIII.C; 31 U.S.C. §§ 5101, 5103.

[970] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §VIII.A–§VIII.C.

[971] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; supra §VII.G–§VII.I; supra §VIII.A–§VIII.C.

[972] See supra §VIII.A–§VIII.C; supra §VI.I–§VI.K; 31 U.S.C. §§ 5101, 5103; U.S. Const. art. I, § 8, cl. 5.

[973] See supra §V.I; supra §VII.G–§VII.I; supra §VIII.C; 31 U.S.C. § 5103; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.

[974] See supra §VIII.C; supra §VI.E.1–§VI.K; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); 31 U.S.C. § 5103.

[975] See supra §VI.E.1–§VI.H; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; President's Working Group, Report on Stablecoins, supra note 974; Board of Governors of the Federal Reserve System, Money and Payments: The U.S. Dollar in the Age of Digital Transformation 11–18 (Jan. 2022).

[976] See supra §V.F–§V.I; supra §VI.G–§VI.H; FinCEN, Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies, FIN-2019-G001 (May 9, 2019); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.

[977] See supra §VIII.C; supra §VI.G; supra Table 11; Figure 8; 31 U.S.C. §§ 5101, 5103; U.S. Const. art. I, § 8, cl. 5.

[978] See supra §VI.E.1; supra §VI.G–§VI.K; supra §VIII.C; President's Working Group, *Report on Stablecoins*, supra note 974; Board of Governors, *Money and Payments*, supra note 975.

[979] See supra §VII.G–§VII.I; supra §VIII.A–§VIII.C; Bank Secrecy Act, 31 U.S.C. §§ 5311–

5336; 31 U.S.C. § 5103.
[980] See supra §VIII.A; supra §VII.I; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard*, 110 U.S. at 448–50.
[981] See U.S. Const. art. I, § 8, cl. 5; Federal Reserve Act §§ 10, 11, 13, 16, 19, 12 U.S.C. §§ 241–252, 248, 342, 343, 411, 461; 31 U.S.C. §§ 321, 5101, 5103; Administrative Procedure Act, 5 U.S.C. §§ 551–559, 701–706.
[982] See supra §VIII.C; supra §VI.K; supra §VII.G–§VII.I; 31 U.S.C. § 5103; U.S. Const. art. I, § 8, cl. 5.
[983] See supra §VI.D–§VI.K; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra Table 11; Figure 8; President's Working Group, Report on Stablecoins, supra note 974.
[984] See supra §VIII.A–§VIII.C; supra §VII.G–§VII.I; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.
[985] See supra §VIII.A–§VIII.D; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.
[986] See supra §I.A–§I.F; supra §II.B–§II.H; supra §VI.I–§VI.K; supra §VIII.A–§VIII.D; 31 U.S.C. §§ 5101, 5103.
[987] See supra §VIII.A–§VIII.D; supra §VII.I; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311; 31 U.S.C. § 5103.
[988] See supra §VII.A–§VII.I; supra §VIII.A–§VIII.C; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; U.S. Const. art. I, § 8, cl. 5.
[989] See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884); supra §VIII.A.
[990] See supra §VIII.B–§VIII.D; supra §VII.H–§VII.I; 31 U.S.C. § 5103; Restatement (Second) of Contracts §§ 278–281.
[991] See supra §VI.D–§VI.K; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; 31 U.S.C. § 5103.
[992] See supra §VIII.C–§VIII.D; supra §VI.I–§VI.K; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103.
[993] See supra §VIII.A; supra §VIII.D; Federal Reserve Act §§ 10, 11, 13, 16, 19, 12 U.S.C. §§ 241–252, 248, 342, 343, 411, 461; 31 U.S.C. §§ 321, 5101, 5103; Administrative Procedure Act, 5 U.S.C. §§ 551–559, 701–706.
[994] See supra §VIII.D; supra §VI.G–§VI.K; supra Table 11; Figure 8; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.
[995] See supra §V.A–§V.L; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; I.R.C. §§ 61, 83, 1001, 3401–3406, 6045, 6051, 6302; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. pt. 203.
[996] See supra §VII.G–§VII.H; supra §IV.B–§IV.H; supra §V.F–§V.J; supra §VI.A–§VI.K; supra §VIII.C.
[997] See supra §VI.E–§VI.K; supra §VII.H–§VII.I; supra §VIII.A–§VIII.D; 31 U.S.C. § 5103.
[998] See supra §VIII.B–§VIII.D; supra §V.J–§V.K; supra §VI.I–§VI.K; supra §VII.I; U.S. Const. art. I, § 8, cl. 5.
[999] See supra §VIII.A–§VIII.E; 31 U.S.C. §§ 5101, 5103; U.S. Const. art. I, § 8, cl. 5.
[1000] See supra §VII.A–§VII.I; supra §VIII.A–§VIII.E; Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.

[1001] See supra §I.A–§I.F; supra §II.B–§II.H; supra §VII.I; supra §VIII.A–§VIII.E; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.
[1002] See supra §VIII.A–§VIII.E; supra §VII.A–§VII.I; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311; 31 U.S.C. § 5103.
[1003] See supra §VIII.A; supra §VI.K; supra §VII.H–§VII.I; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411.
[1004] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; supra §VII.F–§VII.I.
[1005] See supra §VIII.C–§VIII.E; supra §VI.I–§VI.K; 31 U.S.C. §§ 5101, 5103; *Juilliard v. Greenman*, 110 U.S. 421, 448–50 (1884).
[1006] See supra §VI.D–§VI.K; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; 31 U.S.C. § 5103.
[1007] See supra §V.A–§V.L; supra Table 8; Figure 5, *Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure*; supra Table 9; Figure 6, *Legal Residue Categories: Downstream Evidence of Non-Closure*; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.
[1008] See supra §VIII.D; supra §VI.G–§VI.K; supra Table 11; Figure 8; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103.
[1009] See supra §VII.G–§VII.I; supra §VIII.B–§VIII.E; I.R.S. Notice 2014-21, supra note 1007; Restatement (Second) of Contracts §§ 278–281; 31 U.S.C. § 5103.
[1010] See supra §VIII.A–§VIII.F; supra §VII.I; supra §VI.K; 31 U.S.C. §§ 5101, 5103; U.S. Const. art. I, § 8, cl. 5.
[1011] See supra §I.A–§I.F; supra §II.B–§II.H; supra §VII.A–§VII.I; supra §VIII.A–§VIII.F; 31 U.S.C. § 5103.
[1012] See supra §VII.A–§VII.I; supra §VIII.A–§VIII.F; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; U.S. Const. art. I, § 8, cl. 5.
[1013] See Guiding and Establishing National Innovation for U.S. Stablecoins Act, Pub. L. No. 119-[insert public law number if assigned], S. 1582, 119th Cong. (2025); H.R. 3633, Digital Asset Market Clarity Act of 2025, 119th Cong.; House Financial Services Committee, Section-by-Section Summary of S. 1582, Guiding and Establishing National Innovation for U.S. Stablecoins Act (July 10, 2025); Senate Banking Committee, Section-by-Section Summary, Digital Asset Market Clarity Act (May 12, 2026). Public summaries describe the GENIUS Act as creating a federal payment-stablecoin framework and the CLARITY Act as addressing digital-asset market structure and SEC-CFTC jurisdictional boundaries.
[1014] See GENIUS Act, supra note 1013; H.R. 3633, supra note 1013; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation & Office of the Comptroller of the Currency, *Report on Stablecoins* 1–4, 10–17 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 11–18 (Jan. 2022); supra §VI.D–§VI.K. The GENIUS Act has been publicly summarized as establishing rules for permitted payment stablecoin issuers, reserve backing, redemption, supervision, and related compliance.
[1015] See supra §VIII.A–§VIII.F; supra §V.A–§V.L; supra §VI.K; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; I.R.C. §§ 61, 83, 1001, 3401–3406,

6045, 6051, 6302.

[1016] See Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 2-304(1), 2-511, 3-310, 3-311, 12-102(a)(1) (model provisions; state enactments may vary); supra §VII.D–§VII.F; supra §VIII.B.

[1017] See supra §VII.I; supra §VIII.C–§VIII.F; 31 U.S.C. § 5103; U.S. Const. art. I, § 8, cl. 5.

[1018] See GENIUS Act, supra note 1013; H.R. 3633, supra note 1013; supra §V.J–§V.L; supra §VI.I–§VI.K; supra §VII.G–§VII.I. The CLARITY Act has been summarized as seeking to divide SEC and CFTC oversight and establish a federal digital-asset market-structure framework.

[1019] See supra §VI.D–§VI.K; supra Table 10; Figure 7, U.S. Dollar Versus USDC: Treasury, Accounting, Compliance, and Closure Functions; supra Table 11; Figure 8, Stablecoin Issuer Dependencies and Correlating Effects on Stability; 31 U.S.C. § 5103; Board of Governors, Money and Payments, supra note 1014.

[1020] See SEC v. W.J. Howey Co., 328 U.S. 293, 298–99 (1946); Reves v. Ernst & Young, 494 U.S. 56, 60–67 (1990); Commodity Exchange Act §§ 1a(9), 6(c)(1), 7 U.S.C. §§ 1a(9), 9(1); Commodity Futures Trading Comm'n v. McDonnell, 287 F. Supp. 3d 213, 228–29 (E.D.N.Y. 2018); Commodity Futures Trading Comm'n v. My Big Coin Pay, Inc., 334 F. Supp. 3d 492, 496–99 (D. Mass. 2018); supra §IV.B–§IV.H.

[1021] See GENIUS Act, supra note 1013; H.R. 3633, supra note 1013; supra §VI.E.1–§VI.K; supra §VIII.C–§VIII.F; 31 U.S.C. §§ 5101, 5103; U.S. Const. art. I, § 8, cl. 5. This is an inference from the statute summaries and the doctrine's legal-tender closure framework; it does not assert that Congress ignored digital-asset risk, only that perimeter regulation and monetary-closure architecture are analytically distinct.

[1022] See supra §V.A–§V.L; supra §VI.A–§VI.K; supra §VII.G–§VII.I; supra §VIII.E–§VIII.F; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; I.R.S. Notice 2014-21, 2014-16 I.R.B. 938; 31 C.F.R. pt. 203.

[1023] See supra §V.C–§V.L; supra §VI.E.1–§VI.H; supra §VIII.C–§VIII.E; I.R.C. §§ 61, 83, 1001, 3401–3406, 6045, 6051, 6302; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; Board of Governors, *Money and Payments*, supra note 1014; Board of Governors of the Federal Reserve System, *Policy on Payment System Risk* 7–14, 29–42 (July 2023).

[1024] See supra §IX.A; supra §VIII.C–§VIII.F; GENIUS Act, supra note 1013; H.R. 3633, supra note 1013; 31 U.S.C. § 5103.

[1025] See supra §V.L; supra §VI.K; supra §VII.I; supra §VIII.E–§VIII.F; U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. §§ 5101, 5103; 12 U.S.C. § 411; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336.

[1026] See supra §I.A–§I.F; supra §VII.A–§VII.I; supra §VIII.A–§VIII.F; supra §IX.A; 31 U.S.C. § 5103; U.S. Const. art. I, § 8, cl. 5.

[1027] This doctrine uses "systemic substitution risk" as a legal-systems term derived from the interaction between Congress's monetary authority, federal legal-tender law, federal tax law, Bank Secrecy Act treatment of value that substitutes for currency, and critical-infrastructure continuity obligations. See U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Juilliard v. Greenman, 110 U.S. 421, 447–48 (1884) (sustaining Congress's authority to make Treasury notes legal tender); Norman v. Baltimore & Ohio R.R. Co., 294 U.S. 240, 303–04 (1935) (recognizing Congress's monetary powers as part of national monetary sovereignty); 42 U.S.C. § 5195c(e) (defining critical infrastructure as physical or virtual systems and assets so vital that incapacity or destruction would have debilitating effects on security, national economic security, national public health or safety, or any combination thereof); 31 C.F.R. § 1010.100(ff)(5)(i)(A) (defining

money transmission services to include acceptance of currency, funds, or other value that substitutes for currency and transmission thereof).

[1028] 31 U.S.C. § 5103 ("United States coins and currency (including Federal reserve notes and circulating notes of Federal reserve banks and national banks) are legal tender for all debts, public charges, taxes, and dues."); see also 12 U.S.C. § 411 (Federal Reserve notes "shall be obligations of the United States" and "shall be redeemed in lawful money on demand"); Knox v. Lee, 79 U.S. (12 Wall.) 457, 545–53 (1871) (upholding federal legal-tender authority); Juilliard v. Greenman, 110 U.S. 421, 447–48 (1884); Hagar v. Reclamation Dist. No. 108, 111 U.S. 701, 706 (1884) (distinguishing taxes from debts and public charges in monetary-obligation analysis).

[1029] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-1, Q&A-2, Q&A-3, Q&A-6, Q&A-7, Q&A-11, and Q&A-12 (Mar. 25, 2014) (providing that virtual currency is treated as property for federal tax purposes; that general tax principles applicable to property transactions apply; that a taxpayer receiving virtual currency as payment for goods or services must include the fair market value of the virtual currency, measured in U.S. dollars as of the date received, in gross income; and that virtual currency paid as wages is subject to federal income tax withholding, FICA, FUTA, and Form W-2 reporting); I.R.C. §§ 61, 83, 1001, 3101, 3111, 3301, 3401, 3402, 6051; Treas. Reg. § 1.61-2(d)(1).

[1030] 31 U.S.C. § 5312(a)(2) (defining "financial institution" for Bank Secrecy Act purposes); 31 C.F.R. § 1010.100(ff)(5)(i)(A) (money transmission services include acceptance and transmission of currency, funds, or other value that substitutes for currency); 31 C.F.R. § 1022.210 (requiring money services businesses to develop, implement, and maintain an effective written anti-money-laundering program); FinCEN, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001, at 1–3 (Mar. 18, 2013); FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001, at 1–2, 8–11 (May 9, 2019).

[1031] See 31 U.S.C. § 5103; IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-1, Q&A-6, Q&A-7, Q&A-11; 31 C.F.R. § 1010.100(ff)(5)(i)(A); Restatement (Second) of Contracts §§ 278–281 (Am. L. Inst. 1981) (addressing substituted performance, substituted contract, accord, and satisfaction); U.C.C. §§ 3-310, 3-311 (Am. L. Inst. & Unif. L. Comm'n 2022) (addressing effect of instruments on obligations and accord and satisfaction by instrument). These authorities support the doctrinal distinction between transactional completion or private-law discharge and sovereign monetary closure.

[1032] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-6, Q&A-7, Q&A-11; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; I.R.C. §§ 61, 83, 1001, 3101, 3111, 3301, 3401, 3402, 6041, 6051; Treas. Reg. §§ 1.61-2(d)(1), 31.3402(a)-1; FinCEN, FIN-2019-G001, supra note 1030; 31 C.F.R. §§ 1010.100(ff), 1022.210; Office of Foreign Assets Control, U.S. Dep't of the Treasury, *Sanctions Compliance Guidance for the Virtual Currency Industry* 1–5 (Oct. 2021); Financial Accounting Standards Board, Accounting Standards Update No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets* (Dec. 2023); SEC Staff Accounting Bulletin No. 122, 90 Fed. Reg. 8504 (Jan. 30, 2025).

[1033] International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; 31 C.F.R. ch. V; 31 C.F.R. § 501.701; Office of Foreign Assets Control, U.S. Dep't of the Treasury, *Sanctions Compliance Guidance for the Virtual Currency Industry* 1–8 (Oct. 2021) (stating that sanctions-compliance obligations apply to transactions involving virtual currency and identifying sanctions risks where virtual currency is used to evade U.S. sanctions); OFAC FAQ No. 559 (addressing

OFAC obligations involving digital currency); OFAC FAQ No. 646 (addressing blocking obligations for digital currency).

[103]4 42 U.S.C. § 5195c(e); 6 U.S.C. §§ 652, 652a; 6 C.F.R. § 29.2; Presidential Policy Directive/PPD-21, *Critical Infrastructure Security and Resilience* (Feb. 12, 2013); National Security Memorandum/NSM-22, *Critical Infrastructure Security and Resilience* (Apr. 30, 2024); U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan* 1–4 (2024) (identifying the financial-services sector as critical to the economy and national infrastructure because its continuous operation is essential for economic stability, public confidence, and national security, and because all critical-infrastructure sectors rely on financial services for payments, investments, insurance, and capital).

[103]5 International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; Trading with the Enemy Act, 50 U.S.C. §§ 4301–4341; 31 C.F.R. ch. V; 31 C.F.R. pt. 501; Office of Foreign Assets Control, U.S. Dep't of the Treasury, *Sanctions Compliance Guidance for the Virtual Currency Industry* 1–8 (Oct. 2021); U.S. Dep't of the Treasury, *Action Plan to Address Illicit Financing Risks of Digital Assets* 1–7, 18–25 (Sept. 2022); U.S. Dep't of the Treasury, *Illicit Finance Risk Assessment of Decentralized Finance* 1–9, 23–38 (Apr. 2023).

[103]6 31 U.S.C. § 5103; 12 U.S.C. § 411; Guiding and Establishing National Innovation for U.S. Stablecoins Act, Pub. L. No. 119-27 (2025); Office of the Comptroller of the Currency, *Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency*, Notice of Proposed Rulemaking, 91 Fed. Reg. 10202 (Mar. 2, 2026); U.C.C. § 1-201(b)(24) (Am. L. Inst. & Unif. L. Comm'n 2022) (defining "money" as a medium of exchange currently authorized or adopted by a domestic or foreign government, while excluding an electronic record that is a medium of exchange recorded and transferable in a system that existed and operated before authorization or adoption by the government); U.C.C. § 12-102(a)(1) (defining "controllable electronic record"). These authorities support the distinction between stablecoin regulation, reserve or redemption architecture, commercial-law recognition, and federal legal-tender status.

[103]7 31 U.S.C. § 5103; IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-6, Q&A-7, Q&A-11; 31 C.F.R. §§ 1010.100(ff), 1022.210; Restatement (Second) of Contracts §§ 278–281; U.C.C. §§ 3-310, 3-311, 12-102; Juilliard v. Greenman, 110 U.S. 421, 447–48 (1884); Norman v. Baltimore & Ohio R.R. Co., 294 U.S. 240, 303–04 (1935). Together, these authorities preserve the distinction between private acceptance, contractual satisfaction, regulatory treatment, tax recognition, commercial-law treatment, and sovereign legal-tender closure.

[103]8 U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 31 C.F.R. § 1010.100(ff)(5)(i)(A); FinCEN, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001, at 1–3 (Mar. 18, 2013); FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001, at 1–2, 8–11 (May 9, 2019). FinCEN's virtual-currency guidance recognizes that convertible virtual currency may function as value that substitutes for currency while remaining subject to Bank Secrecy Act analysis depending on activity and role.

[103]9 31 U.S.C. § 5103; 12 U.S.C. § 411; Knox v. Lee, 79 U.S. (12 Wall.) 457, 545–53 (1871); Juilliard v. Greenman, 110 U.S. 421, 447–48 (1884); Norman v. Baltimore & Ohio R.R. Co., 294 U.S. 240, 303–04 (1935). Section 5103 provides that United States coins and currency, including Federal Reserve notes and circulating notes of Federal Reserve banks and national banks, are

legal tender for debts, public charges, taxes, and dues.

[1040] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-11 (Mar. 25, 2014); I.R.C. §§ 3101, 3111, 3301, 3401, 3402, 6051; Treas. Reg. §§ 31.3401(a)-1(a), 31.3402(a)-1; IRS Publication 15, *Circular E, Employer's Tax Guide*. IRS Notice 2014-21 provides that virtual currency paid as wages is subject to federal income tax withholding, FICA, FUTA, and Form W-2 reporting.

[1041] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-1, Q&A-2, Q&A-3, Q&A-6, Q&A-7; I.R.C. §§ 61, 83, 1001; Treas. Reg. § 1.61-2(d)(1). IRS guidance treats virtual currency as property for federal tax purposes and requires taxpayers receiving virtual currency as payment for goods or services to include the fair-market value, measured in U.S. dollars as of the date received, in gross income.

[1042] 31 U.S.C. § 5312(a)(2); 31 C.F.R. §§ 1010.100(ff), 1022.210, 1022.380; FinCEN, FIN-2013-G001, supra note 1038, at 1–3; FinCEN, FIN-2019-G001, supra note 1038, at 8–11. FinCEN has stated that accepting and transmitting anything of value that substitutes for currency may make a person a money transmitter under BSA regulations, subject to registration, AML-program, recordkeeping, monitoring, and reporting obligations.

[1043] International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; 31 C.F.R. ch. V; 31 C.F.R. pt. 501; Office of Foreign Assets Control, U.S. Dep't of the Treasury, *Sanctions Compliance Guidance for the Virtual Currency Industry* 1–8 (Oct. 2021); OFAC FAQ No. 559; OFAC FAQ No. 646. OFAC has stated that sanctions-compliance obligations apply to transactions involving virtual currency and has issued specific guidance for the virtual-currency industry to mitigate sanctions risk.

[1044] 31 U.S.C. § 5103; 12 U.S.C. § 411; U.C.C. § 1-201(b)(24) (Am. L. Inst. & Unif. L. Comm'n 2022); U.C.C. § 12-102(a)(1) (Am. L. Inst. & Unif. L. Comm'n 2022). These authorities support the distinction between lawful money, commercial-law recognition of money or controllable electronic records, and private instruments whose payment utility does not itself confer United States legal-tender status.

[1045] 42 U.S.C. § 5195c(e); 6 U.S.C. §§ 652, 652a; Presidential Policy Directive/PPD-21, *Critical Infrastructure Security and Resilience* (Feb. 12, 2013); National Security Memorandum/NSM-22, *Critical Infrastructure Security and Resilience* (Apr. 30, 2024); U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan* 1–4 (2024). Federal critical-infrastructure authorities recognize that virtual and physical systems whose incapacity or disruption would affect security, national economic security, national public health or safety, or their combination require continuity, resilience, and coordinated public oversight.

[1046] I.R.C. §§ 3101, 3111, 3301, 3401, 3402, 6051; Treas. Reg. §§ 31.3401(a)-1(a), 31.3402(a)-1; IRS, *Publication 15 (Circular E), Employer's Tax Guide* (2026).

[1047] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-11 (Mar. 25, 2014) (providing that virtual currency paid by an employer as remuneration for services constitutes wages for employment-tax purposes and is subject to federal income-tax withholding, FICA, FUTA, and Form W-2 reporting); I.R.C. §§ 3101, 3111, 3301, 3401, 3402, 6051.

[1048] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-11; I.R.C. §§ 3401, 3402, 3101, 3111, 3301, 6051; Treas. Reg. §§ 31.3401(a)-1(a), 31.3402(a)-1.

[1049] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-5, Q&A-11; I.R.C. §§ 3402, 6302; Treas. Reg. §§ 31.6302-1, 31.6302-1(h); IRS, *Publication 15 (Circular E), Employer's Tax Guide* (2026).

[1050] I.R.C. §§ 3101, 3111, 3301, 3401, 3402, 6051, 6302; Treas. Reg. §§ 31.3402(a)-1,

31.6302-1; IRS, *Publication 15 (Circular E), Employer's Tax Guide* (2026).
[1051] 31 U.S.C. §§ 3301, 3302, 321; 31 C.F.R. pts. 203, 206; 31 C.F.R. § 203.6; 31 C.F.R. § 206.2; IRS, *Publication 15 (Circular E), Employer's Tax Guide* (2026) (describing federal tax deposit rules and electronic federal tax payment requirements).
[1052] I.R.C. §§ 3101, 3111; 42 U.S.C. §§ 401, 1395i; Social Security Act §§ 201, 1817; 26 U.S.C. §§ 1401, 3121; 42 U.S.C. § 401(a)–(b) (Federal Old-Age and Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund); 42 U.S.C. § 1395i (Federal Hospital Insurance Trust Fund).
[1053] 31 U.S.C. §§ 321, 3301, 3302; 31 C.F.R. pts. 203, 206; 31 C.F.R. §§ 203.6, 206.2; Treasury Financial Manual, Vol. I, pt. 6, ch. 8000, *Cash Management*; Treasury Financial Manual, Vol. I, pt. 5, ch. 7500, *Federal Tax Application*.
[1054] I.R.C. §§ 3402, 3504; Treas. Reg. §§ 31.3504-1, 31.6302-1; Rev. Proc. 2013-39, 2013-52 I.R.B. 830; IRS, *Publication 15-A, Employer's Supplemental Tax Guide* (2026) (addressing employer responsibilities and third-party payer arrangements).
[1055] I.R.C. §§ 6001, 6011, 6051, 7602; Treas. Reg. §§ 1.6001-1, 31.6001-1; IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-5, Q&A-11; Fed. R. Evid. 803(6), 902(13), 902(14).
[1056] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-11; I.R.C. §§ 3101, 3111, 3301, 3401, 3402, 6051, 6302; Treas. Reg. §§ 31.3402(a)-1, 31.6302-1.
[1057] 31 U.S.C. § 5103; 12 U.S.C. § 411; IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-11; Guiding and Establishing National Innovation for U.S. Stablecoins Act, Pub. L. No. 119-27 (2025); U.C.C. §§ 1-201(b)(24), 12-102(a)(1).
[1058] 31 U.S.C. § 5103; IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-1, Q&A-2, Q&A-3, Q&A-6, Q&A-7, Q&A-11 (Mar. 25, 2014); I.R.C. §§ 61, 83, 1001, 1011, 1012, 3401, 3402, 6045, 6051; Treas. Reg. §§ 1.61-2(d)(1), 31.3402(a)-1. IRS guidance treats virtual currency as property for federal tax purposes and requires U.S.-dollar measurement for income and wage treatment where virtual currency is received as payment.
[1059] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-3 through Q&A-7; Rev. Rul. 2019-24, 2019-44 I.R.B. 1004; I.R.C. §§ 61, 83, 1001, 1011, 1012, 1221, 6045; Treas. Reg. §§ 1.61-1, 1.61-2(d)(1), 1.1001-1. See also IRS, *Digital Assets*, explaining gain or loss, units sold or disposed, and fair-market-value determination for digital-asset transactions.
[1060] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-1, Q&A-3, Q&A-4, Q&A-6, Q&A-7; I.R.C. §§ 61, 1001, 1011, 1012; Treas. Reg. § 1.1001-1. IRS states that virtual currency is treated as property and that payment received in virtual currency for goods or services must be included in gross income at fair-market value measured in U.S. dollars as of receipt.
[1061] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-5; IRS, *Frequently Asked Questions on Virtual Currency Transactions*, FAQs 25–27, 39–43; Treas. Reg. § 1.1001-1(a). IRS guidance addresses fair-market-value determination, including valuation by exchange rate where virtual currency is listed on an exchange and valuation by reasonable method consistently applied where appropriate.
[1062] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-4, Q&A-6, Q&A-7; I.R.C. §§ 1001, 1011, 1012, 1221; Treas. Reg. § 1.1001-1; IRS, *Digital Assets*, explaining that using digital assets in transactions may require calculation of gain or loss and fair-market value.
[1063] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-3, Q&A-6, Q&A-8, Q&A-10, Q&A-11; I.R.C. §§ 61, 83, 1401, 3101, 3111, 3301, 3401, 3402, 6041, 6051; Treas. Reg. § 1.61-2(d)(1);

IRS Publication 525, *Taxable and Nontaxable Income* (2025). IRS guidance confirms that virtual currency received for services is includible in gross income at fair-market value and that virtual currency paid as wages is subject to employment-tax rules.

[1064] I.R.C. §§ 6001, 6011, 6041, 6045, 6050W, 6721, 6722; Treas. Reg. §§ 1.6001-1, 1.6041-1, 1.6045-1; Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions, T.D. 10000, 89 Fed. Reg. 56,480 (July 9, 2024); Gross Proceeds Reporting by Brokers That Regularly Provide Services Effectuating Digital Asset Sales, 89 Fed. Reg. 106,928 (Dec. 30, 2024). Treasury and IRS finalized broker-reporting rules requiring reporting on certain digital-asset sales and exchanges, including use of Form 1099-DA beginning with covered transactions.

[1065] Financial Accounting Standards Board, Accounting Standards Update No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets* (Dec. 2023). FASB states that entities within the Update's scope must measure qualifying crypto assets at fair value each reporting period, with changes recognized in net income, and provide separate presentation and disclosure.

[1066] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-5; IRS, *Frequently Asked Questions on Virtual Currency Transactions*, FAQs 25–27, 39–43; Treas. Reg. § 1.1001-1; FASB ASU 2023-08. Timing distinctions matter because tax and accounting systems may require fair-market-value measurement, gain/loss calculation, or fair-value measurement at specific transaction or reporting points.

[1067] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-1 through Q&A-7, Q&A-11; I.R.C. §§ 61, 83, 1001, 1011, 1012, 6001, 6011, 6041, 6045, 6051; Treas. Reg. §§ 1.6001-1, 1.1001-1, 31.3402(a)-1; Fed. R. Evid. 803(6), 902(13), 902(14). These authorities collectively support the distinction between blockchain transfer evidence, tax characterization, income measurement, basis tracking, reporting, and evidentiary reconstruction.

[1068] I.R.C. §§ 6001, 6011, 6041, 6045, 6050W, 7602; 31 C.F.R. §§ 1010.100(ff), 1022.210; IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-1 through Q&A-7, Q&A-11 (Mar. 25, 2014); Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions, T.D. 10000, 89 Fed. Reg. 56,480 (July 9, 2024). These authorities support the distinction between lawful private settlement, federal tax-reporting obligations, broker reporting, and public enforcement architecture.

[1069] I.R.C. § 6001; Treas. Reg. § 1.6001-1(a); Treas. Reg. § 31.6001-1; IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-5, Q&A-11. Section 6001 and the accompanying regulations require persons liable for tax or required to file returns to keep records sufficient to establish the amount of gross income, deductions, credits, or other matters required to be shown on a return.

[1070] I.R.C. §§ 6011, 6041, 6045, 6050W, 7602; Treas. Reg. §§ 1.6041-1, 1.6045-1; *United States v. Powell*, 379 U.S. 48, 57–58 (1964) (setting forth standards for enforcement of an IRS summons); *United States v. Coinbase, Inc.*, No. 17-cv-01431-JSC, 2017 WL 5890052, at *6–8 (N.D. Cal. Nov. 28, 2017) (granting in part enforcement of IRS summons seeking information regarding Coinbase users for tax-compliance investigation).

[1071] *United States v. Coinbase, Inc.*, No. 17-cv-01431-JSC, 2017 WL 5890052, at *6–8 (N.D. Cal. Nov. 28, 2017); I.R.C. § 7602; IRS Criminal Investigation, *Cyber Crimes* and *Digital Assets* enforcement materials; FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001, at 1–2, 8–11 (May 9, 2019). Wallet attribution friction arises because blockchain records may identify addresses and

transaction flows without independently establishing legal identity or taxpayer ownership.
[1072] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-1, Q&A-3, Q&A-4, Q&A-6, Q&A-7; I.R.C. §§ 61, 1001, 1011, 1012, 6011; Treas. Reg. § 1.1001-1. These authorities support the claim that crypto payment may trigger income recognition or property-disposition analysis requiring taxpayer reporting.
[1073] I.R.C. §§ 6001, 6011, 6041, 6045, 6050W, 7602; 31 C.F.R. §§ 1010.100(ff), 1022.210; FinCEN, FIN-2019-G001, supra note 1071; *United States v. Coinbase, Inc*., 2017 WL 5890052, at *6–8. These authorities support the enforcement relevance of identity, account ownership, third-party reporting, intermediary role, and transaction records.
[1074] IRS Notice 2014-21, 2014-16 I.R.B. 938, Q&A-5; IRS, *Frequently Asked Questions on Virtual Currency Transactions*, FAQs 25–27, 39–43; Treas. Reg. § 1.1001-1(a). IRS guidance addresses fair-market-value measurement and valuation methods for virtual currency transactions.
[1075] I.R.C. §§ 6001, 7602; Treas. Reg. §§ 1.6001-1, 31.6001-1; Fed. R. Evid. 803(6), 902(13), 902(14); *United States v. Coinbase, Inc*., 2017 WL 5890052, at *6–8. These authorities support the need for books and records, summons authority, business-record evidence, electronic-record authentication, and digital evidence authentication in audit or enforcement reconstruction.
[1076] I.R.C. §§ 6045, 6045A, 6045B, 6721, 6722; Treas. Reg. § 1.6045-1; Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions, T.D. 10000, 89 Fed. Reg. 56,480 (July 9, 2024); Gross Proceeds Reporting by Brokers That Regularly Provide Services Effectuating Digital Asset Sales, 89 Fed. Reg. 106,928 (Dec. 30, 2024); IRS, *Final Regulations and Related IRS Guidance for Reporting by Brokers on Sales and Exchanges of Digital Assets* (June 28, 2024). These authorities support the claim that digital-asset reporting architecture is expanding but remains dependent on covered roles, reportable transactions, data standardization, taxpayer matching, and operational implementation.
[1077] I.R.C. §§ 6001, 6011, 6041, 6045, 6050W, 7602; IRS Notice 2014-21, 2014-16 I.R.B. 938; T.D. 10000, 89 Fed. Reg. 56,480; *United States v. Powell*, 379 U.S. 48 (1964); *United States v. Coinbase, Inc*., 2017 WL 5890052. These authorities collectively support the doctrine's enforcement claim: private settlement can occur before the public system has attributed, valued, reported, matched, audited, or enforced the transaction's federal tax consequences.
[1078] 12 U.S.C. § 1813(l) (defining "deposit" for purposes of the Federal Deposit Insurance Act); 12 U.S.C. § 1811 (establishing the Federal Deposit Insurance Corporation); 12 U.S.C. § 1831o (prompt corrective action framework for insured depository institutions); Federal Deposit Insurance Corporation, *Quarterly Banking Profile* (reporting aggregate financial condition of FDIC-insured institutions, including loan and deposit activity, earnings, and asset quality). The FDIC's reporting framework reflects the centrality of deposits and loans to banking-system condition.
[1079] Banking Act of 1933, Pub. L. No. 73-66, 48 Stat. 162; 12 U.S.C. § 1811; Federal Deposit Insurance Corporation, *A Brief History of Deposit Insurance in the United States* 1–5 (1998); Federal Deposit Insurance Corporation, *Historical Timeline* (noting FDIC deposit-insurance implementation and early claim payments). The FDIC was established under the Banking Act of 1933 in response to Great Depression-era bank failures, and federal deposit insurance began on January 1, 1934.
[1080] 12 U.S.C. § 461; 12 C.F.R. pt. 204; Board of Governors of the Federal Reserve System, *Reserve Requirements*; Board of Governors of the Federal Reserve System, *Federal Reserve*

Actions to Support the Flow of Credit to Households and Businesses (Mar. 15, 2020). The Federal Reserve reduced reserve requirement ratios to zero percent effective March 26, 2020, eliminating reserve requirements for all depository institutions.

[1081] President's Working Group on Financial Markets, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021); Gordon Y. Liao & John Caramichael, *Stablecoins: Growth Potential and Impact on Banking*, International Finance Discussion Papers No. 1334, Board of Governors of the Federal Reserve System (Jan. 2022); Board of Governors of the Federal Reserve System, *Banks in the Age of Stablecoins: Some Possible Implications for Deposits, Credit, and Financial Intermediation* (FEDS Notes, Dec. 17, 2025). These sources support the proposition that stablecoin payment adoption may affect deposits, credit, reserve allocation, and financial intermediation depending on adoption scale and reserve structure.

[1082] 12 U.S.C. § 1831f (brokered deposit restrictions); 12 C.F.R. pt. 337; 12 C.F.R. pt. 50; 12 C.F.R. pt. 249; Board of Governors of the Federal Reserve System, *Liquidity Coverage Ratio FAQs*. Liquidity coverage rules require covered banking organizations to calculate projected net cash outflows and maintain sufficient high-quality liquid assets over a 30-day stress period.

[1083] Federal Deposit Insurance Corporation, *Quarterly Banking Profile*; Federal Deposit Insurance Corporation, *Quarterly Banking Profile — Fourth Quarter 2025*; 12 U.S.C. §§ 1811, 1813(l), 1831o. FDIC reporting categories track deposits, loans, asset quality, earnings, and small-business lending indicators, reflecting the institutional link between deposit funding and real-economy credit transmission.

[1084] President's Working Group et al., *Report on Stablecoins* 12–18 (Nov. 2021); 12 C.F.R. pts. 50, 249; Board of Governors of the Federal Reserve System, *Financial Stability Report* (Nov. 2025); 42 U.S.C. § 5195c(e). Stablecoin run risk, payment-system disruption, deposit mobility, and liquidity-supervision concerns become relevant when digital claims and non-bank payment balances become widely used as transaction balances.

[1085] 42 U.S.C. § 5195c(e); Presidential Policy Directive/PPD-21, *Critical Infrastructure Security and Resilience* (Feb. 12, 2013); National Security Memorandum/NSM-22, *Critical Infrastructure Security and Resilience* (Apr. 30, 2024); U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan* 1–4 (2024). Federal critical-infrastructure doctrine treats financial-services continuity as central to national economic security and cross-sector resilience.

[1086] Gordon Y. Liao & John Caramichael, *Stablecoins: Growth Potential and Impact on Banking*, International Finance Discussion Papers No. 1334, Board of Governors of the Federal Reserve System (Jan. 2022); President's Working Group et al., *Report on Stablecoins* 12–18 (Nov. 2021); Federal Reserve Bank of New York Staff Report, *Stablecoin Disintermediation* (2026). Reserve placement determines whether stablecoin adoption preserves bank-deposit funding, concentrates deposits through issuers, or shifts funds into non-deposit assets.

[1087] 12 U.S.C. § 225a; 12 U.S.C. §§ 248, 461; Board of Governors of the Federal Reserve System, *Implementing Monetary Policy in an "Ample Reserves" Regime: The Basics* (FEDS Notes, July 1, 2020); Federal Reserve Bank of St. Louis, *How the Fed Implements Monetary Policy with Its Tools*. The Federal Reserve implements monetary policy through administered rates, reserve balances, open market operations, and related tools that influence short-term interest rates and broader financial conditions.

[1088] 12 U.S.C. § 225a (directing the Federal Reserve to maintain long-run growth of monetary and credit aggregates commensurate with the economy's potential to increase production, so as

to promote maximum employment, stable prices, and moderate long-term interest rates).

[1089] Board of Governors of the Federal Reserve System, *Implementing Monetary Policy in an "Ample Reserves" Regime: The Basics* (FEDS Notes, July 1, 2020); Board of Governors of the Federal Reserve System, *Market-Based Indicators on the Road to Ample Reserves* (FEDS Notes, Jan. 31, 2025); Federal Reserve Bank of New York, *Monetary Policy Implementation in an Ample Reserves Regime* (Feb. 12, 2026). These sources explain that, in an ample-reserves framework, the Federal Reserve controls short-term interest rates primarily through administered rates rather than daily fine-tuning of reserve supply.

[1090] Gordon Y. Liao & John Caramichael, *Stablecoins: Growth Potential and Impact on Banking*, International Finance Discussion Papers No. 1334, Board of Governors of the Federal Reserve System (Jan. 2022); Jessie Jiaxu Wang, *Banks in the Age of Stablecoins: Some Possible Implications for Deposits, Credit, and Financial Intermediation*, FEDS Notes, Board of Governors of the Federal Reserve System (Dec. 17, 2025). These sources analyze how stablecoin adoption may affect deposits, credit intermediation, and bank funding depending on reserve structure and adoption scale.

[1091] Federal Reserve Financial Services, *National Settlement Service*; Board of Governors of the Federal Reserve System, *Federal Reserve Board Announces Expanded Operating Days of Two Large-Value Payments Services, Fedwire® Funds Service and the National Settlement Service* (Oct. 9, 2025); Federal Reserve, *Federal Reserve Action to Expand Fedwire® Funds Service and National Settlement Service Operating Hours*, 90 Fed. Reg. 52490 (Nov. 17, 2025). The National Settlement Service provides multilateral settlement to depository institutions with Federal Reserve Bank master accounts, and the Federal Reserve has announced expansion of Fedwire and NSS operating days and hours.

[1092] Liao & Caramichael, *Stablecoins: Growth Potential and Impact on Banking*, supra note 1090; Wang, *Banks in the Age of Stablecoins*, supra note 1090; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, *Report on Stablecoins* 12–18 (Nov. 2021). These sources support the conclusion that stablecoin reserve composition may affect bank deposits, Treasury markets, liquidity, and short-term funding depending on how reserves are allocated.

[1093] President's Working Group on Financial Markets, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (Jan. 2022). The PWG report identifies concerns from increased stablecoin use as a means of payment, including destabilizing runs, payment-system disruption, and gaps in regulatory authority.

[1094] 12 U.S.C. § 225a; 42 U.S.C. § 5195c(e); Presidential Policy Directive/PPD-21, *Critical Infrastructure Security and Resilience* (Feb. 12, 2013); National Security Memorandum/NSM-22, *Critical Infrastructure Security and Resilience* (Apr. 30, 2024); U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan* 1–4 (2024). These authorities support evaluating monetary, payment, banking, liquidity, and financial-services continuity as system-stability concerns rather than isolated private-market issues.

[1095] Federal Reserve Bank of St. Louis, FRED, *Inflation, Consumer Prices for the United States* [FPCPITOTLZGUSA], World Bank via FRED; Board of Governors of the Federal Reserve System, *Monetary Policy Report* (2025); 12 U.S.C. § 225a. The FRED series reports annual consumer-price inflation and shows both historical high-inflation periods and the post-2020

inflation resurgence.
[1096] 12 U.S.C. § 225a; Board of Governors of the Federal Reserve System, *Implementing Monetary Policy in an "Ample Reserves" Regime: The Basics* (FEDS Notes, July 1, 2020); Federal Reserve Bank of St. Louis, *How the Fed Implements Monetary Policy with Its Tools*. These sources support the proposition that the Federal Reserve's policy tools operate through interest rates, reserve balances, open-market operations, and broader financial conditions.
[1097] U.S. Bureau of Labor Statistics, *Consumer Price Index for All Urban Consumers: Purchasing Power of the Consumer Dollar in U.S. City Average* [CUUR0000SA0R], retrieved from FRED, Federal Reserve Bank of St. Louis. The FRED purchasing-power series shows the long-run decline in the consumer dollar's purchasing power as the price level rises.
[1098] 31 U.S.C. § 5103; 12 U.S.C. § 411; IRS Notice 2014-21, 2014-16 I.R.B. 938; President's Working Group on Financial Markets, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (Jan. 2022).
[1099] U.S. Dep't of the Treasury, *Final Monthly Treasury Statement of Receipts and Outlays of the United States Government for Fiscal Year 2025* (Sept. 2025); U.S. Treasury Fiscal Data, *Government Revenue* and *Federal Spending* data summaries for FY 2025. Treasury Fiscal Data reports that in FY 2025 the federal government spent $7.01 trillion and recorded a deficit of approximately $1.78 trillion.
[1100] 31 U.S.C. §§ 321, 3301, 3302; 31 C.F.R. pts. 203, 206; Treasury Financial Manual, Vol. I, pt. 6, ch. 8000, *Cash Management*; U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan* 1–4 (2024). These authorities support the relevance of Treasury cash-flow management, federal receipt collection, and financial-services continuity to public fiscal stability.
[1101] Figure 17 is derived from U.S. Dep't of the Treasury, *Historical Debt Outstanding*; Office of Management and Budget, *Historical Tables*; Federal Reserve Bank of St. Louis, FRED; Congressional Research Service materials; and comparative indexing using 1980 as the baseline year. The figure is used as a composite visual baseline for fiscal magnitude, federal deficit movement, and system-coupling interpretation.
[1102] Board of Governors of the Federal Reserve System, *Financial Stability Report* (Nov. 2025); U.S. Dep't of the Treasury, *Final Monthly Treasury Statement* (FY 2025); Federal Reserve Bank of St. Louis, FRED, inflation and purchasing-power series; Congressional Research Service fiscal and debt materials. These sources collectively support the interpretation that inflation, deficits, debt-service exposure, liquidity conditions, and monetary-policy tightening interact within the current system-stability environment.
[1103] Gordon Y. Liao & John Caramichael, *Stablecoins: Growth Potential and Impact on Banking*, International Finance Discussion Papers No. 1334, Board of Governors of the Federal Reserve System (Jan. 2022); Jessie Jiaxu Wang, *Banks in the Age of Stablecoins: Some Possible Implications for Deposits, Credit, and Financial Intermediation*, FEDS Notes, Board of Governors of the Federal Reserve System (Dec. 17, 2025); President's Working Group et al., *Report on Stablecoins* 12–18 (Nov. 2021). These sources support the conclusion that stablecoin adoption, reserve placement, deposit flows, credit intermediation, and short-term funding conditions may interact depending on adoption scale and reserve structure.
[1104] President's Working Group on Financial Markets, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021);

Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (Jan. 2022); 31 U.S.C. § 5103. These sources support the distinction between stablecoin payment usefulness, dollar reference, and the separate legal status of U.S. legal tender.

[1105] 12 U.S.C. § 5322(a)(1)–(2) (directing the Financial Stability Oversight Council to identify risks to U.S. financial stability and respond to emerging threats); Financial Stability Oversight Council, *2024 Annual Report* 1–4, 150–55 (2024); President's Working Group et al., *Report on Stablecoins*, supra note 1104. These authorities support evaluating large-scale stablecoin adoption as a financial-stability issue rather than merely a payments issue.

[1106] François Carapella et al., *Stablecoins in 2025: Developments and Financial Stability Implications*, FEDS Notes, Board of Governors of the Federal Reserve System (Apr. 8, 2026); President's Working Group et al., *Report on Stablecoins*, supra note 1104. Federal Reserve analysis identifies stablecoin growth, reserve composition, adoption patterns, and financial-stability implications, including the relationship between safer, more liquid reserves and lower run risk.

[1107] President's Working Group et al., *Report on Stablecoins*, supra note 1104, at 12–18; Board of Governors of the Federal Reserve System, *Financial Stability Report* (May 2026); Financial Stability Oversight Council, *2024 Annual Report*, supra note 1105. These sources identify run risk, payment-system disruption, and financial-stability concerns associated with increased stablecoin use as a means of payment.

[1108] President's Working Group et al., *Report on Stablecoins*, supra note 1104, at 12–18; Financial Stability Oversight Council, *2024 Annual Report*, supra note 1105; Board of Governors of the Federal Reserve System, *Financial Stability Report* (May 2026). These sources support the concern that rapid reserve liquidation may transmit stress into short-term funding markets or payment infrastructure.

[1109] Rashad Ahmed & Iñaki Aldasoro, *Stablecoins and Safe Asset Prices*, BIS Working Papers No. 1270 (June 2025); Gordon Y. Liao & John Caramichael, *Stablecoins: Growth Potential and Impact on Banking*, International Finance Discussion Papers No. 1334, Board of Governors of the Federal Reserve System (Jan. 2022); Jessie Jiaxu Wang, *Banks in the Age of Stablecoins: Some Possible Implications for Deposits, Credit, and Financial Intermediation*, FEDS Notes, Board of Governors of the Federal Reserve System (Dec. 17, 2025). These sources support the conclusion that stablecoin reserve demand and reserve allocation may affect Treasury-bill markets, bank deposits, and credit intermediation.

[1110] 12 C.F.R. pts. 50, 249; Board of Governors of the Federal Reserve System, *Financial Stability Report* (May 2026); Financial Stability Oversight Council, *2024 Annual Report*, supra note 1105; President's Working Group et al., *Report on Stablecoins*, supra note 1104. These authorities support the relevance of liquidity stress, short-term funding markets, and high-quality liquid assets to the stablecoin reserve-risk analysis.

[1111] President's Working Group et al., *Report on Stablecoins*, supra note 1104, at 12–18; Board of Governors of the Federal Reserve System, *Money and Payments*, supra note 1104; Carapella et al., *Stablecoins in 2025*, supra note 1106. These sources support the importance of reserve transparency, redemption confidence, and public trust in stablecoin stability.

[1112] President's Working Group et al., *Report on Stablecoins*, supra note 1104, at 12–18; Financial Stability Oversight Council, *2024 Annual Report*, supra note 1105; 12 U.S.C. § 5322(a). These authorities support the concern that private issuer governance, redemption capacity, operational

resilience, and regulatory gaps may become financial-stability concerns when payment use scales.

[1113] Financial Stability Oversight Council, *2024 Annual Report*, supra note 1105; President's Working Group et al., *Report on Stablecoins*, supra note 1104; Ahmed & Aldasoro, *Stablecoins and Safe Asset Prices*, supra note 1109; Liao & Caramichael, *Stablecoins: Growth Potential and Impact on Banking*, supra note 1109. These sources support monitoring issuer concentration, reserve concentration, Treasury exposure, market depth, liquidity mismatch, and cross-platform contagion as threshold conditions for stablecoin systemic relevance.

[1114] Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; Trading with the Enemy Act, 50 U.S.C. §§ 4301–4341; 31 C.F.R. ch. V; FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021). These authorities establish that virtual-currency value movement may implicate BSA, sanctions, money-transmission, and compliance obligations.

[1115] FinCEN, FIN-2019-G001, supra note 1114; 31 C.F.R. § 1010.100(ff); 31 C.F.R. pt. 1022; FinCEN, *Advisory on Illicit Activity Involving Convertible Virtual Currency*, FIN-2019-A003 (May 9, 2019). These sources support the role of regulated intermediaries, money transmitters, customer identification, recordkeeping, monitoring, and reporting in virtual-currency compliance architecture.

[1116] U.S. Dep't of the Treasury, *2024 National Money Laundering Risk Assessment* (Feb. 2024); U.S. Dep't of the Treasury, *2024 National Terrorist Financing Risk Assessment* (Feb. 2024); U.S. Dep't of the Treasury, *Illicit Finance Risk Assessment of Decentralized Finance* (Apr. 2023). These sources identify illicit-finance risks involving virtual assets, DeFi services, cross-border movement, mixers, chain hopping, and attribution challenges.

[1117] OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 1114; 31 C.F.R. ch. V; 50 U.S.C. §§ 1701–1708. OFAC guidance emphasizes that sanctions compliance obligations apply to virtual-currency transactions and encourages screening, geolocation controls, transaction monitoring, and risk-based compliance for the virtual-currency industry.

[1118] OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 1114; U.S. Dep't of the Treasury, *2024 National Money Laundering Risk Assessment*, supra note 1116; FinCEN, FIN-2019-A003, supra note 1115. These authorities support the concern that address-based compliance can be stressed where illicit actors rotate addresses, layer transactions, or move through multiple services.

[1119] U.S. Dep't of the Treasury, *Illicit Finance Risk Assessment of Decentralized Finance* (Apr. 2023); U.S. Dep't of the Treasury, *2024 National Money Laundering Risk Assessment*, supra note 1116; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*, supra note 1114. Treasury identifies DeFi, mixers, and other obfuscation tools as relevant illicit-finance risk vectors.

[1120] FinCEN, *Advisory on Ransomware and the Use of the Financial System to Facilitate Ransom Payments*, FIN-2021-A004 (Nov. 8, 2021); OFAC, *Updated Advisory on Potential Sanctions Risks for Facilitating Ransomware Payments* (Sept. 21, 2021); FinCEN, *Ransomware Trends in Bank Secrecy Act Data* reports. These sources support the concern that virtual assets may be used in ransomware payment and laundering pathways.

[1121] U.S. Dep't of the Treasury, *2024 National Terrorist Financing Risk Assessment* (Feb. 2024); U.S. Dep't of the Treasury, *2024 National Money Laundering Risk Assessment*, supra note 1116; FinCEN, FIN-2019-A003, supra note 1115. These sources support the concern that virtual assets can be exploited for cross-border illicit finance, including terrorist-finance exposure.
[1122] Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. § 1010.100(ff); 31 C.F.R. pt. 1022; FinCEN, FIN-2019-G001, supra note 1114; U.S. Dep't of the Treasury, *Illicit Finance Risk Assessment of Decentralized Finance*, supra note 1119. These authorities support the distinction between regulated money-transmission activity and harder-to-monitor unhosted or decentralized pathways.
[1123] U.S. Dep't of the Treasury, *2024 National Money Laundering Risk Assessment*, supra note 1116; U.S. Dep't of the Treasury, *Illicit Finance Risk Assessment of Decentralized Finance*, supra note 1119; FinCEN, FIN-2021-A004, supra note 1120. These sources support the concern that enforcement may require chain analytics, off-chain corroboration, exchange records, subpoenas, warrants, foreign cooperation, and after-the-fact reconstruction.
I kept the original citation numbers and authorities intact, then added appropriate **U.S. Department of State** anchors for economic statecraft, sanctions coordination, money-laundering visibility, and digital-policy infrastructure. The State Department additions are grounded in sanctions/economic statecraft materials, U.S.-UK sanctions dialogue materials, the 2025 INCSR Volume II on money laundering, and the U.S. International Cyberspace and Digital Policy Strategy.
[1124] Board of Governors of the Federal Reserve System, *The International Role of the U.S. Dollar — 2025 Edition* (FEDS Notes, July 18, 2025); International Monetary Fund, *Currency Composition of Official Foreign Exchange Reserves* (COFER); U.S. Dep't of State, Bureau of Economic and Business Affairs, *Smart Sanctions: Confronting Security Threats with Economic Statecraft* (July 25, 2012). These sources support the continuing global dominance of the U.S. dollar in official reserves and international monetary use, while also documenting long-run diversification at the margins and the foreign-policy relevance of financial-system leverage.
[1125] U.S. Dep't of the Treasury, *2024 National Money Laundering Risk Assessment*; U.S. Dep't of the Treasury, *2024 National Terrorist Financing Risk Assessment*; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); U.S. Dep't of State, *2025 International Narcotics Control Strategy Report, Volume II: Money Laundering* (Mar. 2025). These sources support the relevance of payment channels, financial visibility, sanctions screening, regulated intermediaries, and cross-border illicit-finance monitoring to U.S. enforcement architecture.
[1126] Bank for International Settlements, Committee on Payments and Market Infrastructures, *Enhancing Cross-Border Payments: Building Blocks of a Global Roadmap* (2020); Financial Stability Board, *G20 Roadmap for Enhancing Cross-Border Payments*; Reuters, reporting on BIS-led Project Agora and China-linked mBridge developments; Atlantic Council, analysis of local-currency cross-border payment initiatives; U.S. Dep't of State, *United States International Cyberspace and Digital Policy Strategy* (May 2024). These sources support the proposition that cross-border payment modernization, CBDC interoperability, digital-policy coordination, and alternative settlement rails are becoming strategically relevant.
[1127] 31 U.S.C. §§ 5311–5336; 50 U.S.C. §§ 1701–1708; 31 C.F.R. ch. V; OFAC, *Framework for OFAC Compliance Commitments* (2019); OFAC, *Sanctions Compliance Guidance for the Virtual*

Currency Industry (2021); U.S. Dep't of State, *Smart Sanctions: Confronting Security Threats with Economic Statecraft* (July 25, 2012); U.S. Dep't of State, *Inaugural U.S.-UK Strategic Sanctions Dialogue* (July 20, 2023). These authorities support the role of U.S.-regulated financial infrastructure, sanctions compliance, allied sanctions coordination, and dollar-clearing visibility in national-security enforcement.

[1128] Bank for International Settlements, *Project mBridge* materials; Bank for International Settlements, *Project Agora* materials; Financial Stability Board, cross-border payments roadmap materials; Atlantic Council, 2026 analysis of local-currency cross-border payment initiatives; U.S. Dep't of State, *United States International Cyberspace and Digital Policy Strategy* (May 2024). These sources support the existence of official and policy-facing efforts to modernize cross-border payment channels through tokenized settlement, CBDC interoperability, local-currency payment systems, and digital-policy cooperation.

[1129] BRICS public materials and policy reporting concerning BRICS Pay and local-currency settlement; Reuters reporting on mBridge and cross-border CBDC platforms; Atlantic Council, reporting on BRICS local-currency payment initiatives; U.S. Dep't of State, *United States International Cyberspace and Digital Policy Strategy* (May 2024). These sources support the distinction between a single supranational BRICS currency and more plausible near-term payment interoperability, local-currency settlement corridors, and digital financial infrastructure coordination.

[1130] International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; 31 C.F.R. ch. V; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*; U.S. Dep't of the Treasury, *2024 National Money Laundering Risk Assessment*; U.S. Dep't of the Treasury, *Illicit Finance Risk Assessment of Decentralized Finance* (Apr. 2023); U.S. Dep't of State, *Inaugural U.S.-UK Strategic Sanctions Dialogue* (July 20, 2023); U.S. Dep't of State, *2025 International Narcotics Control Strategy Report, Volume II: Money Laundering* (Mar. 2025). These sources support the concern that alternative settlement channels may reduce traditional chokepoint visibility while increasing reliance on post-transaction enforcement, allied sanctions coordination, illicit-finance monitoring, and analytics.

[1131] Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; FinCEN, FIN-2019-G001; FinCEN, *Advisory on Illicit Activity Involving Convertible Virtual Currency*, FIN-2019-A003 (May 9, 2019); U.S. Treasury illicit-finance risk assessments; U.S. Dep't of State, *2025 International Narcotics Control Strategy Report, Volume II: Money Laundering* (Mar. 2025). These sources support the importance of correspondent banking, regulated intermediaries, customer due diligence, reporting, transaction monitoring, and international financial-crime visibility to financial-intelligence architecture.

[1132] Bank for International Settlements, *Project Agora* materials; Bank for International Settlements, *Project mBridge* materials; Financial Stability Board, *G20 Roadmap for Enhancing Cross-Border Payments*; Federal Reserve, *The International Role of the U.S. Dollar — 2025 Edition*; U.S. Dep't of State, *United States International Cyberspace and Digital Policy Strategy* (May 2024); U.S. Dep't of State, *2025 International Narcotics Control Strategy Report, Volume II: Money Laundering* (Mar. 2025). These sources support the conclusion that alternative payment architectures may increase speed and interoperability within corridors while raising governance, legal-finality, financial-crime visibility, diplomatic coordination, and fragmentation questions across corridors.

[1133] 42 U.S.C. § 5195c(e); Presidential Policy Directive/PPD-21, *Critical Infrastructure Security*

and Resilience (Feb. 12, 2013); National Security Memorandum/NSM-22, *Critical Infrastructure Security and Resilience* (Apr. 30, 2024); CISA, *National Critical Functions Set*. These authorities support treating payment, clearing, settlement, banking, funding, liquidity, and financial-sector continuity as national critical-infrastructure concerns.

[1134] Board of Governors of the Federal Reserve System, *Financial Stability Report* (May 2026); Financial Stability Oversight Council, *2024 Annual Report*; U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan* (2025). These sources support the concern that rapid movement of funds, liquidity stress, interconnected financial infrastructure, and cross-sector dependencies may amplify stress during crisis conditions.

[1135] International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; 31 C.F.R. ch. V; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019). These authorities support the relevance of sanctions, emergency economic authority, AML/BSA monitoring, and virtual-currency compliance to capital-flow and crisis-control analysis.

[1136] 31 U.S.C. § 3332; 31 C.F.R. pt. 208; U.S. Dep't of the Treasury, Bureau of the Fiscal Service, federal payment and disbursement materials; DisasterAssistance.gov, *Convert Your Federal Benefit Check*. These sources support the proposition that federal payments and benefits are generally routed through electronic payment, direct deposit, Treasury-recognized mechanisms, or government-approved alternatives.

[1137] Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136 (2020); 26 U.S.C. §§ 3111, 3121, 3402, 3504; IRS, *Employment Tax* and payroll-reporting guidance; U.S. Dep't of the Treasury and IRS materials concerning payroll tax credits and employer relief programs. These authorities support the dependence of payroll relief and wage stabilization tools on identifiable employer, payroll, tax-reporting, and payment channels.

[1138] 12 U.S.C. §§ 1811, 1813(l), 1821, 1823(c)(4)(G), 1831o; 12 U.S.C. § 343(3); Federal Deposit Insurance Corporation, deposit-insurance and resolution materials; Board of Governors of the Federal Reserve System, emergency lending and financial stability materials. These authorities support the distinction between insured depository-institution support tools and non-bank wallet, stablecoin, or private payment ecosystems.

[1139] CISA, *National Critical Functions Set*; CISA, *Financial Services Sector*; U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan* (2025); Office of the Comptroller of the Currency, *Cybersecurity and Financial System Resilience Report* (2024). These sources support treating payment, clearing, settlement, consumer and commercial banking, funding, liquidity, and cyber resilience as interdependent financial critical-infrastructure functions.

[1140] President's Working Group on Financial Markets, FDIC, and OCC, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021); Financial Stability Oversight Council, *2024 Annual Report*; U.S. Dep't of the Treasury, *Illicit Finance Risk Assessment of Decentralized Finance* (Apr. 2023). These sources support the conclusion that stablecoin issuers, non-bank payment ecosystems, DeFi infrastructure, and private settlement arrangements may become financial-stability or resilience concerns if adoption scales.

[1141] CISA, *Financial Services Sector*; CISA, *Sector Risk Management Agencies*; U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan* (2025). These sources identify Treasury as the Sector Risk Management Agency for the Financial Services Sector and support the role of public-private coordination in maintaining financial-sector resilience.

[1142] Consumer Financial Protection Act, 12 U.S.C. §§ 5481–5603; Electronic Fund Transfer Act, 15 U.S.C. §§ 1693–1693r; 12 C.F.R. pt. 1005; U.C.C. §§ 1-201(b)(24), 3-311, 4A-204, 4A-211, 12-102(a)(1), 12-104 (model provisions; state enactments may vary); *AT&T Mobility LLC v. Concepcion*, 563 U.S. 333 (2011); *Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc.*, 473 U.S. 614 (1985); *American Express Co. v. Italian Colors Restaurant*, 570 U.S. 228 (2013). These authorities support the distinction among consumer financial protections, electronic fund transfers, private-law settlement, controllable electronic records, legal/commercial finality, and the possibility that practical consumer remedies may be shaped or narrowed by platform terms, arbitration agreements, forum selection, or contract architecture.

[1143] Consumer Financial Protection Bureau, *An Analysis of Consumer Complaints Related to Crypto-Assets* (Nov. 2022); CFPB, *CFPB Publishes New Bulletin Analyzing Rise in Crypto-Asset Complaints* (Nov. 10, 2022); Federal Trade Commission, *Cryptocurrency and Scams* consumer guidance; *AT&T Mobility LLC v. Concepcion*, 563 U.S. 333 (2011); *American Express Co. v. Italian Colors Restaurant*, 570 U.S. 228 (2013). These sources support the public-facing concern that crypto-asset users report fraud, theft, scams, transaction problems, frozen accounts, and lost access, while also supporting the legal concern that available remedies may be practically affected by contractual dispute-resolution structures.

[1144] Electronic Fund Transfer Act, 15 U.S.C. §§ 1693–1693r; 12 C.F.R. pt. 1005; 12 C.F.R. § 1005.11; CFPB, *Electronic Fund Transfers (Regulation E)*; *AT&T Mobility LLC v. Concepcion*, 563 U.S. 333 (2011). Regulation E establishes disclosure, liability, cancellation, and error-resolution protections for covered electronic fund transfers, illustrating the kind of consumer-protection architecture that may not map cleanly onto all crypto payment pathways, especially where platform terms, arbitration provisions, or non-intermediated settlement structures alter practical access to relief.

[1145] U.C.C. Article 4A, including §§ 4A-204, 4A-207, 4A-211, 4A-212, 4A-305; U.C.C. Article 12, including §§ 12-102(a)(1), 12-104; Restatement (Second) of Contracts §§ 152–154, 278–281; *Banque Worms v. BankAmerica International*, 77 N.Y.2d 362 (1991); *Grain Traders, Inc. v. Citibank, N.A.*, 160 F.3d 97 (2d Cir. 1998). These authorities support analysis of funds-transfer error, mistaken payment instructions, intermediary liability, restitution, substituted performance, commercial-law recognition, and digital-asset transfer consequences where technical movement of value does not automatically resolve responsibility for a failed or misdirected payment.

[1146] IRS Notice 2014-21, 2014-16 I.R.B. 938; IRS, *Digital Assets*; IRS, *Frequently Asked Questions on Virtual Currency Transactions*; 26 U.S.C. §§ 3101, 3111, 3121, 3301, 3401–3402, 6041, 6051; *Brooklyn Savings Bank v. O'Neil*, 324 U.S. 697 (1945); *Barrentine v. Arkansas-Best Freight System, Inc.*, 450 U.S. 728 (1981). These authorities support the treatment of digital assets as property rather than currency for federal tax purposes, the dollar-measurement of compensation and wage-reporting obligations, and the principle that statutory wage protections and public-law labor rights cannot be casually displaced by private agreement or payment-medium choice.

[1147] CFPB, *An Analysis of Consumer Complaints Related to Crypto-Assets*, supra note 1143; Federal Trade Commission, *Cryptocurrency and Scams*; Federal Deposit Insurance Corporation, *Deposit Insurance FAQs*; 12 U.S.C. §§ 1811, 1813(l), 1821; *AT&T Mobility LLC v. Concepcion*, 563 U.S. 333 (2011); *American Express Co. v. Italian Colors Restaurant*, 570 U.S. 228 (2013). These sources support the distinction between account-recovery/deposit-insurance protections and crypto custody, key-loss, frozen-account, and access-risk complaints, while also supporting

the concern that practical recovery may depend on platform contracts, arbitration mechanisms, or private remedial design rather than traditional account-recovery architecture.

[1148] Restatement (Second) of Contracts §§ 152–154, 164, 175–177, 205, 208, 237, 278–281; U.C.C. §§ 1-304, 2-302; U.C.C. Article 12; *Williams v. Walker-Thomas Furniture Co*., 350 F.2d 445 (D.C. Cir. 1965); *Sherwood v. Walker*, 66 Mich. 568 (1887); *Laidlaw v. Organ*, 15 U.S. (2 Wheat.) 178 (1817). These authorities support the proposition that automated execution may not resolve legal questions involving mistake, fraud, duress, unconscionability, good faith, failure of consideration, substituted performance, information asymmetry, or digital-asset control.

[1149] Uniform Law Commission & American Law Institute, *2022 Amendments to the Uniform Commercial Code*; U.C.C. Article 12, including §§ 12-102(a)(1), 12-104; U.C.C. §§ 1-201(b)(24), 9-102(a)(42), 9-105A; U.C.C. Article 4A, including §§ 4A-204, 4A-207, 4A-211, 4A-212; *Banque Worms v. BankAmerica International*, 77 N.Y.2d 362 (1991); *Grain Traders, Inc. v. Citibank, N.A.*, 160 F.3d 97 (2d Cir. 1998). These authorities support the emergence of controllable electronic records and the need for commercial-law treatment of digital-asset control, transfer, mistaken instructions, intermediary responsibility, and settlement-finality assumptions.

[1150] IRS Notice 2014-21; IRS digital-asset guidance; U.C.C. §§ 2-305, 2-601, 2-602, 2-711; Restatement (Second) of Contracts §§ 261–272; *Transatlantic Financing Corp. v. United States*, 363 F.2d 312 (D.C. Cir. 1966); *Eastern Air Lines, Inc. v. Gulf Oil Corp*., 415 F. Supp. 429 (S.D. Fla. 1975). These authorities support merchant-pricing, refund, rejection, nonconformity, impracticability, commercial reasonableness, and valuation issues where crypto payment introduces volatility, conversion cost, fee exposure, changed market conditions, or settlement risk.

[1151] CFPB, *An Analysis of Consumer Complaints Related to Crypto-Assets*, supra note 1143; CFPB, *Electronic Fund Transfers (Regulation E)*; U.C.C. Article 12; FinCEN, FIN-2019-G001; state money-transmission laws; *AT&T Mobility LLC v. Concepcion*, 563 U.S. 333 (2011); *Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc*., 473 U.S. 614 (1985); *American Express Co. v. Italian Colors Restaurant*, 570 U.S. 228 (2013). These authorities support the conclusion that consumer remedies may vary by platform, wallet, custody model, jurisdiction, regulatory status, contract terms, arbitration provisions, statutory forum, and private dispute-resolution architecture.

[1152] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (Jan. 2022); President's Working Group on Financial Markets, FDIC, and OCC, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021); Banking Act of 1933, Pub. L. No. 73-66, 48 Stat. 162; Federal Deposit Insurance Corporation, *A Brief History of Deposit Insurance in the United States* 1–5 (1998). These authorities support the distinction between private payment adoption, public monetary authority, legal tender, and the policy risk of stablecoin or digital-payment systems becoming widely used before sovereign design is complete. The FDIC precedent further illustrates that private financial dependency and public confidence pressure may produce later congressional normalization of stabilizing public architecture.

[1153] IRS Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); U.C.C. Article 12; Electronic Fund Transfer Act, Pub. L. No. 95-630, tit. XX, 92 Stat. 3641, 3728

(1978), codified at 15 U.S.C. §§ 1693–1693r; 12 C.F.R. pt. 1005. These authorities support the proposition that private digital assets may be taxed, regulated, screened, recognized commercially, or used in payment-like settings without becoming lawful money or legal tender. The EFTA/Regulation E precedent illustrates that widespread private payment behavior may later require federal consumer-protection architecture without converting the payment instrument into sovereign money.

[1154] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421 (1884); *Norman v. Baltimore & Ohio R.R. Co.*, 294 U.S. 240 (1935); *Perry v. United States*, 294 U.S. 330 (1935); Federal Reserve History, *Emergency Banking Act of 1933*; Emergency Banking Act, Pub. L. No. 73-1, 48 Stat. 1 (1933). These authorities support Congress's constitutional monetary authority, federal legal-tender status, Federal Reserve notes as obligations of the United States, and the sovereign character of national monetary policy. The Emergency Banking Act precedent illustrates that financial crisis pressure may require congressional action, but monetary authority remains constitutionally and statutorily grounded.

[1155] 31 U.S.C. § 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421 (1884); *Knox v. Lee*, 79 U.S. (12 Wall.) 457 (1871); *Norman v. Baltimore & Ohio R.R. Co.*, 294 U.S. 240 (1935); Banking Act of 1933, Pub. L. No. 73-66, 48 Stat. 162; Federal Deposit Insurance Corporation, *Historical Timeline*. These authorities support the legal distinction between legal-tender status and private acceptance of non-legal-tender instruments. The deposit-insurance precedent reinforces that Congress may create stabilizing legal architecture around financial reliance without treating every private claim or private payment instrument as legal tender.

[1156] IRS Notice 2014-21, 2014-16 I.R.B. 938; IRS, *Digital Assets*; IRS, *Frequently Asked Questions on Virtual Currency Transactions*; 26 U.S.C. §§ 61, 3101, 3111, 3121, 3301, 3401–3402, 6041, 6051, 6050W; Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); Margot L. Crandall-Hollick, *Summary of the 2020 Recovery Rebates in the CARES Act*, Congressional Research Service, IN11268 (Mar. 23, 2020). These authorities support the treatment of virtual currency as property for federal tax purposes, dollar-denominated valuation, wage measurement, employment-tax obligations, information reporting, and public-revenue translation. The CARES Act precedent illustrates that public fiscal delivery systems may need to adapt rapidly when civic and commercial dependency produces emergency pressure.

[1157] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 5 U.S.C. § 706; *Motor Vehicle Manufacturers Ass'n v. State Farm Mutual Automobile Insurance Co.*, 463 U.S. 29 (1983); *Loper Bright Enterprises v. Raimondo*, 603 U.S. ___ (2024); Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010); Baird Webel, *The Dodd-Frank Wall Street Reform and Consumer Protection Act: Issues and Summary*, Congressional Research Service, R41350 (July 29, 2010). These authorities support the proposition that monetary recognition and regulatory accommodation should arise through lawful authority, reasoned decision-making, and statutory grounding rather than informal market pressure or agency drift. Dodd-Frank illustrates congressional normalization of public architecture after private financial innovation and systemic interconnection produced crisis pressure.

[1158] IRS Notice 2014-21; FinCEN, FIN-2019-G001; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*; *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946); *Reves v. Ernst & Young*, 494 U.S. 56 (1990); *CFTC v. McDonnell*, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); U.C.C. Article 12; USA PATRIOT Act, Pub. L. No. 107-56, 115 Stat. 272 (2001); Charles Doyle, *The*

USA PATRIOT Act: A Legal Analysis, Congressional Research Service, RL31377 (Apr. 15, 2002). These authorities support the conclusion that digital assets may be treated differently across tax, AML/BSA, sanctions, securities, commodities, and commercial-law regimes before Congress supplies comprehensive monetary-closure clarity. The PATRIOT Act precedent illustrates congressional expansion of public enforcement architecture after national-security pressure exposed financial-visibility and terrorism-finance gaps.

[1159] 31 U.S.C. § 5103; 31 U.S.C. §§ 321, 3301–3302; 31 C.F.R. pts. 203, 206; Treasury Financial Manual, Vol. I, pt. 6, ch. 8000, *Cash Management*; IRS Notice 2014-21; FinCEN, FIN-2019-G001; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*; President's Working Group on Financial Markets, FDIC, and OCC, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021); GENIUS Act, S. 1582, 119th Cong. (2025); CLARITY Act, H.R. 3633, 119th Cong. (2025). These authorities support the public-obligation concern that acceptance of private crypto instruments for taxes, dues, fees, or public disbursements implicates Treasury cash management, tax administration, AML/BSA monitoring, sanctions compliance, and legal-tender closure. The stablecoin legislative precedent illustrates that private adoption and market growth can create pressure for Congress to clarify, integrate, restrict, or accommodate digital payment architecture.

[1160] Financial Stability Oversight Council, *2024 Annual Report*; President's Working Group on Financial Markets, FDIC, and OCC, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021); Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (Jan. 2022). These sources support phased analysis of digital-payment adoption, stablecoin growth, payment-system risk, reserve concerns, and financial-stability implications.

[1161] 12 U.S.C. § 5322(a)(1)–(2); Financial Stability Oversight Council, *2024 Annual Report*; 42 U.S.C. § 5195c(e); PPD-21; NSM-22; CISA, *National Critical Functions Set*. These authorities support evaluating private payment rails by scale, dependency, concentration, critical-function reliance, and emerging threats to financial stability or national economic security.

[1162] IRS Notice 2014-21, 2014-16 I.R.B. 938; IRS, *Digital Assets*; IRS, *Frequently Asked Questions on Virtual Currency Transactions*; CFPB, *An Analysis of Consumer Complaints Related to Crypto-Assets* (Nov. 2022); FTC, *Cryptocurrency and Scams*. These sources support Phase I risks involving valuation, basis tracking, tax consequences, consumer confusion, fraud, scams, and loss complaints.

[1163] FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); 26 U.S.C. §§ 3101, 3111, 3121, 3401–3402, 6041, 6051, 6050W; Electronic Fund Transfer Act, 15 U.S.C. §§ 1693–1693r; 12 C.F.R. pt. 1005. These authorities support Phase II risks involving commercial adoption, payroll-tax complexity, reporting burden, AML/BSA pressure, sanctions screening, and consumer-remedy gaps.

[1164] President's Working Group et al., *Report on Stablecoins*, supra note 1160; Gordon Y. Liao & John Caramichael, *Stablecoins: Growth Potential and Impact on Banking*, International Finance Discussion Papers No. 1334, Board of Governors of the Federal Reserve System (Jan. 2022); Board of Governors of the Federal Reserve System, *The International Role of the U.S. Dollar — 2025 Edition*; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*. These sources support Phase III risks involving bank deposit displacement, stablecoin reserve effects, dollar-centrality pressure, sanctions gaps, remittance reliance, and issuer concentration.

[1165] Financial Stability Oversight Council, *2024 Annual Report*; Board of Governors of the Federal Reserve System, *Financial Stability Report* (May 2026); CISA, *National Critical Functions Set*; U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan*; Uniform Law Commission & American Law Institute, *2022 Amendments to the Uniform Commercial Code*. These sources support Phase IV risks involving systemic dependency, stablecoin runs, Treasury-market feedback, payment disruption, cyber-payment incidents, legal finality, and consumer-remedy fragmentation.

[1166] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421 (1884); *Norman v. Baltimore & Ohio R.R. Co.*, 294 U.S. 240 (1935); IRS Notice 2014-21; FinCEN, FIN-2019-G001; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*; GENIUS Act, S. 1582, 119th Cong. (2025); CLARITY Act, H.R. 3633, 119th Cong. (2025). These authorities support Phase V risks involving sovereign response, legal-tender recognition, public-obligation treatment, regulatory integration, digital-asset market-structure pressure, and constitutional monetary authority.

[1167] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010); USA PATRIOT Act, Pub. L. No. 107-56, 115 Stat. 272 (2001); CARES Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); Electronic Fund Transfer Act, Pub. L. No. 95-630, tit. XX, 92 Stat. 3641, 3728 (1978); Banking Act of 1933, Pub. L. No. 73-66, 48 Stat. 162. These legislative precedents support the proposition that Congress has historically normalized public architecture after private-market dependency, crisis pressure, civic disruption, or technological adoption exposed systemic gaps.

[1168] 12 U.S.C. § 5322(a)(1)–(2); Financial Stability Oversight Council, *2024 Annual Report*; Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (Jan. 2022); President's Working Group on Financial Markets, FDIC, and OCC, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021). These authorities support using scale, adoption, concentration, payment-system relevance, and financial-stability monitoring to identify when digital-payment activity becomes systemically relevant.

[1169] Financial Stability Oversight Council, *2024 Annual Report*; 42 U.S.C. § 5195c(e); PPD-21; NSM-22; CISA, *National Critical Functions Set*; U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan*. These authorities support monitoring private payment rails by dependency, concentration, critical-function reliance, continuity risk, and national economic security exposure.

[1170] IRS Notice 2014-21, 2014-16 I.R.B. 938; IRS, *Digital Assets*; IRS, *Frequently Asked Questions on Virtual Currency Transactions*; 26 U.S.C. §§ 3101, 3111, 3121, 3301, 3401–3402, 6041, 6051; *Brooklyn Savings Bank v. O'Neil*, 324 U.S. 697 (1945); *Barrentine v. Arkansas-Best Freight System, Inc.*, 450 U.S. 728 (1981). These authorities support monitoring crypto wage payment, dollar-denominated wage measurement, employment-tax withholding, information reporting, and preservation of public-law wage protections.

[1171] 12 U.S.C. §§ 1811, 1813(l), 1831o; Federal Deposit Insurance Corporation, *Quarterly Banking Profile*; Gordon Y. Liao & John Caramichael, *Stablecoins: Growth Potential and Impact on Banking*, International Finance Discussion Papers No. 1334, Board of Governors of the Federal Reserve System (Jan. 2022); Jessie Jiaxu Wang, *Banks in the Age of Stablecoins: Some Possible Implications for Deposits, Credit, and Financial Intermediation*, FEDS Notes, Board of Governors of the Federal Reserve System (Dec. 17, 2025). These sources support monitoring merchant-receipt migration, bank-deposit displacement, credit-intermediation pressure, and

deposit-based liquidity visibility.

[1172] President's Working Group et al., *Report on Stablecoins*, supra note 1168; Board of Governors of the Federal Reserve System, *Money and Payments*, supra note 1168; Financial Stability Oversight Council, *2024 Annual Report*. These sources support monitoring stablecoin payment share, issuer reserves, redemption capacity, payment-system relevance, and private payment substitution.

[1173] 26 U.S.C. §§ 3101, 3111, 3121, 3301, 3401–3402, 6041, 6051; IRS Notice 2014-21; IRS digital-asset guidance; Department of Labor wage-and-hour principles; *Brooklyn Savings Bank*, supra note 1170. These authorities support monitoring payroll-provider migration, wage reporting, withholding, payroll-tax remittance, and labor-protection exposure.

[1174] IRS Notice 2014-21; IRS, *Digital Assets*; IRS, *Frequently Asked Questions on Virtual Currency Transactions*; 26 U.S.C. §§ 61, 6041, 6050W, 6050I; Treasury cash-management authorities, including 31 U.S.C. §§ 321, 3301–3302. These authorities support monitoring tax-remittance conversion volume, dollar valuation, information reporting, and Treasury revenue-closure dependency.

[1175] 12 U.S.C. §§ 1811, 1813(l), 1831o; FDIC, *Quarterly Banking Profile*; Liao & Caramichael, supra note 1171; Wang, supra note 1171. These sources support monitoring deposit migration into stablecoin wallets, bank funding effects, credit intermediation, and liquidity-supervision pressure.

[1176] President's Working Group et al., *Report on Stablecoins*, supra note 1168; Financial Stability Oversight Council, *2024 Annual Report*; Board of Governors of the Federal Reserve System, *Financial Stability Report*; Rashad Ahmed & Iñaki Aldasoro, *Stablecoins and Safe Asset Prices*, BIS Working Papers No. 1270 (June 2025). These sources support monitoring stablecoin reserve concentration, Treasury-bill exposure, redemption liquidity, and reserve-market feedback risk.

[1177] International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; 31 C.F.R. ch. V; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); U.S. Dep't of the Treasury, *2024 National Money Laundering Risk Assessment*; FinCEN, FIN-2019-G001. These authorities support monitoring OFAC-screened versus unhosted wallet settlement volume, sanctions screening, wallet attribution, and public enforcement visibility.

[1178] U.S. Dep't of the Treasury, *Illicit Finance Risk Assessment of Decentralized Finance* (Apr. 2023); U.S. Dep't of the Treasury, *2024 National Money Laundering Risk Assessment*; FinCEN, *Advisory on Illicit Activity Involving Convertible Virtual Currency*, FIN-2019-A003 (May 9, 2019); OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*. These sources support monitoring bridges, mixers, DeFi routers, cross-chain settlement, obfuscation tools, and enforcement-friction risk.

[1179] IRS Notice 2014-21; FinCEN, FIN-2019-G001; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*; 26 U.S.C. §§ 6041, 6050W, 6050I; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336. These authorities support monitoring the lag between private settlement and public reporting, tax remittance, AML/BSA monitoring, sanctions screening, and public closure.

[1180] President's Working Group et al., *Report on Stablecoins*, supra note 1168; Financial Stability Oversight Council, *2024 Annual Report*; Board of Governors of the Federal Reserve System, *Financial Stability Report*. These sources support monitoring issuer concentration, redemption dependency, reserve management, and private-governance concentration in payment-stablecoin markets.

[1181] CFPB, *An Analysis of Consumer Complaints Related to Crypto-Assets* (Nov. 2022); FTC,

Cryptocurrency and Scams; Electronic Fund Transfer Act, 15 U.S.C. §§ 1693–1693r; 12 C.F.R. pt. 1005; U.C.C. Articles 4A and 12. These authorities support monitoring failed transfers, refund disputes, wallet-access complaints, consumer-remedy gaps, and commercial-law finality disputes.

[1182] 42 U.S.C. § 5195c(e); PPD-21; NSM-22; CISA, *National Critical Functions Set*; CISA, *Financial Services Sector*; U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan*. These authorities support monitoring cyber incidents involving payment wallets, custodians, bridges, exchanges, stablecoin infrastructure, and private settlement rails as cyber-payment continuity risks.

[1183] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (Jan. 2022); President's Working Group on Financial Markets, FDIC, and OCC, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021). These authorities support the distinction between lawful private payment innovation, public monetary authority, legal tender, and the need for deliberate sovereign design.

[1184] IRS Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336. These sources support the proposition that private digital-asset activity may implicate tax, AML/BSA, sanctions, and reporting obligations without being presumed unlawful.

[1185] IRS Notice 2014-21; IRS, *Digital Assets*; 26 U.S.C. §§ 61, 3101, 3111, 3121, 3401–3402, 6041, 6051, 6050W; U.C.C. Articles 4A and 12; Electronic Fund Transfer Act, 15 U.S.C. §§ 1693–1693r; 12 C.F.R. pt. 1005. These authorities support the distinction between technical settlement, tax measurement, wage reporting, commercial finality, electronic-transfer protections, and practical legal remedy.

[1186] Financial Stability Oversight Council, *2024 Annual Report*; Federal Reserve Board, *Money and Payments*, supra note 1183; President's Working Group et al., *Report on Stablecoins*, supra note 1183; CISA, *National Critical Functions Set*. These sources support analyzing private payment systems by scale, dependency, payment-system relevance, financial-stability implications, and continuity exposure rather than by presumed motive.

[1187] Consumer Financial Protection Bureau, *An Analysis of Consumer Complaints Related to Crypto-Assets* (Nov. 2022); Federal Trade Commission, *Cryptocurrency and Scams*; U.S. Dep't of the Treasury, *Illicit Finance Risk Assessment of Decentralized Finance* (Apr. 2023); Financial Stability Oversight Council, *2024 Annual Report*. These sources support a balanced policy frame that recognizes both innovation benefits and risks involving consumer harm, illicit finance, reserve fragility, and systemic exposure.

[1188] 5 U.S.C. § 706; *Motor Vehicle Manufacturers Ass'n v. State Farm Mutual Automobile Insurance Co.*, 463 U.S. 29 (1983); *Loper Bright Enterprises v. Raimondo*, 603 U.S. ___ (2024); U.C.C. Article 12. These authorities support disciplined classification, reasoned decision-making, statutory grounding, and legal treatment based on function, authority, and evidence rather than policy rhetoric.

[1189] President's Working Group et al., *Report on Stablecoins*, supra note 1183; Federal Reserve Board, *Money and Payments*, supra note 1183; FinCEN, FIN-2019-G001; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*; U.C.C. Article 12. These sources support the value of clear legal architecture for lawful actors, including reserve expectations,

compliance design, payment treatment, and commercial-law predictability.

[1190] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421 (1884); *Knox v. Lee*, 79 U.S. (12 Wall.) 457 (1871); *Norman v. Baltimore & Ohio R.R. Co.*, 294 U.S. 240 (1935). These authorities support the distinction between congressional regulation of private instruments and sovereign legal-tender recognition.

[1191] IRS Notice 2014-21; FinCEN, FIN-2019-G001; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*; SEC v. W.J. Howey Co., 328 U.S. 293 (1946); Reves v. Ernst & Young, 494 U.S. 56 (1990); CFTC v. McDonnell, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); U.C.C. Article 12. These authorities support the conclusion that digital assets may be treated differently across tax, AML/BSA, sanctions, securities, commodities, and commercial-law regimes without implying that any single treatment supplies complete monetary closure.

[1192] IRS Notice 2014-21; FinCEN, FIN-2019-G001; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*; U.C.C. Article 12; 31 U.S.C. § 5103; Federal Reserve Board, *Money and Payments*, supra note 1183. These authorities support the proposition that private instruments may be taxed, regulated, screened, commercially recognized, or integrated into supervised systems without becoming legal tender or sovereign monetary instruments.

[1193] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 12 U.S.C. § 411; Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (Jan. 2022); President's Working Group on Financial Markets, FDIC, and OCC, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021). These authorities support the distinction between private payment functionality, sovereign monetary authority, legal tender, and public monetary closure.

[1194] IRS Notice 2014-21, 2014-16 I.R.B. 938; IRS, *Digital Assets*; 26 U.S.C. §§ 61, 3101, 3111, 3121, 3401–3402, 6041, 6051, 6050W; FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336. These authorities support the need for valuation, tax reporting, wage withholding, information reporting, AML/BSA monitoring, sanctions screening, and public-law attribution even where private settlement has occurred.

[1195] U.C.C. Articles 4A and 12; Electronic Fund Transfer Act, 15 U.S.C. §§ 1693–1693r; 12 C.F.R. pt. 1005; Consumer Financial Protection Bureau, *An Analysis of Consumer Complaints Related to Crypto-Assets* (Nov. 2022); Federal Trade Commission, *Cryptocurrency and Scams*. These authorities support the distinction between technical transfer, commercial finality, consumer remedy, electronic-transfer protections, and practical legal closure.

[1196] Financial Stability Oversight Council, *2024 Annual Report*; Board of Governors of the Federal Reserve System, *Financial Stability Report*; President's Working Group et al., *Report on Stablecoins*, supra note 1193; CISA, *National Critical Functions Set*; U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan*. These sources support analyzing private payment systems by scale, dependency, reserve fragility, financial-stability exposure, critical-function reliance, and continuity risk rather than by presumed illegality.

[1197] IRS Notice 2014-21; FinCEN, FIN-2019-G001; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*; U.C.C. Article 12; President's Working Group et al., *Report on Stablecoins*, supra note 1193. These authorities support the proposition that private digital assets may be taxed, regulated, screened, commercially recognized, or used in payment-like settings without becoming lawful money or legal tender.

[1198] Financial Stability Oversight Council, *2024 Annual Report*; President's Working Group et al., *Report on Stablecoins*, supra note 1193; Board of Governors of the Federal Reserve System, *Money and Payments*, supra note 1193; U.S. Dep't of the Treasury, *Illicit Finance Risk Assessment of Decentralized Finance* (Apr. 2023); CISA, *National Critical Functions Set*. These sources support the chapter's integrated systemic channels, including payment substitution, reserve fragility, enforcement friction, monetary-policy relevance, DeFi risk, continuity exposure, and public-system dependency.

[1199] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; *Juilliard v. Greenman*, 110 U.S. 421 (1884); *Knox v. Lee*, 79 U.S. (12 Wall.) 457 (1871); *Norman v. Baltimore & Ohio R.R. Co.*, 294 U.S. 240 (1935); IRS Notice 2014-21; FinCEN, FIN-2019-G001; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*. These authorities support the distinction between lawful regulation or commercial recognition of private instruments and sovereign legal-tender recognition or public-obligation closure.

[1200] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421 (1884); *Knox v. Lee*, 79 U.S. (12 Wall.) 457 (1871). These authorities support the distinction between private acceptance and sovereign monetary authority, including Congress's monetary power and the statutory status of United States coins, currency, and Federal Reserve notes as legal tender.

[1201] IRS Notice 2014-21, 2014-16 I.R.B. 938; IRS, *Digital Assets*; FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); Bank Secrecy Act, 31 U.S.C. §§ 5311–5336. These authorities support the proposition that private digital-asset acceptance may still require tax valuation, reporting, AML/BSA monitoring, sanctions screening, and public-law closure.

[1202] U.C.C. Articles 3, 4A, and 12; U.C.C. §§ 3-310, 3-311, 4A-204, 4A-207, 4A-211, 12-102(a)(1), 12-104; Restatement (Second) of Contracts §§ 278–281. These authorities support the distinction between transfer, accord and satisfaction, substituted performance, mistaken payment, funds-transfer rules, controllable electronic records, and discharge of legal obligation.

[1203] IRS Notice 2014-21; IRS, *Frequently Asked Questions on Virtual Currency Transactions*; 26 U.S.C. §§ 61, 1001, 1011–1012, 6041, 6050W, 6050I; *Norman v. Baltimore & Ohio R.R. Co.*, 294 U.S. 240 (1935); *Perry v. United States*, 294 U.S. 330 (1935). These authorities support the distinction between valuation in U.S. dollars, taxable property treatment, gain or income measurement, and sovereign monetary character.

[1204] 31 U.S.C. § 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421 (1884); *Knox v. Lee*, 79 U.S. (12 Wall.) 457 (1871); *Norman v. Baltimore & Ohio R.R. Co.*, 294 U.S. 240 (1935). These authorities support the proposition that legal-tender status arises from constitutional and statutory monetary authority rather than private settlement practice, technological efficiency, or market adoption.

[1205] U.S. Const. art. I, § 8, cl. 5; *Juilliard v. Greenman*, 110 U.S. 421 (1884); *Knox v. Lee*, 79 U.S. (12 Wall.) 457 (1871); *Perry v. United States*, 294 U.S. 330 (1935); 31 U.S.C. § 5103. These authorities support the constitutional allocation of monetary authority to Congress and the sovereign character of legal-tender recognition when exercised through federal law.

[1206] Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (Jan. 2022); President's Working Group on Financial Markets, FDIC, and OCC, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021); U.C.C. Article 12;

IRS Notice 2014-21; FinCEN, FIN-2019-G001. These sources support the distinction between private payment usefulness, stablecoin dollar reference, commercial-law recognition, tax treatment, AML/BSA obligations, and sovereign monetary closure.
[1207] Financial Stability Oversight Council, *2024 Annual Report*; President's Working Group et al., *Report on Stablecoins*, supra note 1206; CISA, *National Critical Functions Set*; U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan*; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry*. These sources support the systemic-risk framing that private payment functionality may implicate financial stability, continuity, sanctions enforcement, payment infrastructure, and public-system dependency at scale.
[1208] *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946); *Reves v. Ernst & Young*, 494 U.S. 56 (1990); *CFTC v. McDonnell*, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); IRS Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019); U.C.C. Article 12. These authorities support the proposition that digital assets may be analyzed under securities, commodities, tax, AML/BSA, money-transmission, and commercial-law frameworks without any single classification resolving all public-obligation questions.
[1209] 26 U.S.C. §§ 61, 3101, 3111, 3121, 3401–3402, 6041, 6051, 6050W; Electronic Fund Transfer Act, 15 U.S.C. §§ 1693–1693r; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; 31 U.S.C. §§ 321, 3301–3302, 5103; 12 U.S.C. § 411. These authorities support function-specific analysis across wages, tax reporting, consumer payments, AML/BSA monitoring, sanctions enforcement, Treasury cash management, legal tender, and Federal Reserve note obligations.
[1210] IRS Notice 2014-21; *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946); *Reves v. Ernst & Young*, 494 U.S. 56 (1990); *CFTC v. McDonnell*, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); FinCEN, FIN-2019-G001; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); U.C.C. Article 12. These authorities support the conclusion that a digital asset may receive different legal treatment depending on whether it is held, sold, transferred, used in payment, intermediated, screened, or commercially controlled.
[1211] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421 (1884); *Knox v. Lee*, 79 U.S. (12 Wall.) 457 (1871); *Norman v. Baltimore & Ohio R.R. Co.*, 294 U.S. 240 (1935). These authorities support the constitutional and statutory distinction between private market acceptance, sovereign monetary authority, legal-tender status, and Federal Reserve notes as obligations of the United States.
[1212] U.C.C. Articles 3, 4A, and 12; Restatement (Second) of Contracts §§ 278–281; IRS Notice 2014-21; 31 U.S.C. § 5103; FinCEN, FIN-2019-G001. These authorities support the distinction between legal classification, contractual performance, funds-transfer finality, controllable electronic records, tax treatment, legal tender, and closure of public or private obligations.
[1213] Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (Jan. 2022); President's Working Group on Financial Markets, FDIC, and OCC, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021); Financial Stability Oversight Council, *2024 Annual Report*; CISA, *National Critical Functions Set*; U.S. Dep't of the Treasury, *Financial Services Sector Risk Management Plan*. These sources support analyzing digital-payment systems by function, scale, dependency, financial-stability exposure, payment-system relevance, and public-system closure risk.
[1214] *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946); *Reves v. Ernst & Young*, 494 U.S. 56 (1990);

CFTC v. McDonnell, 287 F. Supp. 3d 213 (E.D.N.Y. 2018); IRS Notice 2014-21, 2014-16 I.R.B. 938; FinCEN, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001 (May 9, 2019). These authorities support distinguishing investment, securities, commodities, tax, money-transmission, and direct-payment contexts according to the function performed by the transaction.

[1215] *Howey*, 328 U.S. 293; *Reves*, 494 U.S. 56; Commodity Exchange Act, 7 U.S.C. §§ 1–27f; IRS Notice 2014-21; U.C.C. Articles 4A and 12; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336. These authorities support the proposition that securities, commodities, tax, commercial-law, and AML/BSA frameworks each address different legal functions and do not alone resolve sovereign monetary closure.

[1216] U.S. Const. art. I, § 8, cl. 5; 31 U.S.C. § 5103; 12 U.S.C. § 411; *Juilliard v. Greenman*, 110 U.S. 421 (1884); *Knox v. Lee*, 79 U.S. (12 Wall.) 457 (1871); *Norman v. Baltimore & Ohio R.R. Co.*, 294 U.S. 240 (1935). These authorities support the distinction between private payment acceptance, legal-tender status, Federal Reserve notes as obligations of the United States, and Congress's sovereign monetary authority.

[1217] IRS Notice 2014-21; IRS, *Digital Assets*; FinCEN, FIN-2019-G001; OFAC, *Sanctions Compliance Guidance for the Virtual Currency Industry* (Oct. 2021); U.C.C. Article 12; Electronic Fund Transfer Act, 15 U.S.C. §§ 1693–1693r; 12 C.F.R. pt. 1005. These authorities support the conclusion that private digital assets may be taxed, regulated, screened, commercially recognized, or used in payment-like transactions while still requiring public-law valuation, reporting, remedy, and closure analysis.

[1218] 26 U.S.C. §§ 61, 3101, 3111, 3121, 3401–3402, 6041, 6051, 6050W; Bank Secrecy Act, 31 U.S.C. §§ 5311–5336; International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1708; U.C.C. Articles 4A and 12; 31 U.S.C. § 5103. These authorities support the gap between private settlement and public obligations involving tax, payroll, AML/BSA, sanctions, commercial finality, and legal-tender closure.

[1219] *Howey*, 328 U.S. 293; *Reves*, 494 U.S. 56; *CFTC v. McDonnell*, 287 F. Supp. 3d 213; IRS Notice 2014-21; FinCEN, FIN-2019-G001; U.C.C. Article 12; 31 U.S.C. § 5103. These authorities support function-based classification: digital assets may be treated differently depending on whether they are sold, traded, taxed, transferred, intermediated, controlled, or used to perform money-like payment functions.

[1220] Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (Jan. 2022); President's Working Group on Financial Markets, FDIC, and OCC, *Report on Stablecoins* 1–3, 12–18 (Nov. 2021); Financial Stability Oversight Council, *2024 Annual Report*; 31 U.S.C. § 5103; U.S. Const. art. I, § 8, cl. 5. These sources support the doctrine's final distinction between private payment functionality, stablecoin or crypto payment utility, systemic payment relevance, and sovereign monetary closure.

I. Response to Question 1: Event Contracts, Innovative Products, and the Need for Principled Classification Criteria

The Commissions ask what event contracts or innovative products have generated interpretive uncertainty and whether additional clarification is necessary to provide principled, objective criteria for distinguishing swaps, security-based swaps ("SBS"), mixed swaps, and instruments excluded from the definition of "swap."

The answer is yes. Additional clarification is warranted. However, the principal source of uncertainty is not merely the emergence of new products. Rather, uncertainty arises because existing classification frameworks are increasingly asked to answer legal questions they were not designed to answer.

The challenge presented by modern digital-asset markets, automated trading systems, event contracts, tokenized financial arrangements, stablecoin payment systems, onchain settlement architectures, perpetual contracts, synthetic exposure products, and hybrid financial structures is not solely one of asset classification. It is fundamentally one of legal-function classification.

A. The Core Problem: Boundary-Collapse Error

The Legal Tender Closure Gap Doctrine identifies a recurring analytical failure described as boundary-collapse error. Boundary-collapse occurs when one legal framework is forced to answer a question assigned to another legal framework.

Securities law answers investment-relationship questions.

Commodities and market regulation answer market-conduct and risk-transfer questions.

Tax and property law answer valuation, ownership, basis, gain, loss, and reporting questions.

Treasury, FinCEN, AML, and sanctions frameworks answer value-transmission and compliance questions.

Commercial and contract law answer private-settlement and discharge questions.

Legal-tender analysis answers sovereign monetary closure questions.

Interpretive uncertainty arises when regulators attempt to use one framework to answer questions properly assigned to another. The resulting confusion is illustrated by the Boundary-Interference Matrix, which demonstrates that each framework addresses a distinct legal inquiry and that classification errors emerge when those inquiries are collapsed into one another. Figure 1 therefore provides a useful conceptual model for understanding why innovative products frequently generate regulatory ambiguity.

B. Innovative Products Raising Interpretive Questions

Several categories of products currently generate substantial uncertainty:

1. Event Contracts

Event contracts increasingly reference outcomes that may affect securities, markets, issuers, economic conditions, public policy, technology adoption, network performance, elections, or commercial activity.

These contracts create uncertainty because they may simultaneously contain:

• predictive elements,
• risk-transfer elements,
• market-exposure elements,
• payment-settlement elements, and
• informational elements.

The mere existence of a reference to a security, issuer, index, or financial event does not necessarily determine which legal framework should govern the transaction.

2. Digital-Asset Derivatives

Digital assets are increasingly incorporated into:

• perpetual contracts,
• synthetic exposure products,
• collateralized arrangements,
• derivatives platforms,
• leveraged positions,
• automated market structures, and
• decentralized finance architectures.

In these settings, the same asset may function as collateral, settlement medium, market instrument, or investment exposure simultaneously.

3. Stablecoin-Based Financial Structures

Stablecoins may be used:

• as trading collateral,
• as payment rails,
• as treasury instruments,
• as reserve instruments,
• as settlement assets,
• as exchange infrastructure.

Their legal posture changes according to transaction function rather than technological identity.

4. Hybrid Payment-Investment Structures

Certain products combine payment functionality with investment narratives, expected appreciation, issuer promotion, rewards programs, staking arrangements, yield features, or managerial reliance.

These products challenge existing classification systems because payment and investment characteristics may coexist.

C. The Need for a Functional Classification Framework

The Commissions should adopt a Function-First Classification Principle.

Under this principle, the threshold inquiry should not be:

"What is the asset?"

Instead, the threshold inquiry should be:

"What legal function is the transaction asking the asset to perform?"

The Boundary Test developed in the Legal Tender Closure Gap Doctrine provides a structured framework for answering that question.

The test evaluates five distinct boundaries:

1. Investment Boundary
2. Market Boundary
3. Property Boundary
4. Payment Boundary
5. Closure Boundary

The inquiry proceeds by identifying the legal function assigned to the asset within the transaction. Function determines posture, and posture determines the appropriate regulatory lens.

This framework is illustrated in Figure 4.

D. Objective Criteria for Distinguishing Regulatory Categories

The Commissions specifically request principled and objective criteria.

The following criteria are proposed:

Investment Posture

A transaction is presumptively investment-oriented when it involves:

• capital formation,
• issuer promotion,
• pooled proceeds,
• expected appreciation,
• profit expectation,
• managerial or entrepreneurial reliance,
• yield generation tied to managerial activity.

Market Posture

A transaction is presumptively market-oriented when it involves:

• leverage,
• derivatives,
• futures,
• swaps,
• margin,
• clearing,
• custodial routing,
• exchange-mediated execution,
• market-risk transfer.

Payment Posture

A transaction is presumptively payment-oriented when the asset functions as an agreed settlement medium used to satisfy:

• invoices,
• wages,
• remittances,
• contractual obligations,
• commercial purchases,
• private debts.

These distinctions are reflected in Figures 2 and 3, which separately illustrate the SEC and CFTC boundary analyses.

E. Event Contracts Specifically

Event contracts should not be classified according to labels, technological architecture, or isolated references.

Instead, classification should depend upon the legal and economic function performed by the contract.

The relevant inquiry is whether the contract:

- creates investment exposure,
- transfers market risk,
- creates synthetic economic exposure,
- functions as a payment mechanism,
- serves another legally distinct purpose.

A reference to a security, issuer, index, or event should not automatically determine classification.

Rather, the reference should be evaluated in light of the function performed by the transaction as a whole.

F. Recommended Clarification

The Commissions should issue interpretive guidance providing that innovative products are evaluated according to transactional function rather than asset identity alone.

The guidance should expressly recognize that a single digital asset may occupy multiple legal postures across different transactions and over time.

The same asset may appear in investment, market, property, payment, and settlement contexts without requiring identical regulatory treatment in every circumstance.

Accordingly, the proper inquiry is not merely what the asset is called.

The proper inquiry is what legal function the transaction asks the asset to perform.

That principle provides the principled, objective, and administrable criterion requested by the Commissions and offers a durable framework capable of accommodating future innovations without requiring constant product-by-product reclassification.

II. Response to Question 2: Statutory Exclusions from the Definition of "Swap"

The Commissions ask whether additional regulatory clarity is necessary regarding the statutory exclusions from the definition of "swap" contained in Section 1a(47)(B) of the Commodity Exchange Act and whether principled, objective criteria could further clarify the relevant definitional lines.

The answer is yes.

Additional clarity is warranted because many contemporary digital-asset products create uncertainty not by challenging the statutory exclusions themselves, but by creating uncertainty regarding the legal function being performed by the transaction. The central interpretive challenge is therefore not whether exclusions should exist, but how the proper exclusion should be identified when a transaction implicates multiple legal frameworks simultaneously.

A. The Source of Modern Classification Uncertainty

The Legal Tender Closure Gap Doctrine identifies a recurring regulatory problem: boundary-collapse error.

Boundary-collapse occurs when one legal framework is asked to answer a question assigned to another legal framework.

This problem is illustrated in Figure 1, the Boundary-Interference Matrix. Figure 1 demonstrates that securities law, commodities regulation, tax law, Treasury and FinCEN supervision, commercial law, and legal-tender analysis each answer distinct legal questions. Confusion arises when one framework is improperly treated as dispositive of questions belonging to another framework. Figure 1 therefore provides a useful model for understanding why modern digital-asset transactions frequently generate classification disputes.

The same analytical problem may arise when determining whether a transaction falls within a statutory exclusion from the definition of "swap."

B. The Proper Inquiry Is Functional Rather Than Nominal

The Commissions should clarify that statutory exclusions should be analyzed according to transaction function rather than asset identity, technological architecture, platform terminology, or payment nomenclature.

The threshold inquiry should not be:

"What is the asset?"

Rather, the threshold inquiry should be:

"What legal function is the transaction asking the asset to perform?"

The Boundary Test reflected in Figure 4 provides a structured framework for answering that question.

The test identifies five separate inquiries:

1. Investment Boundary
2. Market Boundary
3. Property Boundary
4. Payment Boundary
5. Closure Boundary

Each boundary directs the analysis toward a different legal framework.

Figure 4 therefore offers a practical methodology for determining whether a transaction properly belongs within swap analysis or within another legal category entirely.

C. Clarification Regarding Securities Exclusions

The exclusions for securities, options on securities, security forwards, notes, bonds, and other instruments should be interpreted according to the economic and legal function performed by the transaction.

A transaction should not lose the benefit of a statutory exclusion merely because a digital asset, blockchain architecture, distributed ledger, tokenized record, or onchain settlement mechanism is utilized.

Conversely, a transaction should not gain the benefit of an exclusion merely because it adopts payment terminology or technological structures associated with digital assets.

The relevant inquiry should remain functional.

If the transaction principally performs an investment function, securities analysis may properly apply.

If the transaction principally performs a market-risk transfer function, swap analysis may properly apply.

If the transaction principally performs a payment or settlement function, the transaction should be analyzed through the legal framework governing payment and settlement rather than presumed to be a swap merely because the instrument is tradable.

D. Clarification Regarding Payment-Oriented Transactions

Modern digital assets increasingly function as agreed substitute settlement media in commercial transactions.

Merchants may accept digital assets for goods.

Employers may compensate workers in digital assets where permitted by law.

Contracting parties may agree to satisfy obligations through digital-asset transfers.

The SEC Boundary Guide and CFTC Boundary Guide, reflected in Figures 2 and 3, demonstrate that payment use and investment use are distinct legal postures.

A merchant accepting Bitcoin in exchange for goods is not necessarily participating in an investment arrangement.

A contractor accepting a digital asset for completed work is not necessarily participating in a derivatives transaction.

A private debtor transferring a digital asset to satisfy a contractual obligation is not automatically engaging in market-risk transfer.

The Commissions should therefore clarify that payment functionality alone does not transform a transaction into a swap.

Likewise, commodity status alone does not transform every transfer involving that commodity into market conduct.

E. Clarification Regarding Hybrid Transactions

Some innovative products contain multiple legal functions simultaneously.

A digital asset may:

- serve as a payment medium,
- create investment exposure,
- function as collateral,
- support leverage,
- facilitate settlement,
- participate in derivatives structures.

In these circumstances, the Commissions should avoid categorical treatment based solely upon asset identity.

Instead, the relevant inquiry should focus on the function performed by the specific transaction under review.

The same asset may occupy different legal postures in different transactions.

This principle is reflected throughout Figures 2, 3, and 4.

F. Preservation of Regulatory Boundaries

The purpose of additional clarity should not be to collapse existing legal frameworks into a single digital-asset regime.

The purpose should be to preserve proper boundary discipline.

The Legal Tender Closure Gap Doctrine demonstrates that each legal framework performs a distinct institutional function.

Securities law protects investors.

Commodities regulation protects market integrity.

Tax law governs valuation and reporting.

Treasury and FinCEN frameworks govern value transmission and compliance.

Commercial law governs private settlement and discharge.

Legal-tender analysis governs sovereign monetary closure.

The existence of one legal consequence should not automatically determine all others.

Accordingly, statutory exclusions should be interpreted in a manner that preserves the independent function of each regulatory framework rather than permitting one framework to become analytically dominant over all others.

G. Recommended Clarification

The Commissions should issue interpretive guidance providing that statutory exclusions from the definition of "swap" are evaluated according to transactional function and economic substance rather than labels, technological architecture, payment terminology, or asset identity alone.

The Commissions should further clarify that:

1. Payment functionality does not independently create swap status.

2. Commodity status does not independently create market-posture classification.

3. Securities analysis, commodities analysis, payment analysis, tax analysis, and compliance analysis may coexist without collapsing into a single classification.

4. The proper inquiry is what legal function the transaction asks the asset to perform.

Such guidance would provide principled, objective criteria consistent with the statutory framework while preserving flexibility for future innovation.

The result would not be fewer regulatory categories. The result would be clearer boundaries between them.

III. Response to Question 3: Is Greater Clarity Needed Regarding the Definitional Lines Between Swaps, Security-Based Swaps, and Mixed Swaps?

The Commissions ask whether greater clarity is needed regarding the definitional lines between swaps, security-based swaps ("SBS"), and mixed swaps, including the scope and application of the SBS Narrow-Based Security Index Prong, SBS Single Security Prong, and SBS Event Contract Prong.

The answer is yes.

Additional clarity is warranted. However, the principal challenge is not that existing statutory definitions are inherently inadequate. Rather, uncertainty increasingly arises because modern financial products often combine multiple legal functions within a single transaction or transactional structure.

Accordingly, the most effective clarification would not merely refine labels. It would establish a principled framework for determining which legal function a transaction is performing before assigning a regulatory classification.

A. The Source of Classification Uncertainty

The Legal Tender Closure Gap Doctrine identifies a recurring phenomenon described as boundary-collapse error.

Boundary-collapse occurs when one legal framework is required to answer a question assigned to another legal framework.

As illustrated in Figure 1, securities law, commodities regulation, tax law, commercial law, Treasury and FinCEN supervision, and legal-tender analysis each answer different legal questions.

Confusion arises when regulators begin with asset identity rather than transactional function.

This problem becomes particularly significant when attempting to distinguish:

- swaps,
- security-based swaps,
- mixed swaps,
- payment arrangements,
- settlement arrangements,
- tokenized instruments,
- event contracts, and
- hybrid digital-asset structures.

The same asset may appear within multiple legal frameworks without requiring identical treatment in every context.

B. Asset Identity Alone Cannot Resolve Swap Classification

The Commissions should clarify that asset identity alone is insufficient to determine whether a transaction constitutes a swap, SBS, or mixed swap.

A digital asset may be:

- sold in a capital-raising transaction,
- traded in a spot market,
- pledged as collateral,
- used in a derivatives structure,
- transferred as payment,
- held as property,
- used within an automated market system.

Each posture implicates different legal concerns.

The SEC Boundary Guide (Figure 2) demonstrates that the same asset may occupy an investment posture in one transaction and a payment posture in another.

Similarly, the CFTC Boundary Guide (Figure 3) demonstrates that the same asset may occupy a market posture in one context and a payment posture in another.

The proper inquiry therefore cannot begin and end with the nature of the asset itself.

The inquiry must focus on the function being performed by the transaction.

C. Functional Distinction Between Swaps and Security-Based Swaps

The core distinction between swaps and SBS should be evaluated through the nature of the economic exposure being created or transferred.

Where the transaction primarily transfers market risk associated with commodities, rates, indexes, currencies, derivatives, or broader market activity, swap classification may be appropriate.

Where the transaction primarily creates or transfers exposure tied to:

- a single security,
- a narrow-based security index,
- issuer-specific financial conditions,
- issuer-specific financial obligations,

SBS classification may be appropriate.

The relevant inquiry is not whether a security is merely referenced.

The relevant inquiry is whether the security-related exposure constitutes the operative economic substance of the transaction.

D. Clarification Regarding Mixed Swaps

The doctrine is particularly useful in understanding mixed swaps.

Mixed swaps arise because modern products increasingly contain multiple legal functions simultaneously.

For example:

• a transaction may create issuer-specific exposure,
• while simultaneously transferring broader market risk,
• while also utilizing digital-asset collateral,
• while also incorporating automated settlement infrastructure.

Such products naturally resist simplistic classification.

The existence of multiple functions should not be viewed as a regulatory failure.

Rather, it reflects the increasingly integrated nature of modern financial architecture.

The Commissions should therefore clarify that mixed-swap analysis should focus on the coexistence of multiple independently operative sources of economic exposure.

The determination should be based upon substantive risk allocation rather than formal product labels.

E. Clarification Regarding Event Contracts

The SBS Event Contract Prong raises particularly significant interpretive questions.

The doctrine suggests that event contracts should be evaluated according to their economic and legal function.

The relevant inquiry is not merely:

"What event is referenced?"

The relevant inquiry is:

"What exposure is created?"

An event contract may:

• create issuer-specific exposure,
• create market-wide exposure,
• transfer economic risk,
• facilitate hedging,
• provide informational forecasting,
• support settlement functions.

These functions should be analyzed independently.

A reference to an issuer should not automatically determine SBS status.

Likewise, the absence of a security reference should not automatically preclude SBS analysis where the transaction effectively transfers issuer-specific risk.

The focus should remain on the function performed by the contract.

F. The Boundary Test as a Classification Framework

Figure 4 provides a useful framework for resolving these questions.

The Boundary Test proceeds through five inquiries:

1. Investment Boundary
2. Market Boundary
3. Property Boundary
4. Payment Boundary
5. Closure Boundary

The test does not replace statutory definitions.

Rather, it helps identify which legal question is being asked before classification occurs.

The process is straightforward:

If the transaction creates investment exposure, securities analysis may be appropriate.

If the transaction transfers market risk, commodities or swap analysis may be appropriate.

If the transaction primarily functions as settlement or payment, payment analysis may be appropriate.

If multiple functions operate simultaneously, mixed classification may become appropriate.

Function determines posture.

Posture informs classification.

Classification follows substance.

G. Recommended Clarification

The Commissions should provide guidance stating that:

1. Swap, SBS, and mixed-swap determinations should focus on the economic function performed by the transaction.

2. Mere reference to a security should not automatically determine SBS status.

3. Mere use of a commodity or digital asset should not automatically determine swap status.

4. Asset identity alone should not control classification.

5. Mixed swaps should be identified through the coexistence of independently operative sources of economic exposure rather than through formal labels or technological architecture.

6. The threshold inquiry should be: *"What legal and economic function is this transaction performing?"*

H. Conclusion

Greater clarity is needed between swaps, security-based swaps, and mixed swaps.

However, the most durable solution is not a continually expanding catalog of product-specific rules.

The more effective approach is a function-first framework that identifies the legal and economic role performed by a transaction before assigning a regulatory classification.

Such an approach would provide principled, objective criteria consistent with Title VII while remaining flexible enough to accommodate future innovations that do not yet exist.

The proper inquiry is not merely what the instrument is called.

The proper inquiry is what the transaction asks the instrument to do.

IV. Response to Question 4: When Is a Swap, Option, or Future Based on "Any Interest" in a Security?

The Commissions ask whether greater clarity is needed regarding when a swap, option, future, or related instrument is based on "any interest" in a security or group or index of securities, particularly where the instrument is not based directly upon the value of that security or group or index.

The answer is yes.

Additional clarification is warranted because modern financial products increasingly create relationships to securities that are indirect, synthetic, informational, contingent, automated, or event-driven. As a result, market participants face uncertainty regarding when a security-related connection becomes sufficiently meaningful to justify classification under the security-based swap framework.

The challenge is not simply determining whether a security is present within a transaction. The challenge is determining the legal significance of that presence.

A. The Phrase "Any Interest" Requires Functional Interpretation

The phrase "any interest" is broader than ownership.

It is broader than possession.

It is broader than direct valuation.

Consequently, the phrase potentially captures a wide range of relationships involving securities.

However, breadth does not eliminate the need for limiting principles.

Without principled limits, virtually any product that references, responds to, settles against, incorporates, or otherwise relates to a security could become subject to SBS analysis.

Such an approach would risk overclassification and regulatory uncertainty.

The Commissions should therefore clarify that the phrase "any interest" should be interpreted according to economic and legal function rather than mere association.

B. Reference Alone Is Insufficient

The Legal Tender Closure Gap Doctrine repeatedly distinguishes between concepts that are frequently conflated:

- reference,
- ownership,
- exposure,

• settlement,
• valuation,
• risk transfer,
• payment.

The doctrine demonstrates that legal significance should not arise merely because one concept is associated with another.

For example, a private crypto payment may be measured in dollars without becoming sovereign money.

Likewise, a financial contract may reference a security without necessarily creating security-based exposure.

Reference alone is not dispositive.

The legal question is whether the security-related component performs a meaningful economic function within the transaction.

C. Figure 1: Boundary-Interference and Classification Error

Figure 1 (Boundary-Interference Matrix) illustrates why these interpretive difficulties arise.

Different legal frameworks answer different legal questions.

Securities law addresses investment relationships.

Commodities regulation addresses market-risk transfer.

Tax law addresses valuation and disposition.

Commercial law addresses settlement and discharge.

Treasury and FinCEN frameworks address value transmission and compliance.

The existence of a security-related reference does not automatically determine which of these legal questions is being asked.

Classification errors occur when a security reference is treated as dispositive regardless of function.

The Commissions should avoid this form of boundary-collapse.

D. Economic Exposure Should Control

The proper inquiry is whether the transaction creates or transfers security-related economic exposure.

Relevant considerations may include:

• Does the transaction allocate gains or losses according to the performance of a security?

• Does the transaction transfer risk associated with a security?

• Does the transaction create synthetic exposure to security-related outcomes?

• Does the transaction replicate economic consequences associated with ownership?

• Does the transaction depend upon issuer-specific financial events?

If the answer is yes, the security-related interest is likely performing a substantive economic role.

If the answer is no, mere reference should not automatically determine classification.

E. Distinguishing Reference from Exposure

This distinction is particularly important for innovative products.

A transaction may:

• use a security as a benchmark,
• reference a security-related event,
• incorporate security-related information,
• settle using security-related data,
• utilize security-related metrics,

without creating meaningful security exposure.

Conversely, a transaction may effectively transfer security-specific economic risk even though legal ownership never changes.

The focus therefore should remain on substantive economic function rather than formal structure.

F. Guidance from Figures 2 and 3

The SEC Boundary Guide (Figure 2) demonstrates that investment posture depends upon the role performed by the transaction rather than the identity of the asset itself.

The CFTC Boundary Guide (Figure 3) similarly demonstrates that market posture depends upon the transfer of economic risk rather than mere association with a market instrument.

Applied here, these figures support a posture-based analysis.

The relevant question is not:

“What security is referenced?”

The relevant question is:

"What role does the security perform within the transaction?"

G. Figure 4 and the Boundary Test

Figure 4 provides a practical analytical framework.

The Boundary Test asks:

1. *Is the transaction creating investment exposure?*
2. *Is the transaction transferring market risk?*
3. *Is the transaction functioning as property?*
4. *Is the transaction functioning as payment?*
5. *Is the transaction implicating sovereign monetary closure?*

These inquiries help identify the legal function of the security-related component before classification occurs.

The Commissions could adopt a similar methodology when evaluating whether a transaction is based upon "any interest" in a security.

The inquiry should focus upon the role performed by the security-related element rather than the mere existence of a connection.

H. Proposed Clarification

The Commissions should clarify that a swap, option, or future is based upon an "interest" in a security when the security-related component performs a substantive economic function within the transaction.

Factors supporting such a finding may include:

• creation of security-specific exposure,
• transfer of security-specific risk,
• replication of ownership economics,
• dependence upon issuer-specific outcomes,
• allocation of gains and losses according to security performance.

Conversely, the following should not independently determine classification:

• mere reference,
• informational use,
• benchmark use,

• settlement mechanics,
• incidental association.

I. Conclusion

Greater clarity is needed regarding the phrase “any interest” in a security.

The appropriate distinction is not between reference and non-reference.

The appropriate distinction is between nominal association and substantive economic function.

A security-related interest becomes legally significant when it creates, transfers, allocates, or depends upon meaningful security-related economic exposure.

This approach provides principled, objective criteria while preserving flexibility for future financial innovation.

The question is not merely whether a security appears within the transaction.

The question is what legal and economic role the security performs within the transaction.

V. Response to Question 5: Should the Commissions Clarify When a Product Is Based on a Narrow-Based Security Index?

The Commissions ask whether additional clarity is needed regarding when a swap is based on a narrow-based security index ("NBSI"), including situations involving changes in index composition rather than changes in index value. The Commissions further ask whether additional safe harbors, transition rules, or interpretive guidance may be appropriate where an index moves between narrow-based and broad-based status.

The answer is yes.

Additional clarity is warranted because modern financial products increasingly utilize indexes in ways that extend beyond traditional price-exposure mechanisms. Products may reference index composition, index membership, index events, index governance, index methodology, or other index-related characteristics without necessarily creating the same economic exposure traditionally associated with index-value movements.

The challenge is therefore not merely identifying whether an NBSI is present. The challenge is determining the legal significance of the index within the transaction.

A. The Core Interpretive Question

The proper inquiry should not be:

"Does the transaction reference a narrow-based security index?"

The proper inquiry should be:

"What legal and economic function does the narrow-based security index perform within the transaction?"

The Legal Tender Closure Gap Doctrine repeatedly demonstrates that classification errors arise when references are treated as dispositive rather than functional.

A security reference, commodity reference, payment reference, or index reference does not automatically determine legal classification.

Function determines posture.

Posture informs classification.

Classification follows substance.

B. Figure 1 and Boundary-Collapse Error

Figure 1 (Boundary-Interference Matrix) illustrates the danger of boundary-collapse error.

Different legal frameworks answer different questions.

The presence of an NBSI may be relevant to securities analysis, but relevance alone does not automatically establish the appropriate regulatory category.

The critical question is whether the index-related component creates the type of economic exposure that Congress intended the SBS framework to regulate.

Without such a limitation, classification risks becoming dependent upon formal references rather than economic substance.

C. Distinguishing Reference from Exposure

The doctrine consistently distinguishes between:

• reference,
• valuation,
• ownership,
• exposure,
• settlement,
• payment.

That distinction is especially important here.

A transaction may:

• reference an NBSI,
• use an NBSI as a benchmark,
• incorporate NBSI-related information,
• depend upon index composition,
• incorporate index methodology,

without necessarily creating security-index exposure.

Conversely, a transaction may create substantial exposure to the economic consequences of an NBSI even where the index itself is not directly traded.

The focus should therefore remain on economic function rather than nominal association.

D. Clarification Regarding Index Composition Changes

The Commission specifically asks whether products referencing changes in index composition should be treated differently from products referencing changes in index value.

The doctrine suggests that composition changes and value changes should not automatically receive identical treatment.

The relevant inquiry is not whether the transaction references an index event.

The relevant inquiry is whether that event creates or transfers economically meaningful security-related exposure.

For example:

A product may reference:

• index additions,
• index deletions,
• rebalancing decisions,
• methodology changes,
• constituent substitutions,

without necessarily creating the same risk profile associated with price movements of the index itself.

The economic function of the transaction should therefore control.

E. Figures 2 and 3: Posture Analysis

The SEC Boundary Guide (Figure 2) and CFTC Boundary Guide (Figure 3) provide a useful analytical framework.

These figures demonstrate that classification should begin with transactional posture.

Questions include:

• *Is the transaction creating investment exposure?*

• *Is the transaction transferring market risk?*

• *Is the transaction facilitating settlement?*

• *Is the transaction serving another legally distinct purpose?*

Applied to NBSIs, these questions help distinguish:

• investment-oriented index products,
• market-risk transfer products,
• informational products,
• settlement-related products.

The same index may appear within multiple transaction types without requiring identical regulatory treatment.

F. Figure 4 and the Boundary Test

Figure 4 provides the most useful operational framework.

The Boundary Test asks regulators to identify:

1. Investment Boundary
2. Market Boundary
3. Property Boundary
4. Payment Boundary
5. Closure Boundary

This approach helps determine what legal function the index performs before determining classification.

The Commission could employ a similar analysis when evaluating NBSI-related products.

The relevant inquiry becomes:

Does the NBSI create the economic exposure that the SBS framework was designed to regulate?

If so, SBS treatment may be appropriate.

If not, SBS treatment may be inappropriate despite the existence of an index reference.

G. Transitions Between Broad-Based and Narrow-Based Status

The doctrine supports additional safe harbors and transition mechanisms.

The purpose of regulation should be to identify substantive economic exposure rather than create instability based upon temporary technical changes in classification.

Where an index temporarily transitions between broad-based and narrow-based status, the Commissions should focus upon:

• economic continuity,
• exposure continuity,
• market expectations,
• functional characteristics.

The classification framework should not produce unnecessary disruption where the underlying economic substance remains substantially unchanged.

H. Proposed Clarification

The Commissions should clarify that:

1. Mere reference to a narrow-based security index does not automatically determine SBS status.

2. The relevant inquiry is whether the NBSI performs a substantive economic function within the transaction.

3. Products based upon index composition events should be evaluated according to the exposure created by those events rather than the existence of the events themselves.

4. Classification should focus upon economic substance and transactional posture.

5. Safe harbors and transition mechanisms should emphasize continuity of economic exposure rather than purely technical index-status changes.

I. Conclusion

Additional clarity regarding narrow-based security indexes is warranted.

The most durable solution is not a broader catalog of index-related classifications.

Rather, the Commissions should adopt a function-first framework focused on economic exposure and transactional posture.

An NBSI should become legally significant when it creates, transfers, allocates, or depends upon meaningful security-related economic exposure.

The question is not merely whether an index appears within the transaction.

The question is what legal and economic role the index performs within the transaction.

VI. Response to Question 6: Should the Commissions Clarify When a Swap Is Based on a Single Security or Loan?

The Commissions ask whether additional clarity is necessary regarding when a swap is based on "a single security or loan, including any interest therein or on the value thereof," and whether further guidance should be provided regarding the application of the SBS Single Security Prong.

The answer is yes.

Additional clarity is warranted because modern financial products increasingly incorporate single-security references, loan references, tokenized interests, collateral structures, synthetic exposures, automated settlement mechanisms, and hybrid financial arrangements that may not fit neatly within traditional classification models.

The central challenge is determining when a single security or loan performs a sufficiently significant economic function to justify security-based swap treatment.

A. The Core Question Is Functional, Not Formal

The proper inquiry should not be:

"Does a single security or loan appear within the transaction?"

The proper inquiry should be:

"What legal and economic role does the single security or loan perform within the transaction?"

The Legal Tender Closure Gap Doctrine repeatedly demonstrates that classification errors arise when legal significance is assigned based upon the existence of a reference rather than the function performed by that reference.

The same principle applies here.

A single security may appear within a transaction in numerous ways:

- as a benchmark,
- as collateral,
- as a settlement reference,
- as a pricing input,
- as an exposure source,
- as a hedging mechanism,
- as a contractual trigger.

Not all such uses create identical regulatory concerns.

B. Figure 1 and Boundary Preservation

Figure 1 (Boundary-Interference Matrix) illustrates that different legal frameworks answer different legal questions.

Securities law addresses investment relationships.

Commodities regulation addresses market-risk transfer.

Commercial law addresses settlement.

Tax law addresses valuation and disposition.

The existence of a security-related component does not automatically determine which legal framework should govern.

Boundary-collapse occurs when a security reference is treated as dispositive regardless of the function being performed.

The Commissions should avoid such overclassification.

C. Distinguishing Presence from Exposure

The doctrine consistently distinguishes between:

- reference,
- ownership,
- exposure,
- valuation,
- settlement,
- payment,
- closure.

This distinction is particularly important for the Single Security Prong.

A transaction may reference a security without creating security-specific exposure.

Conversely, a transaction may create substantial security-specific exposure even where ownership never changes.

The relevant inquiry therefore concerns exposure rather than mere presence.

D. Economic Exposure Should Control

The Commissions should clarify that a transaction is based on a single security or loan when the security or loan serves as the operative source of economic exposure within the transaction.

Relevant considerations may include:

• whether gains or losses depend upon the performance of the security or loan;

• whether risk is transferred based upon the security or loan;

• whether the transaction replicates ownership economics;

• whether issuer-specific or borrower-specific events determine economic outcomes;

• whether the security or loan serves as the primary driver of value allocation.

Where these characteristics are present, SBS treatment may be appropriate.

Where they are absent, the existence of a security reference alone should not control classification.

E. Figures 2 and 3: Transactional Posture Analysis

Figures 2 and 3 provide useful guidance.

The SEC Boundary Guide (Figure 2) demonstrates that securities analysis should focus on investment posture.

The CFTC Boundary Guide (Figure 3) demonstrates that commodities analysis should focus on market-risk transfer posture.

Applied to the Single Security Prong, the relevant inquiry becomes:

Is the transaction creating security-specific investment exposure?

Or is the security merely one component within a broader market, settlement, payment, or operational structure?

The answer determines the appropriate regulatory lens.

F. Figure 4 and the Boundary Test

Figure 4 provides a practical framework for resolving these questions.

The Boundary Test asks:

1. *Is the transaction creating investment exposure?*

2. *Is the transaction transferring market risk?*

3. *Is the transaction functioning as property?*

4. *Is the transaction functioning as payment?*

5. *Is the transaction implicating sovereign monetary closure?*

The test helps identify which legal question is actually being asked before classification occurs.

Applied to the Single Security Prong, the analysis should begin with function.

If the security is creating the operative investment exposure, SBS treatment may be appropriate.

If the security merely facilitates settlement, collateralization, recordkeeping, or another ancillary function, SBS treatment may be inappropriate.

G. Application to Loans

The same principles should apply to loans.

The existence of a loan reference should not automatically determine classification.

The relevant inquiry is whether the loan serves as the source of economic exposure being transferred, allocated, or replicated.

The Commissions should focus on substance rather than form.

Loan-related products should be classified according to the economic role performed by the loan within the transaction.

H. Proposed Clarification

The Commissions should clarify that:

1. Mere reference to a single security or loan does not automatically determine SBS status.

2. The relevant inquiry is whether the security or loan performs a substantive economic function within the transaction.

3. Security-based classification should focus on exposure creation, risk allocation, and economic dependence.

4. Classification should be determined according to transactional function rather than technological architecture, nomenclature, or formal structure.

5. The threshold inquiry should be whether the single security or loan serves as the operative source of economic exposure.

I. Conclusion

Additional clarity regarding the Single Security Prong is warranted.

The most effective clarification would focus upon economic function rather than mere presence.

A transaction should be considered based on a single security or loan when that security or loan creates, transfers, allocates, or determines the primary economic exposure of the transaction.

The question is not merely whether a security or loan appears within the structure.

The question is what legal and economic role that security or loan performs within the structure.

Such an approach provides principled, objective criteria while preserving flexibility for future innovation and reducing the risk of boundary-collapse across regulatory frameworks.

VII. Response to Question 7: When Does an Event "Directly Affect" an Issuer's Financial Statements, Financial Condition, or Financial Obligations?

The Commissions ask whether additional clarity is necessary regarding when an event "directly affects" the financial statements, financial condition, or financial obligations of an issuer for purposes of the SBS Event Contract Prong.

The answer is yes.

Additional clarity is warranted because modern event contracts increasingly reference political events, regulatory actions, technological developments, market conditions, public policy decisions, operational disruptions, cybersecurity incidents, litigation outcomes, and other events that may influence an issuer's prospects without necessarily altering the issuer's financial condition in a direct manner.

The central challenge is distinguishing direct issuer effects from indirect economic consequences.

A. The Meaning of "Directly Affects"

The phrase "directly affects" must impose a meaningful limiting principle.

Without such a limitation, virtually any event that influences investor expectations, market sentiment, economic conditions, industry conditions, or future business prospects could potentially be characterized as affecting an issuer.

Such an interpretation would risk substantially expanding the scope of the SBS Event Contract Prong beyond its intended purpose.

The phrase therefore should be interpreted according to economic and legal substance rather than speculative or attenuated causal chains.

B. Direct Effects Versus Indirect Effects

The Legal Tender Closure Gap Doctrine repeatedly distinguishes between legal consequences that are immediate and those that are derivative.

The doctrine demonstrates that legal significance should not automatically flow through every downstream consequence of an event.

An event may:

• influence investor expectations,

• affect market sentiment,

• alter analyst projections,

• change industry forecasts,

• affect competitor behavior,

• influence future opportunities,

without directly affecting the issuer's financial statements, financial condition, or financial obligations.

The existence of indirect consequences should not be sufficient.

The relevant inquiry is whether the event itself alters the issuer's legally cognizable financial position.

C. Figure 1 and Boundary Preservation

Figure 1 (Boundary-Interference Matrix) illustrates why this distinction matters.

Different legal frameworks answer different questions.

Securities law focuses upon investment relationships and issuer-specific exposure.

Market regulation focuses upon risk transfer.

Commercial law focuses upon obligations.

Tax law focuses upon valuation and reporting.

Confusion arises when indirect economic effects are treated as equivalent to direct issuer effects.

The Commission should avoid collapsing these distinctions.

D. Functional Analysis Rather Than Predictive Analysis

The Commissions should avoid standards that depend primarily upon forecasting future economic consequences.

Nearly every significant public event may eventually influence an issuer's value.

That fact alone cannot provide a workable classification standard.

Instead, the inquiry should focus on whether the event itself directly changes:

• assets,

• liabilities,

• revenues,

• expenses,

• capital structure,

• contractual obligations,

• financial reporting,

• legally enforceable financial commitments.

Direct alteration of these elements provides a more objective and administrable standard.

E. Figures 2 and 3: Exposure-Based Analysis

Figures 2 and 3 reinforce this principle.

The SEC Boundary Guide (Figure 2) demonstrates that securities analysis should focus upon the source of investment exposure.

The CFTC Boundary Guide (Figure 3) demonstrates that market analysis should focus upon the source of risk transfer.

Applied here, the question becomes:

Does the event create issuer-specific financial exposure?

Or does the event merely influence broader market expectations regarding future performance?

The distinction is critical.

Only the former should generally satisfy the requirement that an event directly affect the issuer.

F. Figure 4 and the Boundary Test

Figure 4 provides a useful framework.

The Boundary Test requires regulators to determine what legal and economic function the event performs before classification occurs.

Relevant questions include:

1. *Does the event create issuer-specific exposure?*
2. *Does the event alter issuer-specific obligations?*
3. *Does the event modify issuer-specific financial reporting?*
4. *Does the event directly change economic rights or liabilities associated with the issuer?*

If the answer is yes, SBS treatment may be appropriate.

If the event merely influences future expectations, investor sentiment, industry conditions, or market perceptions, SBS treatment may be less appropriate.

G. Illustrative Examples

Events more likely to directly affect an issuer include:

• bankruptcy filings,

• debt defaults,

• mergers or acquisitions,

• issuer-specific litigation judgments,

• issuer-specific regulatory penalties,

• changes in contractual obligations,

• changes in capital structure,

• accounting restatements,

• dividend declarations,

• credit-rating actions directly tied to issuer obligations.

Events less likely to directly affect an issuer include:

• general political developments,

• broad economic forecasts,

• macroeconomic conditions,

• industry trends,

• technological developments affecting an entire sector,

• changes in public sentiment,

• speculative predictions regarding future performance.

These events may influence valuation, but valuation influence alone should not automatically constitute direct effect.

H. Proposed Clarification

The Commissions should clarify that an event directly affects an issuer when the event itself alters the issuer's financial statements, financial condition, financial obligations, or legally enforceable economic position.

The following factors may support such a finding:

• direct impact on assets or liabilities;

• direct impact on revenues or expenses;

• direct modification of financial obligations;

• direct modification of capital structure;

• direct alteration of financial reporting;

• direct alteration of legally enforceable economic rights.

Conversely, indirect economic consequences, predictive effects, investor expectations, and generalized market reactions should not independently satisfy the standard.

I. Conclusion

Additional clarity regarding the phrase “directly affects” is warranted.

The proper distinction is between direct issuer consequences and indirect economic effects.

An event directly affects an issuer when it changes the issuer's legally cognizable financial position rather than merely influencing expectations regarding future performance.

This interpretation provides principled, objective criteria that preserve the intended scope of the SBS Event Contract Prong while reducing uncertainty for innovative products and future market structures.

The question is not whether an event may eventually influence an issuer.

The question is whether the event itself changes the issuer's financial reality.

VIII. Response to Question 8: When Should an Event Contract Referencing Securities Be Treated as a Swap, Security-Based Swap, Security Option, Binary Option, or Excluded Product?

The Commissions ask whether additional clarity is necessary regarding event contracts that reference one or more securities, including when such contracts should be treated as swaps, security-based swaps ("SBS"), options on securities, binary options, or products excluded from the definitions of "swap" and "security-based swap."

The answer is yes.

Additional clarity is warranted because modern event contracts increasingly incorporate securities, indexes, issuer-specific events, economic outcomes, algorithmic triggers, automated settlement mechanisms, and predictive structures that do not fit neatly within traditional classification frameworks.

The central challenge is that event contracts often reference securities while performing fundamentally different legal and economic functions.

Accordingly, the principal classification inquiry should focus on transactional function rather than mere reference.

A. The Core Classification Problem

The existence of a security reference alone cannot resolve classification.

A contract may reference:

• a security,

• an issuer,

• a security index,

• a corporate action,

• an earnings event,

• a credit event,

• a regulatory event,

without necessarily performing the same legal function.

The mere presence of a security-related reference does not determine whether the contract is:

• a swap,

• an SBS,

• a security option,

• a binary option,

or an excluded product.

The critical inquiry is what economic function the security reference performs within the transaction.

B. Figure 1 and Boundary-Collapse Error

Figure 1 (Boundary-Interference Matrix) illustrates the central difficulty.

Different legal frameworks answer different legal questions.

Securities law addresses investment relationships.

Commodities regulation addresses market-risk transfer.

Commercial law addresses settlement.

Tax law addresses valuation and reporting.

Treasury and FinCEN frameworks address compliance and value transmission.

Confusion arises when a security reference is treated as dispositive regardless of function.

Such an approach creates boundary-collapse.

The Commissions should instead focus on the legal role performed by the event contract.

C. Function Determines Classification

The Legal Tender Closure Gap Doctrine proposes a Function-First Classification Principle:

The threshold inquiry should not be:

“What does the contract reference?”

The threshold inquiry should be:

“What legal and economic function does the contract perform?”

This principle is illustrated throughout Figures 2, 3, and 4.

The SEC Boundary Guide (Figure 2) demonstrates that investment posture is determined by transactional function.

The CFTC Boundary Guide (Figure 3) demonstrates that market posture is determined by risk-transfer function.

Figure 4 synthesizes these principles through the Boundary Test.

The same methodology should govern event-contract analysis.

D. When Event Contracts Should Be Treated as Security-Based Swaps

An event contract should generally be treated as an SBS when:

• issuer-specific exposure is the operative economic feature;

• gains and losses depend upon issuer-specific financial outcomes;

• the contract transfers issuer-specific risk;

• the contract functions as a substitute for issuer-specific exposure;

• the contract depends upon events that directly affect the issuer's financial statements, financial condition, or financial obligations.

In these circumstances, the security-related component performs a substantive economic function sufficient to justify SBS treatment.

E. When Event Contracts Should Be Treated as Swaps

An event contract should generally be treated as a swap when:

• the contract transfers broader economic risk;

• the contract references market-wide outcomes;

• the contract concerns economic contingencies not primarily tied to a single issuer;

• the contract functions as a risk-transfer mechanism rather than issuer-specific exposure.

The key distinction is that the contract's operative economic substance concerns broader market risk rather than security-specific exposure.

F. When Event Contracts Should Be Treated as Security Options

An event contract should generally be treated as a security option when:

• the contract grants rights associated with a security;

• the contract functions as an option on a security;

• the economic structure replicates traditional option characteristics;

• the contract falls within the established framework governing securities options.

The relevant inquiry is whether the contract performs the legal and economic role historically associated with securities options rather than derivatives designed primarily for independent risk transfer.

G. Binary Options and Event Contracts

The Commission specifically asks about distinctions involving binary options.

The doctrine suggests that binary-option analysis should focus on economic function rather than payout structure alone.

The fact that a contract produces a binary outcome does not independently determine classification.

Instead, regulators should evaluate:

• the source of exposure;

• the nature of the referenced event;

• the role of the security-related component;

• the economic substance of the transaction.

Binary payout mechanics should not automatically determine jurisdiction.

Function should remain the controlling principle.

H. When Event Contracts Should Be Treated as Excluded Products

Certain event contracts may reference securities while remaining outside swap and SBS classifications.

This may occur when:

• the security reference is incidental;

• the security reference performs no substantive exposure function;

• the contract serves another legally distinct purpose;

• the security-related component does not create, transfer, or allocate meaningful security-related risk.

The existence of a reference should not independently determine regulatory status.

Economic substance should control.

I. Figure 4 and the Boundary Test

Figure 4 provides a practical framework for resolving these questions.

The Boundary Test asks:

1. Is the contract creating investment exposure?
2. Is the contract transferring market risk?
3. Is the contract functioning as property?
4. Is the contract functioning as payment?
5. Is the contract implicating sovereign monetary closure?

The answers identify the contract's posture before classification occurs.

This approach allows regulators to determine which legal framework is most appropriate without relying exclusively upon labels, references, or technological architecture.

J. Proposed Clarification

The Commissions should clarify that event contracts referencing securities should be classified according to the economic function performed by the security-related component.

The following factors should be considered:

• source of economic exposure;

• nature of risk transferred;

• dependence upon issuer-specific outcomes;

• replication of ownership economics;

• relationship between the referenced security and the contract's economic substance;

• overall transactional posture.

The Commissions should further clarify that:

1. Mere reference to a security is not dispositive.
2. Security-specific exposure supports SBS treatment.
3. Broader market-risk transfer supports swap treatment.
4. Traditional option characteristics support security-option treatment.
5. Incidental references should not independently determine classification.

K. Conclusion

Additional clarity regarding event contracts is warranted.

The most durable solution is not a larger catalog of product-specific rules.

Rather, the Commissions should adopt a function-first framework focused on economic substance, exposure creation, and risk allocation.

Event contracts should be classified according to the role performed by the security-related component within the transaction.

The question is not merely what the contract references.

The question is what the contract does.

That principle provides the objective, principled, and administrable standard requested by the Commissions and offers a framework capable of accommodating future financial innovations that do not yet exist.

IX. Response to Question 9: When Is an Innovative Instrument a Note, Bond, or Evidence of Indebtedness That Is a Security Rather Than a Swap or Security-Based Swap?

The Commissions ask whether additional clarity is necessary regarding when an innovative financial instrument should be treated as a note, bond, or evidence of indebtedness that is a security and therefore excluded from the definition of "swap," as compared to an instrument properly classified as a swap or security-based swap ("SBS").

The answer is yes.

Additional clarification is warranted because modern financial products increasingly combine debt characteristics, derivative characteristics, automated settlement structures, digital-asset components, synthetic exposure mechanisms, and contingent economic features in ways that challenge traditional classification frameworks.

The central question is not whether an instrument adopts the form of indebtedness.

The central question is whether the instrument performs the economic and legal function of indebtedness.

A. The Core Classification Question

The Legal Tender Closure Gap Doctrine identifies a recurring classification problem that appears throughout modern financial markets:

A transaction may adopt the form of one legal category while performing the function of another.

Accordingly, the threshold inquiry should not be:

"What is the instrument called?"

The threshold inquiry should be:

"What legal and economic function does the instrument perform?"

This principle is consistent with the broader Function-First Classification Principle developed throughout the doctrine.

B. Figure 1 and Boundary Preservation

Figure 1 (Boundary-Interference Matrix) demonstrates that different legal frameworks answer different questions.

Securities law addresses investment relationships.

Commodities regulation addresses market-risk transfer.

Commercial law addresses obligations and performance.

Tax law addresses valuation and disposition.

Confusion arises when the existence of one characteristic is treated as dispositive of every legal question.

The fact that an instrument resembles indebtedness does not automatically resolve whether it functions as indebtedness.

Likewise, the existence of derivative features does not automatically transform every debt instrument into a swap.

The proper inquiry concerns function.

C. The Historical Function of Indebtedness

Traditionally, notes, bonds, and evidence of indebtedness perform a specific economic function.

Core characteristics generally include:

• a lender-borrower relationship;

• an obligation to repay principal;

• a defined repayment structure;

• creditor rights;

• legally enforceable payment obligations;

• allocation of credit risk rather than market-risk transfer.

These characteristics distinguish indebtedness from many forms of derivative activity.

The existence of these features should remain highly relevant to classification.

D. Distinguishing Credit Relationships from Risk-Transfer Relationships

The doctrine suggests that the primary distinction between indebtedness and swaps should focus upon the nature of the economic relationship being created.

Debt instruments generally create:

• funding relationships;

• repayment obligations;

• creditor-debtor relationships;

• credit-risk allocation.

Swaps generally create:

• risk-transfer relationships;

• contingent economic exposure;

• synthetic market exposure;

• allocation of future market outcomes.

The critical question is whether the instrument's primary function is financing or risk transfer.

E. Figures 2 and 3: Transactional Posture Analysis

Figures 2 and 3 provide a useful analytical framework.

The SEC Boundary Guide (Figure 2) focuses on investment posture.

The CFTC Boundary Guide (Figure 3) focuses on market-risk-transfer posture.

Applied to innovative debt instruments, the inquiry becomes:

Does the instrument primarily establish a borrower-creditor relationship?

Or does it primarily create contingent market exposure?

The answer should heavily influence classification.

A debt instrument may contain sophisticated features while remaining fundamentally indebtedness.

Conversely, a product labeled as a note may function primarily as a derivative.

The economic posture of the transaction should control.

F. Figure 4 and the Boundary Test

Figure 4 provides the most useful operational framework.

The Boundary Test asks:

1. *Is the transaction creating investment exposure?*
2. *Is the transaction transferring market risk?*
3. *Is the transaction functioning as property?*

4. *Is the transaction functioning as payment?*

5. *Is the transaction implicating sovereign monetary closure?*

Applied here, the inquiry should focus particularly on the distinction between:

• financing functions,

and

• risk-transfer functions.

Where financing remains the dominant purpose, debt classification may be appropriate.

Where risk-transfer becomes the dominant purpose, swap or SBS analysis may become appropriate.

G. The Relevance of Indentures and Formal Debt Structures

The Commission specifically asks whether factors such as qualified indentures and traditional debt structures should remain relevant.

The answer is yes.

Formal debt structures provide useful evidence regarding economic function.

However, form should not become dispositive.

An indenture may support classification as indebtedness because it reflects a traditional lender-borrower relationship.

Yet the ultimate inquiry should remain economic substance.

The presence of an indenture should be considered evidence rather than conclusive proof.

H. Proposed Clarification

The Commissions should clarify that an innovative instrument is more appropriately classified as a note, bond, or evidence of indebtedness when:

• a borrower-creditor relationship exists;

• repayment of principal is contemplated;

• payment obligations are legally enforceable;

• credit risk is the primary economic risk;

• financing rather than risk transfer constitutes the dominant economic purpose.

Conversely, swap or SBS treatment may be more appropriate where:

• contingent market exposure predominates;

• risk transfer is the primary economic function;

• repayment obligations are secondary to derivative exposure;

• economic outcomes depend primarily on future market contingencies.

I. Conclusion

Additional clarity regarding innovative debt instruments is warranted.

The most effective approach is not to focus exclusively upon labels, documentation, or technological architecture.

Rather, classification should focus upon the economic function performed by the transaction.

A note, bond, or evidence of indebtedness should remain excluded from swap treatment when it primarily performs the traditional function of indebtedness: financing, repayment, and credit-risk allocation.

The question is not merely whether an instrument resembles a note.

The question is whether the transaction performs the function of a note.

That principle provides a principled, objective, and administrable framework capable of accommodating future innovations while preserving the statutory distinction between indebtedness and derivative risk-transfer products.

X. Response to Question 10: When Is a Security Forward "Intended to Be Physically Settled" and Therefore Excluded?

The Commissions ask whether additional clarity is necessary regarding the phrase "for deferred shipment or delivery, so long as the transaction is intended to be physically settled" as used in the exclusion from the definition of "swap" contained in Section 1a(47)(B)(ii) of the Commodity Exchange Act.

The answer is yes.

Additional clarification is warranted because modern financial markets increasingly utilize digital infrastructure, tokenized assets, automated settlement systems, custodial technologies, distributed ledgers, and hybrid market structures that may complicate traditional understandings of physical settlement.

The central question is not whether settlement mechanisms have evolved.

The central question is whether the parties intended actual delivery of the underlying asset rather than mere economic exposure to the asset.

A. The Purpose of the Physical Settlement Exclusion

The statutory exclusion reflects a fundamental distinction between:

• transactions intended to transfer ownership of an underlying asset,

and

• transactions intended primarily to transfer economic risk associated with that asset.

Historically, physically settled forwards have been distinguished from swaps because the parties contemplated actual delivery rather than synthetic exposure.

The exclusion therefore serves an important boundary-preservation function.

The challenge for modern markets is identifying how that principle should apply when delivery systems become increasingly digitized, automated, and technologically complex.

B. Figure 1 and Boundary Preservation

Figure 1 (Boundary-Interference Matrix) illustrates the importance of maintaining distinct legal inquiries.

Property law addresses transfer of ownership.

Commercial law addresses performance and settlement.

Market regulation addresses risk-transfer arrangements.

Treasury and FinCEN frameworks address value transmission.

Legal-tender analysis addresses sovereign monetary closure.

Confusion arises when these inquiries become conflated.

The physical settlement inquiry should remain focused on delivery of the underlying asset.

It should not be expanded into a broader inquiry concerning every legal consequence associated with the transaction.

C. Delivery Is Not Exposure

The Legal Tender Closure Gap Doctrine repeatedly distinguishes between:

• reference,

• exposure,

• ownership,

• transfer,

• settlement,

• discharge,

• closure.

Those distinctions are particularly important here.

A physically settled forward contemplates transfer of the underlying asset.

The existence of delivery distinguishes the transaction from arrangements designed primarily to transfer economic exposure without transferring ownership.

Accordingly, the relevant inquiry should focus on whether the parties intended delivery rather than whether the transaction generated economic consequences associated with the asset.

D. Intent Should Be Evaluated Through Objective Indicators

The Commissions previously declined to adopt a bright-line test.

The doctrine supports maintaining a facts-and-circumstances approach while providing clearer objective indicators.

Relevant considerations may include:

• contractual delivery obligations;

• transfer of ownership rights;

• custody arrangements;

• delivery infrastructure;

• settlement procedures;

• treatment of undelivered positions;

• historical delivery practices;

• economic incentives encouraging delivery;

• restrictions on cash settlement.

These indicators help distinguish genuine delivery arrangements from transactions designed primarily to create synthetic exposure.

E. Figures 2 and 3: Transactional Posture Analysis

Figures 2 and 3 provide useful guidance.

The SEC Boundary Guide (Figure 2) demonstrates that investment posture depends upon the function performed by the transaction.

The CFTC Boundary Guide (Figure 3) demonstrates that market posture depends upon risk-transfer function.

Applied here, the relevant inquiry becomes:

Does the transaction primarily contemplate ownership transfer?

Or does the transaction primarily contemplate risk transfer?

Where ownership transfer is the dominant purpose, physical-settlement treatment may be appropriate.

Where risk transfer is the dominant purpose, swap analysis may be more appropriate.

F. Digital Assets, Tokenization, and Modern Delivery Systems

The evolution of financial technology should not obscure the underlying legal question.

Delivery may occur through:

• traditional custodial systems;

• centralized securities depositories;

• tokenized ownership systems;

• distributed-ledger infrastructure;

• digital transfer mechanisms.

The technological medium of delivery should not independently determine classification.

The relevant inquiry is whether the transaction results in actual transfer of the underlying asset.

The form of the delivery mechanism should remain secondary to the substance of the transfer.

G. Figure 4 and the Boundary Test

Figure 4 provides a useful framework for understanding why classification difficulties arise.

The Boundary Test distinguishes:

1. Investment Boundary
2. Market Boundary
3. Property Boundary
4. Payment Boundary
5. Closure Boundary

The physical-settlement inquiry belongs primarily within the Property Boundary.

The question is whether the asset itself is delivered.

Importantly, delivery of the underlying asset does not automatically resolve every other legal question associated with the transaction.

Payment mechanics may remain relevant.

Contractual discharge may remain relevant.

Tax consequences may remain relevant.

Sovereign monetary closure may remain relevant.

The doctrine therefore recommends preserving analytical separation among these inquiries.

Physical settlement concerns delivery.

It should not be conflated with payment, discharge, or legal-tender closure.

H. Proposed Clarification

The Commissions should clarify that a security forward is intended to be physically settled when the parties contemplate actual transfer of the underlying asset rather than mere transfer of economic exposure associated with the asset.

Relevant factors may include:

• contractual delivery requirements;

• ownership-transfer obligations;

• delivery infrastructure;

• treatment of settlement failures;

• historical delivery practices;

• economic incentives supporting delivery.

The Commissions should further clarify that:

1. Delivery of the underlying asset is the central inquiry.

2. Technological delivery mechanisms should not independently determine classification.

3. Physical settlement should be distinguished from cash settlement.

4. Physical settlement should also be distinguished from broader questions concerning payment mechanics, contractual discharge, and sovereign monetary closure.

I. Conclusion

Additional clarity regarding physical settlement is warranted.

The most durable approach is one focused on the intended transfer of the underlying asset rather than the technological form through which transfer occurs.

A security forward should be considered intended to be physically settled when the parties contemplate actual delivery and ownership transfer of the underlying asset.

The question is not whether economic consequences arise from the transaction.

The question is whether the parties intended delivery.

That principle preserves the historical purpose of the statutory exclusion while remaining flexible enough to accommodate modern market infrastructure and future technological innovation.

XI. Response to Question 11: Is More Clarity Needed for Futures and Security Futures, Including Cash-Settled Perpetual Contracts Referencing Equity Securities?

The Commissions ask whether greater clarity is needed regarding futures and security futures in the context of innovative markets, including whether a cash-settled perpetual contract referencing an equity security could be treated as a security future and what effects such products may have on liquidity formation, price discovery, hedging activity, derivatives markets, and underlying cash equity markets.

The answer is yes.

Additional clarity is warranted because cash-settled perpetual contracts, tokenized derivatives, digital-asset-linked market instruments, automated margin systems, and continuous-exposure products increasingly challenge traditional distinctions among futures, security futures, swaps, security-based swaps, and cash-market instruments.

The central inquiry should focus on the product's economic function rather than its technological label, trading venue, or marketing terminology.

A. The Core Classification Problem

A cash-settled perpetual contract may reference an equity security while lacking traditional delivery, expiration, or ownership-transfer characteristics.

This creates interpretive uncertainty because such a product may resemble:

• a futures contract in its exposure function;

• a security future in its reference to an equity security;

• a swap or security-based swap in its synthetic risk-transfer structure;

• a trading product in its continuous margin and mark-to-market architecture.

The relevant question is not what the product is called.

The relevant question is what economic function the product performs.

B. Figure 1 and Boundary-Collapse Risk

Figure 1, the Boundary-Interference Matrix, illustrates why this question is difficult.

Different legal frameworks answer different questions.

Securities law addresses investment and issuer-related exposure.

Commodities and futures regulation address market-risk transfer.

Commercial law addresses delivery and settlement.

Tax law addresses valuation and disposition.

Legal-tender analysis addresses sovereign monetary closure.

A perpetual contract referencing an equity security may touch several of these frameworks at once.

The danger is boundary-collapse: treating reference, exposure, settlement, ownership, and delivery as if they were the same legal event.

They are not.

C. Reference to an Equity Security Is Not Enough

As developed in response to Questions 4 through 8, reference alone should not determine classification.

A contract may reference an equity security without transferring ownership of that security.

A contract may track the price of an equity security without creating shareholder rights.

A contract may cash-settle based on equity performance without delivering the underlying equity.

Thus, the mere fact that a perpetual contract references an equity security should not automatically resolve classification.

The Commissions should focus on the exposure created by the contract.

D. Perpetual Exposure and Market-Risk Transfer

Cash-settled perpetual contracts raise special concerns because they may provide continuous synthetic exposure without delivery or ordinary expiration.

This suggests that the product's primary legal function is likely not ownership transfer.

Rather, its primary function may be ongoing risk transfer.

Relevant indicators include:

• cash settlement;

• absence of physical delivery;

• continuous margining;

• mark-to-market mechanics;

• funding-rate mechanisms;

• leverage;

• liquidation procedures;

• exchange-mediated trading;

• synthetic exposure to equity performance.

Where these features predominate, the product should be analyzed through market-risk-transfer frameworks rather than ownership-transfer frameworks.

E. Figures 2 and 3: Investment Posture Versus Market Posture

Figures 2 and 3 provide useful guidance.

The SEC Boundary Guide (Figure 2) demonstrates that securities analysis should focus on investment posture and issuer-linked exposure.

The CFTC Boundary Guide (Figure 3) demonstrates that market analysis should focus on risk transfer, leverage, derivatives structure, margin, and trading infrastructure.

A cash-settled perpetual contract referencing an equity security may implicate both.

Where the contract creates issuer-specific synthetic exposure, SBS or security-futures analysis may be relevant.

Where the contract functions primarily as a leveraged market-risk-transfer instrument, futures or swap analysis may be relevant.

The classification should follow the dominant economic function and statutory fit.

F. Figure 4 and the Boundary Test

Figure 4 provides the most useful operational framework.

The Boundary Test asks:

1. *Is the transaction creating investment exposure?*
2. *Is the transaction transferring market risk?*
3. *Is the transaction functioning as property?*
4. *Is the transaction functioning as payment?*

5. *Is the transaction implicating sovereign monetary closure?*

Applied here, the key inquiries are the first two:

• Does the product create security-specific investment exposure?

• Does the product transfer market risk through derivative mechanics?

If both are present, the product may implicate overlapping SEC and CFTC interests.

If the product is cash-settled, perpetual, margined, and synthetic, the Commissions should hesitate before treating it as equivalent to physically delivered equity ownership.

G. Security Futures and Cash-Settled Perpetuals

The Commissions should clarify whether and when a cash-settled perpetual contract referencing an equity security may be treated as a security future.

Any such clarification should consider whether the product:

• references a single equity security or narrow-based security index;

• creates continuous synthetic exposure;

• uses margin or leverage;

• settles in cash rather than delivery;

• lacks fixed expiration;

• creates price-discovery effects in the underlying equity market;

• enables hedging or speculation functionally similar to existing security futures or equity derivatives.

The absence of expiration and physical delivery should be given substantial weight.

A perpetual product may be economically closer to a rolling synthetic derivative than to a traditional future.

H. Market Effects

The Commissions also ask about effects on liquidity formation, price discovery, and hedging.

Cash-settled perpetual products may produce both benefits and risks.

Potential benefits include:

• additional liquidity;

• expanded hedging tools;

• more continuous risk-transfer markets;

• broader access to exposure management.

Potential risks include:

• synthetic leverage disconnected from cash-market depth;

• pressure on underlying equity price discovery;

• increased volatility through liquidation cascades;

• cross-market manipulation;

• feedback between derivatives prices and cash equity prices;

• regulatory arbitrage if products are classified by label rather than function.

These risks support a function-based classification approach.

I. Proposed Clarification

The Commissions should clarify that cash-settled perpetual contracts referencing equity securities should be evaluated according to economic function and risk-transfer mechanics.

Relevant factors should include:

• the source of exposure;

• whether the product references a single security or narrow-based index;

• whether settlement is cash-based or delivery-based;

• whether leverage or margin is used;

• whether the product has expiration or perpetual duration;

• whether the product transfers synthetic market risk;

• whether it affects the underlying cash equity market.

The Commissions should further clarify that equity reference alone is not dispositive.

The classification should depend upon the product's operative economic function.

J. Conclusion

Greater clarity regarding futures, security futures, and cash-settled perpetual contracts is warranted.

Cash-settled perpetual contracts referencing equity securities should not be classified solely by name, venue, or technological architecture.

They should be classified according to exposure, risk transfer, settlement mechanics, and market effect.

The question is not merely whether an equity security is referenced.

The question is whether the product transfers continuing synthetic exposure to that security through derivative-market architecture.

That approach provides principled, objective criteria while preserving flexibility for future market innovation.

XII. Response to Question 12: When Should Compliance with One Commission's Framework Satisfy Similar Requirements of the Other Commission?

The Commissions ask whether there are circumstances in which compliance with one Commission's regulatory framework could appropriately satisfy substantially similar requirements of the other Commission and, if so, how "substantially similar" should be defined.

The answer is yes.

Alternative compliance may be appropriate in certain circumstances. However, the determination should not be based primarily upon asset identity, product labels, technological architecture, or market terminology.

Instead, alternative compliance should be grounded in functional equivalence of regulatory purpose.

The central question is not whether two products look similar.

The central question is whether two regulatory frameworks are addressing the same underlying risk.

A. The Core Principle: Functional Equivalence Rather Than Asset Equivalence

The Legal Tender Closure Gap Doctrine demonstrates that a single asset may simultaneously implicate multiple legal frameworks.

The same instrument may involve:

• investment relationships;

• market-risk transfer;

• settlement functions;

• payment functions;

• tax consequences;

• compliance obligations.

The existence of overlap does not imply redundancy.

Different legal frameworks frequently address different risks arising from the same transaction.

Consequently, alternative compliance should not be based upon the mere fact that two agencies are examining the same asset.

The inquiry should focus upon whether both agencies are regulating the same legal and economic function.

B. Figure 1 and Regulatory Boundary Preservation

Figure 1 (Boundary-Interference Matrix) provides the most important analytical framework for answering this question.

The figure demonstrates that:

• securities law protects investors;

• commodities regulation protects market integrity;

• tax law governs valuation and reporting;

• commercial law governs performance and settlement;

• Treasury and FinCEN frameworks govern value transmission and compliance;

• legal-tender analysis governs sovereign monetary closure.

Each framework answers a different question.

The existence of overlapping jurisdiction does not automatically imply duplicative regulation.

Alternative compliance becomes appropriate only when two regulatory frameworks are addressing substantially similar risks, objectives, and outcomes.

C. Asset Identity Is an Inadequate Standard

The Commissions should avoid defining substantial similarity according to:

• asset class;

• technological architecture;

• platform design;

• token structure;

• trading venue;

• settlement mechanism.

A digital asset may perform:

• an investment function in one transaction;

• a payment function in another;

• a market-risk-transfer function in a third.

The same asset may therefore trigger different regulatory interests depending upon context.

Asset identity alone cannot determine whether alternative compliance is appropriate.

D. Functional Equivalence as the Appropriate Standard

The doctrine suggests that substantial similarity should be evaluated according to:

1. Regulatory Objective
2. Regulatory Risk
3. Regulatory Outcome

Alternative compliance becomes most appropriate where both agencies are attempting to achieve substantially similar results with respect to substantially similar risks.

Examples may include:

• market manipulation prevention;

• trade reporting;

• surveillance obligations;

• position monitoring;

• risk-management controls;

• recordkeeping requirements.

Where objectives substantially overlap, coordinated compliance may reduce unnecessary duplication without reducing investor or market protections.

E. Figures 2 and 3: Transactional Posture Analysis

Figures 2 and 3 further illustrate why functional analysis is necessary.

The SEC Boundary Guide (Figure 2) demonstrates that investment posture raises investor-protection concerns.

The CFTC Boundary Guide (Figure 3) demonstrates that market posture raises market-integrity concerns.

These concerns may overlap but are not always identical.

A product may simultaneously:

• create investment exposure;

• transfer market risk.

In such circumstances, alternative compliance should be evaluated according to the specific regulatory objective under consideration rather than according to the product itself.

F. Figure 4 and the Boundary Test

Figure 4 provides a practical framework.

The Boundary Test asks:

1. *Is the transaction creating investment exposure?*
2. *Is the transaction transferring market risk?*
3. *Is the transaction functioning as property?*
4. *Is the transaction functioning as payment?*
5. *Is the transaction implicating sovereign monetary closure?*

The answers identify which legal functions are present.

Alternative compliance becomes more appropriate where multiple agencies regulate the same function.

Alternative compliance becomes less appropriate where agencies regulate different functions arising from the same transaction.

G. Distinguishing Overlap from Duplication

The doctrine recommends distinguishing between:

• overlapping jurisdiction,

and

• duplicative regulation.

These concepts are not identical.

Two agencies may regulate different aspects of the same transaction without creating unnecessary duplication.

For example:

Investor protection and market integrity may both be implicated.

The existence of overlap does not eliminate the need for both regulatory perspectives.

Alternative compliance should therefore be reserved for situations where requirements are genuinely functionally equivalent.

H. Proposed Clarification

The Commissions should clarify that “substantially similar” should be evaluated according to:

• regulatory purpose;

• risks addressed;

• compliance outcomes;

• supervisory objectives;

• enforcement goals.

Alternative compliance should be considered where:

• risks are substantially identical;

• compliance obligations achieve substantially similar outcomes;

• duplicative requirements provide little incremental regulatory benefit.

Alternative compliance generally should not be determined solely by:

• product labels;

• asset classifications;

• technological architecture;

• market terminology.

I. Conclusion

Alternative compliance can promote regulatory efficiency and reduce unnecessary duplication.

However, alternative compliance should be grounded in functional equivalence rather than asset equivalence.

The question is not whether two agencies regulate the same product.

The question is whether the agencies are regulating the same risk.

Where regulatory objectives, risks addressed, and supervisory outcomes are substantially similar, alternative compliance may be appropriate.

Where different legal functions are being regulated, separate compliance obligations may remain necessary even when they arise from the same transaction.

This approach preserves regulatory clarity while respecting the distinct statutory responsibilities assigned to each Commission.

XIII. Response to Question 13: When Should the Commissions Use Joint or Coordinated Approaches Such as Joint Registration, Tailored Rules, Deemed Filings, or Shared Reporting?

The Commissions ask under what circumstances they should consider joint or coordinated approaches, including joint registration, tailored rules, rules of procedure, tailored reporting requirements, deemed filing mechanisms, or other forms of coordinated regulatory administration designed to facilitate alternative compliance.

The answer is that coordinated approaches are appropriate where regulatory objectives substantially overlap. Coordinated approaches are less appropriate where agencies regulate distinct legal functions, even if those functions arise from the same transaction.

The central inquiry should focus upon regulatory purpose rather than product identity.

A. The Core Question Is Functional Rather Than Jurisdictional

Modern financial products increasingly implicate multiple regulatory frameworks simultaneously.

A single transaction may involve:

• investment exposure;

• market-risk transfer;

• settlement activity;

• payment functions;

• valuation consequences;

• reporting obligations;

• compliance responsibilities.

The existence of overlapping jurisdiction does not itself indicate regulatory duplication.

The relevant question is whether the agencies are regulating the same risk or different risks.

The Legal Tender Closure Gap Doctrine therefore recommends a functional approach to regulatory coordination.

B. Figure 1 and the Principle of Boundary Preservation

Figure 1 (Boundary-Interference Matrix) provides the foundational framework for answering this question.

The figure demonstrates that:

• securities law protects investors;

• commodities regulation protects market integrity;

• commercial law governs performance and settlement;

• tax law governs valuation and disposition;

• Treasury and FinCEN frameworks govern compliance and value transmission;

• legal-tender analysis governs sovereign monetary closure.

These frameworks frequently intersect.

However, they do not become interchangeable merely because they address the same transaction.

Accordingly, coordinated approaches should be based upon overlapping regulatory objectives rather than overlapping jurisdiction alone.

C. Distinguishing Overlap from Duplication

The doctrine recommends distinguishing between:

• jurisdictional overlap,

and

• regulatory duplication.

These concepts are not synonymous.

Jurisdictional overlap occurs when multiple agencies possess legitimate interests in a transaction.

Regulatory duplication occurs when multiple agencies impose substantially similar requirements designed to achieve substantially similar outcomes.

Coordination should target duplication rather than overlap.

Where agencies regulate different risks, separate oversight may remain appropriate.

D. Figures 2 and 3: Different Functions, Different Objectives

Figures 2 and 3 further illustrate why coordination must remain function-specific.

The SEC Boundary Guide (Figure 2) focuses upon:

• investment posture;

• investor protection;

• issuer-related exposure.

The CFTC Boundary Guide (Figure 3) focuses upon:

• market posture;

• risk transfer;

• market integrity;

• derivatives activity.

A product may implicate both frameworks simultaneously.

However, coordination becomes appropriate only where the agencies are pursuing substantially similar objectives.

The mere existence of dual jurisdiction should not automatically produce unified compliance.

E. Figure 4 and the Boundary Test

Figure 4 provides a practical operational framework.

The Boundary Test identifies:

1. Investment Boundary
2. Market Boundary
3. Property Boundary
4. Payment Boundary
5. Closure Boundary

The test helps determine which legal functions are present within a transaction.

Coordinated regulation becomes most appropriate where agencies are supervising the same functional boundary.

Where agencies regulate different boundaries, independent oversight may remain necessary.

F. Appropriate Circumstances for Coordinated Approaches

The doctrine suggests that joint or coordinated approaches may be appropriate where:

• reporting requirements substantially overlap;

• surveillance objectives substantially overlap;

• registration requirements substantially overlap;

• compliance outcomes substantially overlap;

• duplicative filings provide little incremental benefit.

Examples may include:

• shared trade reporting;

• coordinated notice registration;

• joint data repositories;

• unified recordkeeping submissions;

• deemed filings for substantially identical disclosures.

In such circumstances, coordination may reduce unnecessary burden while preserving regulatory effectiveness.

G. Circumstances Where Independent Compliance May Remain Necessary

Coordinated approaches may be less appropriate where agencies regulate fundamentally different risks.

For example:

• investor-protection obligations may differ from market-integrity obligations;

• issuer-related disclosure requirements may differ from derivatives-surveillance requirements;

• settlement obligations may differ from trading-conduct obligations.

In such cases, separate compliance obligations may remain justified even where they arise from the same transaction.

H. Shared Reporting and Information Architecture

The doctrine strongly supports expanded information-sharing mechanisms.

Where multiple agencies require substantially similar information, the preferred solution is often:

• shared reporting architecture;

• common data standards;

• coordinated submission systems;

• interoperable reporting frameworks.

This approach preserves independent authority while reducing unnecessary compliance burdens.

Coordination should focus on information architecture rather than jurisdictional consolidation.

I. Tailored Rules and Deemed Filing Mechanisms

Tailored rules and deemed filing mechanisms may be particularly appropriate where:

• disclosures are materially identical;

• reporting objectives substantially overlap;

• compliance outcomes are functionally equivalent.

The guiding principle should be whether the coordinated approach preserves substantive oversight while eliminating duplicative administrative obligations.

J. Proposed Clarification

The Commissions should clarify that coordinated approaches are most appropriate when:

• regulatory objectives substantially overlap;

• risks addressed are substantially similar;

• reporting obligations are materially redundant;

• supervisory outcomes are functionally equivalent.

The Commissions should further clarify that:

1. Product identity alone should not determine coordination.
2. Jurisdictional overlap does not automatically justify unified compliance.

3. Coordination should focus upon shared regulatory functions.

4. Shared reporting architecture should be favored where possible.

5. Independent oversight should remain available where distinct risks are being regulated.

K. Conclusion

Joint and coordinated approaches can improve regulatory efficiency, reduce unnecessary duplication, and enhance supervisory effectiveness.

However, coordination should be based upon functional equivalence rather than asset equivalence.

The question is not whether two agencies regulate the same product.

The question is whether the agencies are regulating the same risk.

Where regulatory objectives substantially overlap, coordinated approaches may be appropriate.

Where regulatory objectives remain distinct, separate compliance obligations may remain necessary despite the existence of a common transaction.

This approach preserves institutional clarity while supporting responsible innovation and effective regulatory cooperation.

XIV. Response to Question 14: How Should Surveillance, Examination, Enforcement, and Data Sharing Operate Under Alternative Compliance?

The Commissions ask what considerations should guide surveillance, examination, enforcement, and information sharing under an alternative-compliance framework and how enhanced coordination between the agencies may better fulfill their respective regulatory mandates.

The answer is that surveillance, examination, enforcement, and data-sharing systems should be organized around functional risk rather than product labels.

Alternative compliance should not reduce regulatory visibility.

Rather, alternative compliance should improve regulatory efficiency while preserving comprehensive oversight of the underlying risks presented by the transaction.

A. The Core Principle: Functional Risk Should Govern Oversight

The Legal Tender Closure Gap Doctrine demonstrates that a single transaction may simultaneously implicate multiple legal frameworks.

The same transaction may generate:

• investment exposure;

• market-risk transfer;

• settlement obligations;

• reporting obligations;

• compliance obligations;

• systemic consequences.

These consequences may persist even after the transaction itself appears complete.

Accordingly, surveillance and enforcement should focus upon the risks being created rather than the labels assigned to the products involved.

The central question should not be:

“What product is being traded?”

The central question should be:

“What risks are being created, transferred, concentrated, or concealed?”

B. Figure 1 and Regulatory Boundary Preservation

Figure 1 (Boundary-Interference Matrix) provides the foundational framework.

The figure demonstrates that different legal frameworks regulate different forms of risk.

For example:

• securities regulation addresses investor-protection risks;

• commodities regulation addresses market-integrity risks;

• commercial law addresses performance and settlement risks;

• Treasury and FinCEN frameworks address compliance and value-transmission risks;

• legal-tender analysis addresses monetary-closure risks.

Alternative compliance should not eliminate these distinctions.

Instead, information sharing should allow regulators to preserve visibility across multiple risk categories without unnecessarily duplicating supervisory activity.

C. Surveillance Should Follow Functional Exposure

The doctrine recommends that surveillance systems focus on:

• exposure creation;

• risk transfer;

• leverage accumulation;

• liquidity concentration;

• settlement architecture;

• interconnectedness;

• market manipulation indicators.

Where alternative compliance is used, agencies should maintain visibility into the risks that remain relevant to their statutory responsibilities.

The focus should remain on exposure rather than nomenclature.

D. Figures 2 and 3: Monitoring Transactional Posture

Figures 2 and 3 provide a useful framework for determining what should be monitored.

The SEC Boundary Guide (Figure 2) highlights:

• investment posture;

• issuer-related exposure;

• investor-protection concerns.

The CFTC Boundary Guide (Figure 3) highlights:

• market posture;

• derivatives activity;

• leverage;

• risk-transfer mechanisms.

Alternative compliance should not eliminate visibility into either category.

Rather, information-sharing mechanisms should ensure that each agency retains access to data relevant to the risks it is responsible for supervising.

E. Figure 4 and the Boundary Test

Figure 4 provides the operational framework.

The Boundary Test identifies:

1. Investment Boundary
2. Market Boundary
3. Property Boundary
4. Payment Boundary
5. Closure Boundary

The doctrine recommends that surveillance architecture be organized around these functional boundaries.

Regulators should identify:

• where exposure originates;

• where risk is transferred;

• where obligations are discharged;

• where residual legal consequences remain active.

Alternative compliance should simplify administration without obscuring these distinctions.

F. Figures 5 and 6: Residual Obligations and Continuing Visibility

Figures 5 and 6 become particularly important in the context of examination and enforcement.

The Legal Tender Closure Gap Doctrine demonstrates that transactions frequently generate legal residue even after apparent completion.

Examples include:

• tax residue;

• reporting residue;

• accounting residue;

• contractual residue;

• AML/BSA residue;

• sanctions residue;

• remittance residue;

• compliance residue.

The existence of alternative compliance should not eliminate visibility into these continuing obligations.

Regulators should therefore maintain data architectures capable of identifying residual legal consequences that remain active after execution and settlement.

G. Shared Reporting and Data Architecture

The doctrine strongly supports coordinated reporting infrastructure.

Where agencies require substantially similar information, reporting systems should emphasize:

• common data standards;

• interoperable reporting formats;

• shared repositories;

• coordinated access controls;

• standardized identifiers.

The objective should be:

Collect once.

Use many times.

Such systems reduce burden while preserving regulatory effectiveness.

H. Examination Under Alternative Compliance

The doctrine recommends that examinations focus on:

• functional risks;

• control systems;

• risk-management practices;

• surveillance effectiveness;

• information-sharing compliance.

Alternative compliance should not reduce accountability.

Instead, examinations should confirm that firms maintain adequate controls over all risks implicated by the transaction regardless of which agency receives primary reporting responsibility.

I. Enforcement Coordination

Enforcement should remain tied to statutory responsibilities.

However, the doctrine supports enhanced coordination where:

• misconduct crosses regulatory boundaries;

• manipulation affects multiple markets;

• reporting failures impact multiple agencies;

• systemic risks span multiple regulatory domains.

The existence of alternative compliance should not create enforcement blind spots.

Rather, coordinated information-sharing should strengthen enforcement effectiveness.

J. Figure 12 and Long-Horizon Risk Visibility

Figure 12 provides an additional consideration.

The doctrine demonstrates that large-scale transactional activity may create long-horizon systemic effects that are not immediately visible through transaction-level reporting.

Examples may include:

• liquidity migration;

• concentration risks;

• market-structure changes;

• interconnectedness effects;

• settlement-system dependencies.

Alternative compliance should therefore preserve the ability of regulators to monitor emerging systemic trends rather than focusing exclusively upon individual transactions.

K. Proposed Clarification

The Commissions should clarify that:

1. Surveillance should be organized around functional risk rather than product labels.
2. Information sharing should preserve visibility into risks relevant to each agency's statutory mission.

3. Shared reporting systems should be encouraged where reporting requirements substantially overlap.

4. Alternative compliance should not reduce supervisory visibility.

5. Examination programs should focus on risk-management controls and continuing obligations.

6. Enforcement coordination should address misconduct affecting multiple regulatory domains.

L. Conclusion

Alternative compliance should improve administrative efficiency without diminishing regulatory awareness.

The most effective oversight framework is one organized around functional risk rather than nomenclature.

The question is not merely what product is being regulated.

The question is what risks remain active.

Where agencies maintain visibility into those risks, alternative compliance can reduce unnecessary duplication while preserving robust investor protection, market integrity, and regulatory effectiveness.

Such an approach promotes both innovation and accountability while respecting the distinct statutory responsibilities of each Commission.

XV. Response to Question 15: How Should the Commissions Deter Manipulation and Trading on Material Non-Public Information Under Alternative Compliance?

The Commissions ask how alternative-compliance frameworks should deter market manipulation and trading on material non-public information ("MNPI"), and what steps should be taken to ensure robust surveillance and oversight of cross-market activities.

The answer is that deterrence should be organized around information asymmetry and functional risk rather than product classification alone.

Alternative compliance should reduce administrative duplication. It should not reduce market visibility, enforcement capacity, or the ability of regulators to detect misconduct across interconnected markets.

A. The Core Principle: Misconduct Follows Information and Exposure, Not Labels

The Legal Tender Closure Gap Doctrine demonstrates that modern financial markets increasingly blur traditional jurisdictional boundaries.

The same economic activity may simultaneously involve:

• securities exposure;

• derivatives exposure;

• settlement activity;

• payment activity;

• reporting obligations;

• cross-market interactions.

Misconduct frequently follows these functional connections rather than formal product categories.

Accordingly, anti-manipulation and MNPI frameworks should focus on information asymmetries and exposure relationships rather than solely on legal classifications.

The relevant question is not:

"What product was traded?"

The relevant question is:

"What informational advantage existed and what economic exposure was affected?"

B. Figure 1 and Boundary-Collapse Risk

Figure 1 (Boundary-Interference Matrix) provides the foundational framework.

The figure demonstrates that multiple legal frameworks may apply to the same transaction because different legal systems address different risks.

Alternative compliance should not create blind spots where information visible to one regulator becomes inaccessible to another regulator responsible for a related risk.

Manipulation often occurs precisely at these boundaries.

Examples may include:

• cross-market trading activity;

• settlement-layer manipulation;

• coordinated exposure creation;

• information asymmetries spanning multiple products.

The doctrine therefore recommends preserving visibility across regulatory boundaries even when compliance obligations are streamlined.

C. Manipulation Should Be Evaluated Functionally

The doctrine suggests that manipulation should be analyzed according to economic effect rather than product nomenclature.

Relevant considerations include:

• distortion of price discovery;

• artificial creation of exposure;

• concealment of risk;

• manipulation of settlement processes;

• manipulation of reference values;

• disruption of market integrity.

The same conduct may affect:

• securities markets;

• derivatives markets;

• spot markets;

• settlement systems.

Accordingly, surveillance systems should focus on functional market effects rather than isolated product categories.

D. Figures 2 and 3: Cross-Market Visibility

Figures 2 and 3 illustrate why cross-market visibility remains essential.

The SEC Boundary Guide (Figure 2) focuses on:

• investment exposure;

• investor protection;

• issuer-related information.

The CFTC Boundary Guide (Figure 3) focuses on:

• derivatives activity;

• market-risk transfer;

• trading conduct.

Manipulation frequently operates across both domains.

Alternative compliance should therefore preserve coordinated visibility into:

• trading activity;

• exposure creation;

• position accumulation;

• information flow.

The existence of a streamlined compliance framework should not reduce the ability to identify coordinated misconduct.

E. Material Non-Public Information

The doctrine suggests that MNPI analysis should remain tied to informational asymmetry rather than product form.

The relevant inquiry should be:

Did a market participant possess information unavailable to the broader market that materially affected economic exposure?

This principle remains valid regardless of whether the exposure arises through:

• securities;

• swaps;

• SBS;

• futures;

• security futures;

• innovative digital-asset products.

Alternative compliance should not alter the fundamental importance of informational fairness.

F. Figure 4 and the Boundary Test

Figure 4 provides a useful framework for identifying where informational asymmetries may arise.

The Boundary Test identifies:

1. Investment Boundary
2. Market Boundary
3. Property Boundary
4. Payment Boundary
5. Closure Boundary

Information asymmetries may emerge at any of these boundaries.

For example:

• issuer information may affect investment exposure;

• trading information may affect market exposure;

• settlement information may affect property rights;

• payment information may affect liquidity and execution;

• closure-related information may affect long-term systemic outcomes.

Surveillance systems should therefore monitor information flows across multiple functional boundaries rather than focusing exclusively on product categories.

G. Figure 12 and Long-Horizon Manipulation Risks

Figure 12 introduces an additional consideration.

The doctrine demonstrates that systemic effects often emerge gradually rather than immediately.

Manipulation may therefore occur through:

• concentration of exposure;

• creation of artificial liquidity;

• coordinated market signaling;

• structural distortions;

• cross-market feedback loops.

These activities may not be visible when regulators examine individual products in isolation.

Alternative compliance should therefore preserve the ability to conduct market-wide analysis across multiple jurisdictions.

H. Information Sharing and Coordinated Surveillance

The doctrine strongly supports enhanced information sharing.

Effective deterrence requires:

• common data standards;

• interoperable reporting systems;

• coordinated surveillance tools;

• shared analytical frameworks;

• cross-market monitoring.

The objective should be to identify exposure relationships and information asymmetries regardless of the product through which they manifest.

I. Enforcement Coordination

The doctrine recommends that enforcement remain tied to statutory authority while encouraging coordinated investigations where:

• misconduct affects multiple markets;

• exposure spans multiple jurisdictions;

• information asymmetries affect multiple products;

• manipulation crosses regulatory boundaries.

Alternative compliance should not fragment enforcement visibility.

Instead, it should strengthen coordination while preserving agency independence.

J. Proposed Clarification

The Commissions should clarify that:

1. Alternative compliance does not reduce anti-manipulation obligations.
2. Surveillance should focus on information asymmetry and functional market effects.
3. Cross-market visibility should be preserved through coordinated reporting and information-sharing systems.
4. MNPI analysis should focus on economic exposure affected by informational advantages rather than product labels alone.
5. Enforcement coordination should be encouraged where misconduct affects multiple regulatory domains.
6. Long-horizon systemic risks should remain subject to surveillance even when products are regulated through alternative-compliance frameworks.

K. Conclusion

Alternative compliance can reduce administrative duplication without weakening market integrity.

The most effective anti-manipulation framework is one focused on information asymmetry, exposure relationships, and cross-market effects rather than formal product categories.

The question is not merely what instrument was traded.

The question is whether information or conduct created an unfair advantage that distorted market outcomes.

Where regulators maintain visibility into those informational and exposure relationships, alternative compliance can support both efficient regulation and robust market integrity.

Such an approach preserves fair competition, investor protection, and confidence in increasingly interconnected financial markets.

Referenced Figures and Mendeley Data Links

This section identifies the figures referenced in this public comment and briefly summarizes the analytical function each figure performs. The figures are derived from Nicolin Decker's *The Legal Tender Closure Gap Doctrine: Private Crypto Settlement, Transactional Use, and the Limits of Securities and Commodities Classification* (June 1, 2026), available at SSRN: https://ssrn.com/abstract=6861300 or http://dx.doi.org/10.2139/ssrn.6861300. Each figure may be embedded, cited, or linked through its corresponding Mendeley Data entry.

Figure 1. Boundary-Interference Matrix: How Misapplied Regulatory Frameworks Distort Legal Analysis

Summary:
Figure 1 explains how securities law, commodities regulation, tax law, Treasury/FinCEN/sanctions frameworks, commercial law, and legal-tender analysis each answer different legal questions. It illustrates the risk of boundary-collapse when one framework is used to answer a question assigned to another.

Mendeley Data Link:
https://data.mendeley.com/datasets/9264nnzxxr/1

Figure 2. SEC Boundary Guide: Distinguishing Investment Posture from Payment Posture

Summary:
Figure 2 distinguishes transactions that create investment posture from transactions that merely function as private payment or settlement. It supports the principle that securities analysis should depend on transactional function rather than token identity alone.

Mendeley Data Link:
https://data.mendeley.com/datasets/7h3w8hrhr6/2

Figure 3. CFTC Boundary Guide: Distinguishing Market Posture from Payment Posture

Summary:
Figure 3 distinguishes market-risk-transfer activity from payment activity. It clarifies that derivatives, leverage, margin, futures, swaps, clearing, and trading infrastructure may trigger market-regulation analysis, while direct obligation-satisfaction may remain payment posture.

Mendeley Data Link:
https://data.mendeley.com/datasets/d47fxf8j24/1

Figure 4. Boundary Test for Crypto Transactions: Determining the Proper Legal Lens

Summary:
Figure 4 provides the operational decision framework used throughout the comment. It asks whether the transaction implicates investment, market, property, payment, or closure boundaries. It supports the core rule that classification should follow the legal function the transaction asks the instrument to perform.

Mendeley Data Link:
https://data.mendeley.com/datasets/9bhjy3y8ns/1

Figure 5. Legal Tender Spending vs. Crypto Payment: Tax Residue as Evidence of Non-Closure

Summary:
Figure 5 compares ordinary legal-tender spending with crypto payment. It shows that crypto payment may leave tax, valuation, basis, and reporting residue after private acceptance, demonstrating that private payment does not necessarily create sovereign monetary closure.

Mendeley Data Link:
https://data.mendeley.com/datasets/8cp92h3g3f/1

Figure 6. Legal Residue Categories: Downstream Evidence of Non-Closure

Summary:
Figure 6 organizes the principal forms of legal residue that may remain after private crypto payment, including tax, payroll, accounting, contract, wallet-attribution, AML/BSA, sanctions, money-transmission, enforcement, and remittance residue. It supports the conclusion that completion of a private transfer does not eliminate continuing legal obligations.

Mendeley Data Link:
https://data.mendeley.com/datasets/x3bzfzj8z2/1

Figure 12. Banking Substitution Effects, U.S. National-Security Stability Implications, and Great Depression Institutional Memory

Summary:
Figure 12 identifies long-horizon systemic risks that may arise when private crypto or stablecoin payment rails substitute for traditional banking and deposit channels. It addresses deposit migration, credit-intermediation effects, liquidity supervision, confidence risk, and national-security stability implications.

Mendeley Data Link:
https://data.mendeley.com/datasets/cd7c8jrn92/1