

Quantum Update 55: Global Regulatory Developments in Crypto Sphere

August 2025

An overview of the latest regulatory actions shaping the global crypto and digital asset markets, with a focus on the United States, Singapore, and international regulatory coordination.

CHARLTONS QUANTUM



US SEC Approves In-Kind Creations and Redemptions for Crypto ETPs

In-Kind Operations Authorized

The US SEC has ended the cash-only model for spot Bitcoin and Ether ETPs, bringing crypto ETP operations in line with traditional commodity-based ETPs. This regulatory shift significantly reduces transaction costs and improves market liquidity.

Additional Approvals

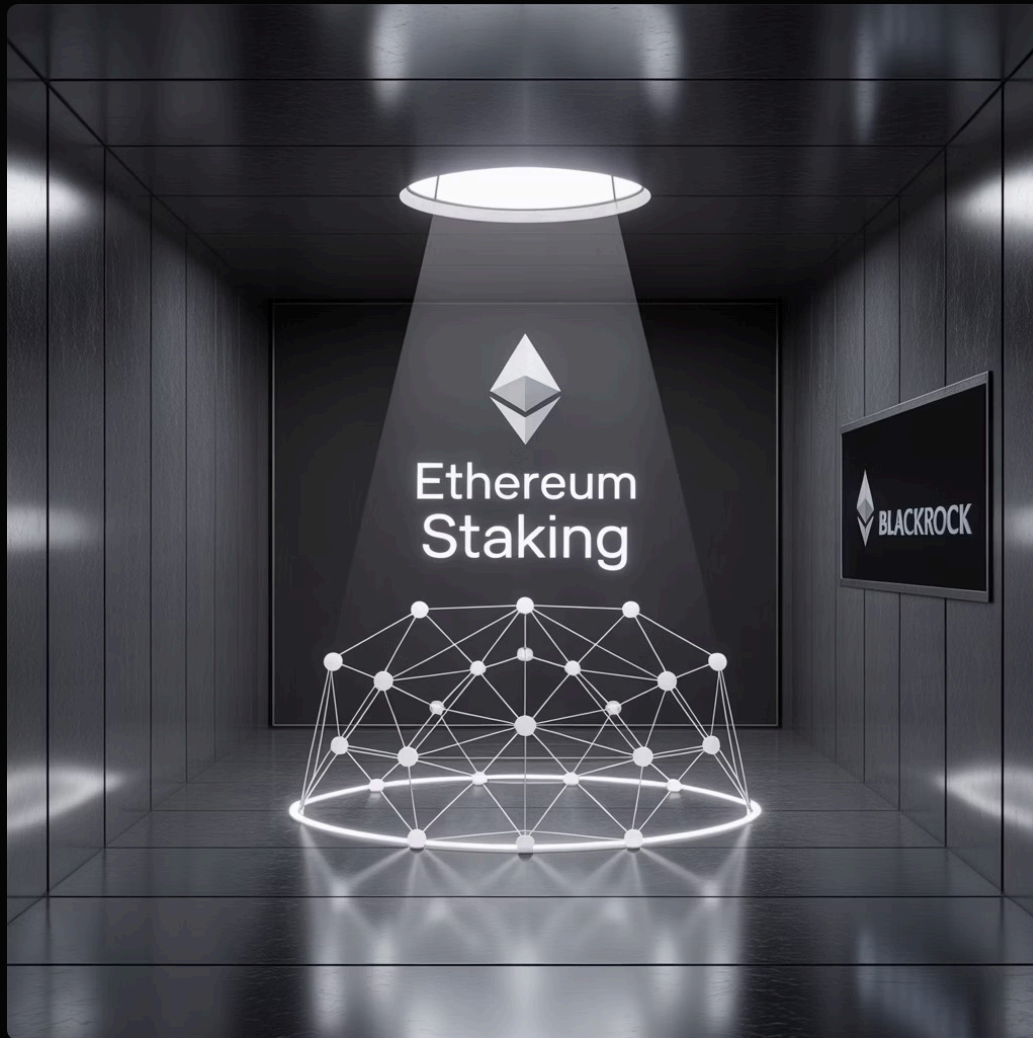
New approvals also cover a mixed Bitcoin/Ether ETP, listed options on select Bitcoin ETPs, and an increase in position limits to 250,000 contracts. An apparent regulatory maturation in the crypto space with Clarity to Crypto entities issuing ETPs.

Merit-Neutral Approach

This applies a **merit-neutral approach** by the USSEC, by effectively treating crypto ETPs within the mainstream of exchange-traded products, a evolution in regulatory stance of how Crypto ETPs are being treated.

Jamie Selway, Director of the Division of Trading and Markets, said, *"The Commission's decision today is an important development for the growing marketplace for crypto-based ETPs. In-kind creation and redemption provide flexibility and cost savings to ETP issuers, authorized participants, and investors, resulting in a more efficient market."*

US SEC Publishes Nasdaq Proposal on Ethereum Staking for iShares Ethereum Trust, **Notice issued**



Nasdaq has proposed to amend the iShares Ethereum Trust, sponsored by BlackRock, to allow staking of Ethereum held by the Trust—marking the first attempt to formally integrate **Ethereum staking** into a regulated exchange-traded product.

The SEC is seeking public comment within 21 days, with a review window extending up to 90 days.

Custodian Participants

Coinbase Custody acts as custodian; Coinbase, Inc. executes staking; BNY Mellon serves as cash custodian in this innovative arrangement.

Staking Limitations

Staking limited exclusively to the Trust's own holdings: no pooling, no advertising, and no guaranteed returns to shareholders.

Slashing/fork Risk Management

Risks such as slashing or forks are managed through comprehensive safeguards, consistent with **US SEC staff guidance** issued in May 2025.

US SEC **Extends Review** for Grayscale Litecoin Trust Listing

1

January 2025

NYSE Arca files to list and trade shares of the Grayscale Litecoin Trust under Commodity-Based Trust Share rules

2

February 2025

Amendments submitted to original filing to address initial SEC concerns

3

July 2025

SEC extends review period, signaling continued caution over smaller-cap digital assets

4

10 October 2025

Extended deadline for SEC decision on Litecoin Trust listing

The Trust would provide investors with regulated exposure to Litecoin without requiring direct crypto custody. Key review issues include volatility, surveillance arrangements, and compliance with investor protection standards.

Document referred: **Release No. 34-103574; File No. SR-NYSEARCA-2025-05** (29 July 2025)



Singapore Launches Criminal Investigation into Tokenize Xchange

Tokenize Exchange

AmazingTech Pte Ltd's (ATPL) operated Tokenize Xchange, a cryptocurrency trading platform, under an exemption from holding a licence under the Payment Services Act 2019 ("**PS Act**") while pending the Monetary Authority of Singapore (**MAS**)'s assessment of its application for a Major Payment Institution licence.

Severe Violations

Investigations revealed and alleged asset shortfalls, failures in segregating customer funds, and possible false representations in the licence application.

Criminal Charges

On 31 July 2025, ATPL's director, Hong Qi Yu, was charged with fraudulent trading under the Insolvency Act following referral to the Commercial Affairs Department (CAD).

Licence Rejection

The Monetary Authority of Singapore rejected ATPL Major Payment Institution licence application after operating under an exemption that expired on 4 July 2025.

Customer Complaints

MAS received several customer complaints against ATPL for delays in processing withdrawals of monies and digital payment tokens to customers.

Police and CAD investigations are ongoing

Tokenise Exchange is currently being investigated by the CAD for potential offences, including, fraudulent trading under Section 238(4) of the Insolvency, Restructuring and Dissolution Act 2018, which carries an imprisonment term not exceeding seven years, a fine or both.

"Crypto Task Force on the Road" Initiative



Commissioner Hester Peirce announced the nationwide outreach program to engage smaller crypto ventures that are often excluded from policy discussions, especially decentralised and early-stage projects.

Projects can register by emailing crypto@sec.gov, with one or two delegates allowed per team. This initiative highlights the SEC's attempt to broaden stakeholder participation and ensure fair representation.



National Tour

Ten US cities will host roundtables between August and December 2025



Target Audience

Small ventures with fewer than 10 employees and less than 2 years in operation



Consultative Purpose

Not rulemaking, but outcomes may shape future guidance and proposals

Schedule of "Crypto Task Force on the Road" Roundtables under **Project Crypto**

4 August 2025: Berkeley, California

19 August 2025: Boston, Massachusetts

4 September 2025: Dallas, Texas

15 September 2025: Chicago, Illinois

25 September 2025: New York City, New York

3 October 2025: Irvine, California

24 October 2025: Cleveland, Ohio

29 October 2025: Scottsdale, Arizona

12 November 2025: New York City, New York

5 December 2025: Ann Arbor, Michigan

West Coast
Kickoff

4 Aug 2025 – Berkeley,
CA



Midwest &
Texas

4 Sep Dallas, 15 Sep
Chicago



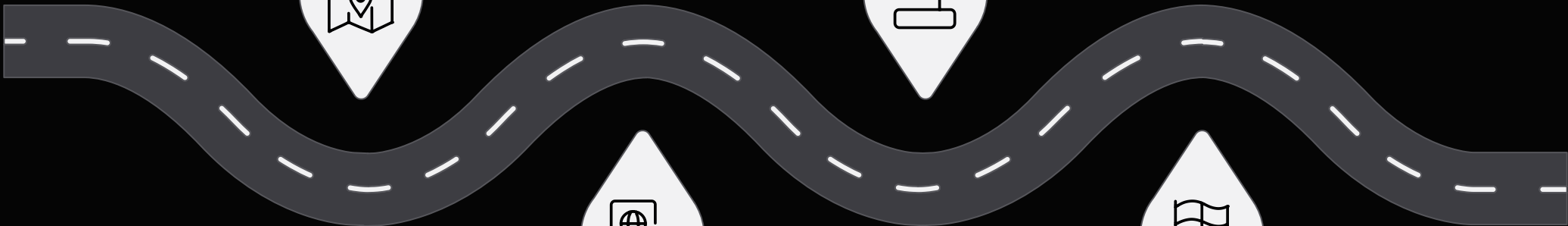
East Coast Tour

19 Aug & 25 Sep & 12
Nov – Boston, NYC



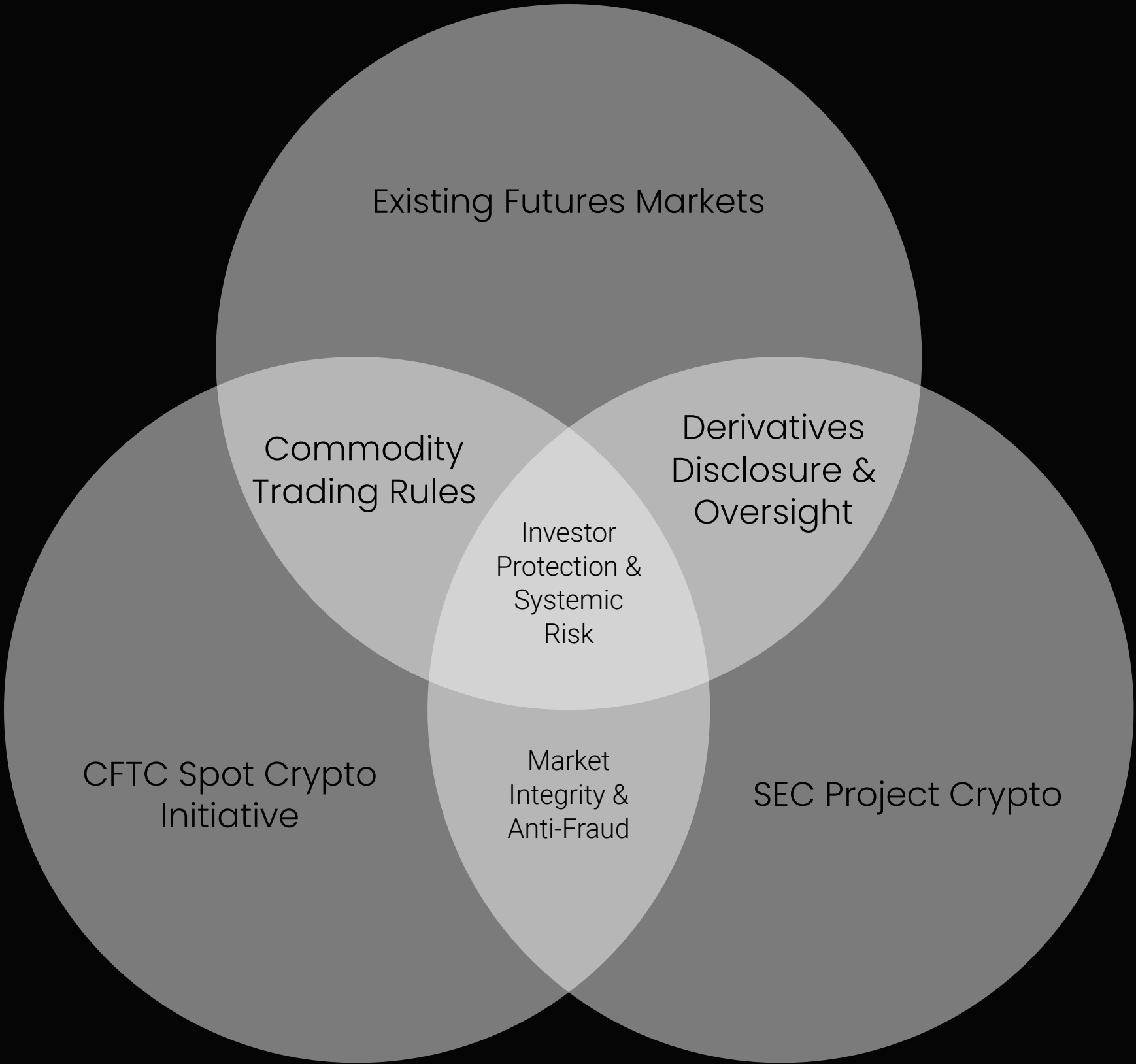
Final Stops

3 Oct Irvine, 24/29 Oct
Cleveland/Scottsdale,
5 Dec Ann Arbor



CFTC Launches Listed Spot Crypto Trading Initiative as designated contract market (**DCM**)

Comments for General CFTC Request for Input on Listing of Spot Crypto Asset Contracts



Revolutionary Step

The CFTC unveiled an initiative to permit spot crypto asset contracts to be listed on CFTC-registered futures exchanges (DCMs), positioning the CFTC as a central regulator of spot crypto markets under federal oversight.

Existing Authority

Authority is drawn from existing provisions of the Commodity Exchange Act; no new legislation is required for implementation. This represents the first concrete step in the Commission's "crypto sprint."

Cross-Agency Coordination

The initiative operates in coordination with the SEC's "Project Crypto" to ensure regulatory alignment. Public comments are invited until 18 August 2025.

The US CFTC invites feedback on "section 2(c)(2)(D) of the Commodity Exchange Act, Part 40 of CFTC regulations, and whether there are any implications under the securities laws or regulations with respect to an SEC framework for trading of non-security assets that are part of an investment contract.

2025 Global Regulators Roundtable: AI, Digital Assets, and Market Resilience

Regulators from the US, UK, and EU convened in London to discuss emerging risks and regulatory approaches, emphasizing public-private collaboration and cross-border harmonization.



AI Governance

Significant concerns raised on explainability, bias, and post-deployment monitoring of AI in trading and compliance systems. Regulators discussed potential frameworks for transparency requirements.



Cyber Resilience

Lessons examined from major incidents – ION ransomware (2023), CrowdStrike outage (2024), and Bybit exploit (2025). CFTC considering new resilience rules requiring enhanced cybersecurity, disaster recovery, and third-party oversight.



Digital Assets and Stablecoins

Focus on safeguarding asset segregation, ensuring settlement finality, and international coordination. Regulators examined approaches to prevent incidents similar to the Tokenize Xchange case.

Document referred: Commissioner Johnson's summary report (5 August 2025)

Quantum Update 55 – Emerging Themes



Expanding ETP Frameworks

US SEC advancing crypto ETPs, staking proposals, and investor protection reviews



Enforcement Tightening

Singapore's strict action in the Tokenize Xchange case setting regional precedent



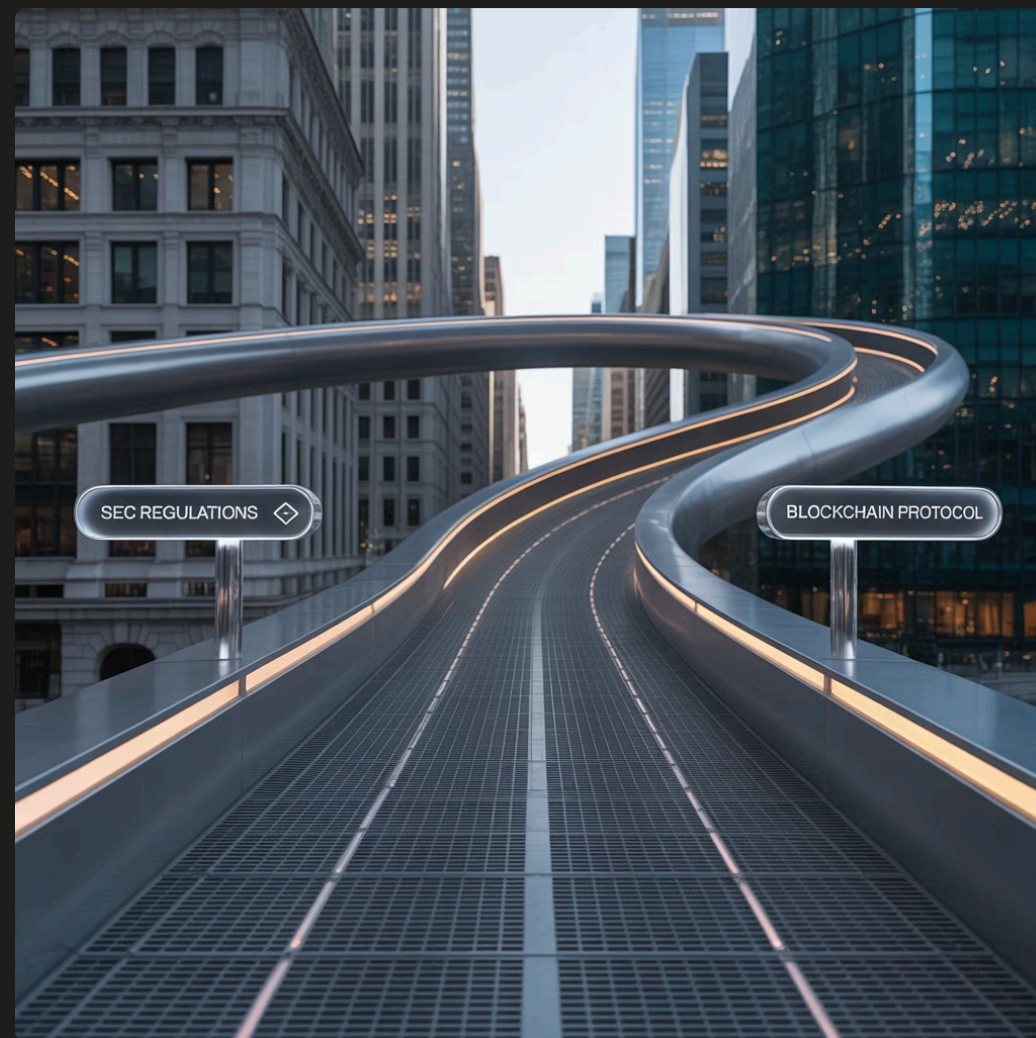
Federal Oversight Advancement

US regulators developing spot crypto trading frameworks and engaging small innovators directly



Global Coordination

International supervisors prioritising AI governance, cyber resilience, and cross-border harmonization



Overall trajectory: **mainstreaming of crypto under existing financial regulatory frameworks, while embedding safeguards for systemic stability.**

This update reveals an accelerating trend toward integrating digital assets into traditional financial structures while maintaining robust investor protections and market integrity safeguards.