FATF Updates Grey List: List of New Jurisdictions Added for Increased Monitoring for Regulatory Authority across Globe

On 21 February 2025, the Financial Action Task Force (**FATF**) released its latest update on jurisdictions under increased monitoring, commonly known as the 'Grey list'. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring is referred as Grey list countries, they are actively working with the FATF and FATF-style regional bodies (**FSRBs**) to address strategic deficiencies in anti-money laundering (**AML**), counter-terrorist financing (**CFT**), and proliferation financing.

The newly updated grey list by FATF, published in Paris, includes Algeria, Angola, Bulgaria, Burkina Faso, Cameroon, Côte d'Ivoire, Croatia, Democratic Republic of the Congo, Haiti, Kenya, Lao PDR, Lebanon, Mali, Monaco, Mozambique, Namibia, Nepal, Nigeria, South Africa, South Sudan, Syria, Tanzania, Venezuela, Vietnam, and Yemen. These jurisdictions are expected to implement reforms to strengthen their financial systems and prevent misuse for illicit activities.

In the update, the FATF clarifies that its monitoring process does not mandate enhanced due diligence measures against these jurisdictions but calls on financial institutions to apply a risk-based approach. The FATF advises that de-risking entire classes of customers is not recommended, and jurisdictions should ensure that essential financial flows such as humanitarian assistance, non-profit organisation (**NPO**) activities, and remittances are not disrupted. According to the FATF update, countries should adhere to their obligations under United Nations Security Council Resolution 2761 (2024), which provides humanitarian exemptions to UN-imposed asset-freezing measures.

The latest FATF review includes updated assessments for jurisdictions that submitted progress reports since October 2024, namely Bulgaria, Burkina Faso, Cameroon, Croatia, Democratic Republic of Congo, Kenya, Mali, Mozambique, Namibia, Nigeria, Philippines, South Africa, South Sudan, Tanzania, Venezuela, and Vietnam. Meanwhile, Lao PDR and Nepal have been newly added to the grey list. Algeria, Angola, Côte d'Ivoire, Haiti, Lebanon, Monaco, Syria, and Yemen deferred reporting, meaning their previous assessments remain in effect, though they may not reflect their most recent compliance status.

(Source: https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-february-2025.html)

Latvia's Saeima Re-Elects Two Members to the Council of Latvijas Banka for a Second Term

On 6 March 2025, the Saeima of Latvia announced the re-election of Māris Kālis and Zita Zariņa for a second term as Members of the Council of Latvijas Banka. Under this decision, Māris Kālis' term will extend until 12 March 2030, while Zita Zariņa's tenure will conclude on 14 April 2030.

Māris Kālis, is re-appointed as Deputy Governor, and will oversee financial stability, macroprudential supervision, financial investment management, market operations, financial planning, control systems, and human resource management. Zita Zariņa is responsible for cash and non-cash payments, the development of payment infrastructure, and the implementation of the digital euro project. She will also supervise innovation, data and statistics, audit, and information technologies.

Before joining Latvijas Banka, Māris Kālis worked at Arthur Andersen, an international auditing and business advisory firm and has contributed to national and international projects, close collaboration with the European Central Bank (**ECB**), and participation in technical assistance programmes of the International Monetary Fund (**IMF**). He has also engaged in academic roles, lecturing at the Faculty of Business, Management and Economics of the University of Latvia and contributing to the Latvian Association of Certified Auditors.

Zita Zariņa, prior to her appointment at Latvijas Banka in 2020, was a Member of the Council of the State Audit Office, where she also served as Director of the Audit and Methodology Department. Before this, she held senior roles at the Central Finance and Contracting Agency (**CFCA**), focusing on programme management, monitoring, and financial strategy. Her earlier career included positions at the European Commission, where she worked as Financial Manager at the Directorate-General for Enlargement and Phare Project Manager at the European Commission Representation in Latvia.

(Source: https://www.bank.lv/en/news-and-events/news-and-articles/news/17183-the-saeima-re-elects-two-members-of-the-council-of-latvijas-banka-for-the-second-term)

Hong Kong's SFC Warns Public About Linkbex for Suspected Virtual Asset Fraud

On 6 March 2025, the Hong Kong Securities and Futures Commission (**HK SFC**) has issued a public warning against Linkbex, an entity suspected of engaging in virtual asset-related fraudulent activities. The HK SFC stated that Linkbex falsely claimed affiliation with seven HK SFC-licensed corporations and misled investors by citing a fake anti-money laundering investigation by the regulator.

In response to the suspected fraud, the Hong Kong Police Force has taken action at the HK SFC's request to block access to Linkbex's website. Linkbex and its website is added to the HK SFC's Suspicious Virtual Asset Trading Platforms Alert List on 6 March 2025.

(Source: https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=25PR29)

US SEC Reviews Nasdaq's Proposal to List Canary HBAR ETF Under Commodity-Based Trust Shares Rule in Collaboration with BitGo Trust Company Inc. and Coinbase Custody Trust Company, LLC

On 7 March 2025, the United States Securities and Exchange Commission (**US SEC**) initiated a review of a proposal submitted by The Nasdaq Stock Market LLC (**Nasdaq**) to list and trade shares of the Canary HBAR ETF under Nasdaq Rule 5711(d). This proposal, detailed in the document "Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, to List and Trade Shares of the Canary HBAR ETF under Nasdaq Rule 5711(d) (Commodity-Based Trust Shares)," was filed under Release No. 34-102540; File No. SR-NASDAQ-2025-018. The filing was initially submitted on 21 February 2025 and was later amended and resubmitted in full on 4 March 2025.

The proposal seeks approval for the listing of shares issued by the Canary HBAR ETF, a Delaware statutory trust sponsored by Canary Capital Group LLC. The trust's primary objective is to provide exposure to Hedera Hashgraph's native token (**HBAR**), for its market performance while accounting for operating expenses and liabilities. The custodian of the trust's HBAR holdings will be BitGo Trust Company, Inc. and Coinbase Custody Trust Company, LLC, while U.S. Bank, N.A. will handle cash custody. The fund's net asset value (**NAV**) will be determined daily based on the CoinDesk Hedera USD CCIX 30min NY Rate, which aggregates market prices from multiple digital asset exchanges.

The Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, to List and Trade Shares of the Canary HBAR ETF under Nasdaq Rule 5711(d) (Commodity-Based Trust Shares) asserts that listing the Canary HBAR ETF under Nasdaq Rule 5711(d) aligns with United States Securities Exchange Act of 1934, Section 6(b)(5), which requires exchange rules to prevent fraudulent practices and protect investor interests. Nasdaq contends that the ETF's listing standards, surveillance-sharing agreements, and transparency mechanisms satisfy regulatory requirements. The trust will operate under Commodity-Based Trust Shares classification, meaning each share represents a fractional undivided ownership interest in the trust's HBAR holdings.

Additionally, the trust will provide comprehensive disclosures regarding NAV per share, trading volumes, holdings, and fees. The proposal highlights Nasdaq's ability to obtain trading data from members of the Intermarket Surveillance Group (**ISG**) and other regulatory bodies to deter market manipulation.

If approved, the Canary HBAR ETF will be subject to initial and continued listing requirements under Nasdaq Rule 5711(d). This includes a minimum of 40,000 shares outstanding at the time of listing, daily NAV calculation and dissemination to all market participants, custodian segregation of assets to ensure investor protection, provisions allowing for both in-kind and cash-based share creation and redemption and strict surveillance and compliance measures to detect market irregularities. The US SEC will evaluate the proposal's compliance with the United States Securities Exchange Act of 1934 to determine whether the ETF meets regulatory standards.

The US SEC will conduct its review within 45 days of publication in the Federal Register. This period may be extended to 90 days if further analysis is required. The decision depends on whether Nasdaq demonstrates sufficient safeguards against fraudulent and manipulative acts, as required under Section 6(b)(5) of the United States Securities Exchange Act of 1934 .

(Source: https://www.sec.gov/files/rules/sro/nasdaq/2025/34-102540.pdf)

US SEC Reviews Nasdaq's Proposal to List Grayscale Polkadot Trust Holding Polkadot (DOT) Tokens

On 7 March 2025, the United States Securities and Exchange Commission (**US SEC**) released a notice regarding the Nasdaq Stock Market LLC's proposal to list and trade shares of the Grayscale Polkadot Trust (DOT) under Nasdaq Rule 5711(d). The proposal, filed on 24 February 2025, outlines regulatory considerations for listing the trust, which will hold Polkadot (**DOT**) tokens. The US SEC has invited public comments on the proposed rule change. The Nasdaq proposal identifies Grayscale Operating, LLC and Grayscale Investments Sponsors, LLC as the sponsors of the trust, with CSC Delaware Trust Company as the trustee, Coinbase Custody Trust Company, LLC as the custodian, and BNY Mellon Asset Servicing as the administrator and transfer agent.

On 24 February 2025, The Nasdaq Stock Market LLC submitted a proposed rule change to the US Securities and Exchange Commission (SEC) under Section 19(b)(1) of the United States Securities Exchange Act of 1934 (15 U.S.C. 78s(b)(1)), and US SEC Rule 19b-4 (17 CFR 240.19b-4). Nasdaq's filing outlines the purpose of the proposed rule change, stating that the Grayscale Polkadot Trust (the "Trust") is designed to provide investors with indirect exposure to Polkadot (**DOT**), the native token of the Polkadot blockchain network, without requiring them to hold the asset directly. The Trust operates as a passive investment vehicle, meaning that it will not engage in any active trading or hedging strategies.

The stated purpose of the proposed rule change is to facilitate investor access to DOT through a regulated exchange-traded product. The proposal argues that the listing aligns with United States Securities Exchange Act of 1934, Section 6(b)(5), which mandates that exchange rules prevent fraudulent practices and protect investor interests. Nasdaq asserts that the trust's market surveillance measures, liquidity provisions, and transparency standards meet the requirements necessary for listing approval. The exchange further cites precedents from approved exchange-traded products (**ETPs**) tied to Bitcoin and Ethereum. According to Nasdaq's filing, each share of the Trust represents a fractional, undivided beneficial interest in the Trust's DOT holdings. The Trust will issue shares in "Baskets" of 10,000 shares, allowing only Authorised Participants (APs) to create or redeem shares directly. Investors will be able to buy and sell shares on the secondary market, with pricing determined by the net asset value (**NAV**) of the Trust's DOT holdings.

The Trust will be sponsored by Grayscale Investment Sponsors, LLC, an indirect wholly owned subsidiary of Digital Currency Group, Inc. (**DCG**). It will also involve key institutional partners: Coinbase Custody Trust Company, LLC as the custodian, BNY Mellon Asset Servicing as the administrator and transfer agent, and Foreside Fund Services, LLC as the marketing agent.

Nasdaq argues that the proposed listing is consistent with SEC requirements under the Exchange Act, particularly with reference to Section 6(b)(5) (15 U.S.C. 78f(b)(5)), which mandates that exchanges prevent fraudulent practices and protect investors, Section 12(f) (15 U.S.C. 78l(f)), which governs the extension of unlisted trading privileges for securities and US SEC rule 19b-4 (17 CFR 240.19b-4), which sets the procedural framework for self-regulatory organisations (**SROs**) like Nasdaq to propose rule changes. For the Grayscale Polkadot Trust, Nasdaq has argued that its proposed structure incorporates sufficient safeguards against manipulation, including reliance on the CoinDesk DOT Reference Rate and Coinbase Custody's cold storage solutions to ensure asset security.

The US SEC has published this notice to solicit public comments on the proposed rule change before determining whether it aligns with regulatory requirements, including investor protection and market integrity. The agency's evaluation will be guided by its mandate under Section 6(b)(5) of the United States Securities Exchange Act of 1934 (15 U.S.C. 78f(b)(5)), which requires that national securities exchanges be structured to prevent fraudulent and manipulative acts and practices, promote fair trading, and protect investors and the public interest. The US SEC, under Section 19(b)(2) of the Exchange Act (15 U.S.C. 78s(b)(2)), is expected to review the proposal within 45 days of its publication in the Federal Register and may extend this period up to 90 days if further assessment is required. The decision will determine whether the Grayscale Polkadot Trust gains approval for listing on Nasdaq.

If approved, the Grayscale Polkadot Trust would become one of the first publicly traded investment products offering direct exposure to Polkadot (**DOT**), potentially setting a precedent for future digital asset listings on US-regulated exchanges.

(Source: https://www.sec.gov/files/rules/sro/nasdaq/2025/34-102539.pdf)

FINMA Updates on Licensing Status for Portfolio Managers and Trustees in Switzerland

On 11 March 2025, the Swiss Financial Market Supervisory Authority (**FINMA**) published a Press Release on the status of licences issued to portfolio managers and trustees, following the implementation of the Swiss Financial Institutions Act (**FinIA**). The release details the progress of applications submitted under the new licensing requirements introduced in January 2020.

Since the entry into force of Swiss FinIA on 1 January 2020, portfolio managers and trustees operating commercially in Switzerland have been required to obtain a FINMA licence. A three-year transitional period was granted for existing institutions, concluding at the end of 2022. FINMA received 1,699 applications before this deadline and has since processed 94% of these applications by the end of February 2025. In total, 1,532 out of 1,864 applications submitted since the introduction of the requirement have been approved. 131 applications were withdrawn, while 94 remain under review, with half of these cases involving investigations related to criminal proceedings or compliance issues.

Despite early guidance from FINMA, the majority of applications were submitted in the final four months of the transitional period, leading to delays. More than 40% of applications required at least five rounds of amendments before approval.

As at 28 February 2025, FINMA had approved 1,428 out of 1,699 applications submitted before 2023, and 104 out of 165 applications submitted after 1 January 2023. According to Ongoing Supervision and Regulatory Oversight

Licensed institutions are required to obtain FINMA approval for regulatory changes, and 3,221 change requests have already been processed. Going forward, FINMA expects to receive around 1,700 change requests per year. The two-tier supervisory model remains in place, with supervisory organisations (**SOs**) overseeing portfolio managers and trustees, while FINMA intervenes where compliance violations arise. The number of escalations to FINMA and institutions under intensive supervision increased in the second half of 2024, reflecting heightened regulatory scrutiny.

FINMA CEO Stefan Walter stated: *"Thanks to the new licensing requirements, FINMA has established a high quality standard across the board. Anyone who entrusts their money to a portfolio manager or trustee should be able to assume that adequate minimum standards are in place and that these are monitored."*

Marianne Bourgoz Gorgé, Head of the Asset Management Division, stated: *"A good two years after the end of the transitional period, of all the applications we received by the end of 2022, only those with either increased complexity or those that could not yet be approved due to slow feedback from applicants or lack of compliance with legal requirements are still pending. Those institutes may continue their activities until FINMA makes its final decision. FINMA will continue to work actively to ensure that progress is made in these cases. However, the majority of the licensing dossiers, over 94%, have now been concluded."*

(Source: https://www.finma.ch/en/news/2025/03/20250311-mm-abschluss-uvv/, https://www.finma.ch/en/~/media/finma/dokumente/dokumentencenter/8news/medienmitteilungen/2025/03/20250311-mm-abschluss-uvv.pdf?sc_lang=en&hash=D7124330E65F4DB51C64581F46A08D97)

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