



US SEC Division of Corporation Finance Issues Interpretive Statement on the Regulatory Classification of Certain Stablecoins

On 04 April 2025, the United States Securities and Exchange Commission (**US SEC**) through its Division of Corporation Finance released a [statement on stablecoins](#) offering clarity on the legal characterisation of certain fiat-backed crypto assets. In its interpretative document titled *Statement on Stablecoins*, the Division articulated that specific types of stablecoins, defined as “Covered Stablecoins”, do not constitute securities under the federal securities laws when issued and redeemed under prescribed conditions. This clarification emerges amidst a broader institutional movement spearheaded by the US SEC’s Crypto Task Force, reflecting a growing commitment to bring regulatory precision to crypto asset markets.

The *Statement on Stablecoins* forms part of the US SEC’s evolving efforts to delineate the boundary between financial innovation and statutory obligations under the United States Securities Act of 1933 and the United States Securities Exchange Act of 1934. The US SEC’s Division of Corporation Finance explicitly stated that the offer and sale of Covered Stablecoins do not constitute the offer or sale of a “security” and are not subject to registration under federal securities laws. Covered Stablecoins, in this context, are stablecoins designed to maintain a one-to-one value peg with the United States Dollar (**USD**), fully backed by low-risk, highly liquid reserve assets, and redeemable on demand without limitations.

What are stablecoins according to US SECs Division:

According to the US SEC, “Covered Stablecoins” are crypto assets that, “Maintain a stable value relative to the USD on a one-for-one basis; are redeemable at any time for USD, without quantity restrictions; are backed by reserves composed of USD or other low-risk, readily liquid assets; are not designed to generate profits or returns for the holders; do not convey voting rights or financial interest in the issuer; are offered and marketed exclusively as digital means of exchange or value storage, and not as investments.”

Application of the Reves Test

The *Reves* test provides a rebuttable presumption that notes are securities unless they strongly resemble one of the types of commercial arrangements traditionally excluded from this definition. The US SEC assesses Covered Stablecoins against the four *Reves* factors:

i. Motivations of Buyer and Seller:

"Buyers purchase Covered Stablecoins for their stability and attendant use in commercial transactions or as a store of value," not for investment returns, the Division notes.

ii. Plan of Distribution:

Although Covered Stablecoins may be widely distributed, they are not subject to speculative or investment-based trading, but rather stabilised through arbitrage mechanisms.

iii. Reasonable Expectations of the Public:

The US SEC highlights that "Covered Stablecoins are not marketed as investments" and emphasises that "a reasonable buyer would likely expect that Covered Stablecoins are not investments."

iv. Risk-Reducing Features:

The maintenance of a fully collateralised reserve fund that is neither commingled nor used for discretionary investments mitigates the kind of investor risk typically associated with securities.

The US SEC concludes that the cumulative effect of these factors rebuts the presumption that such Covered Stablecoins are securities.

Application of the Howey Test

As a precautionary analysis, the US SEC also applies the Howey test, which evaluates whether an arrangement constitutes an investment contract by asking whether there is An investment of money; In a common enterprise; With a reasonable expectation of profits; Derived from the efforts of others. The US SEC states that Covered Stablecoins fail to meet these criteria, noting, "buyers are motivated to use or consume Covered Stablecoins as so-called 'digital dollars' in the same way one would use USD," not to profit from managerial or entrepreneurial efforts.

According to Reserve Structure and Transparency, 'Covered Stablecoins' must be backed by a reserve held in segregated accounts, composed of permissible assets such as:

- i. USD cash and equivalents;
- ii. United States Treasury securities;
- iii. Registered money market funds.

These reserves must not be used for operational purposes, lent, pledged, or subjected to claims from third parties. Some issuers may also publish "proof of reserves" to affirm one-to-one backing. The US SEC noted the importance of marketing language in determining whether a stablecoin is a security. Where such assets are portrayed as "digital dollars," with no rights to profits, ownership interests, or governance rights, and are not promoted as investment opportunities, the public perception is aligned with their intended commercial use.

This statement is a step toward legal certainty in the treatment of payment stablecoins. US SEC's Division clarifies that its views are not dispositive and do not override judicial interpretation or future US SEC's action. Each stablecoin must be assessed on a case-by-case basis, considering its structure, redemption mechanism, and marketing. As the Crypto Task Force roundtables continue, this may further rulemaking and harmonisation across financial regulatory bodies. Entities issuing or engaging with stablecoins are advised to maintain compliance practices in line with this interpretive guidance to avoid enforcement risks. For inquiries and interpretive assistance, market participants may contact the Division's Office of Chief Counsel via the US SEC's official website.

(Source: <https://www.sec.gov/newsroom/speeches-statements/statement-stablecoins-040425>)

Commissioner Crenshaw Warns Against Misleading Stablecoin Classification: Legal, Financial and Systemic Risks Overlooked in US SEC Divison's Staff Statement

On 04 April 2025, Commissioner Caroline A. Crenshaw of the United States Securities and Exchange Commission (**US SEC**) issued a pointed critique titled *"Stable" Coins or Risky Business?* of the Division of Corporation Finance's statement on Stablecoin crypto regulation, particularly its classification of certain USD-stablecoins as non-securities. Crenshaw challenges the legal basis and factual assumptions and stating as potentially dangerous precedent being set in underestimating risks and overstating investor protections in a market increasingly dependent on intermediaries. Crenshaw's According to her, these stablecoins are uncollateralised, uninsured, largely inaccessible to retail investors for direct redemption, and susceptible to runs and challenges the US SEC staff's analysis concluding that certain USD-stablecoins are not securities. She argues that the staff's reasoning omits critical risk factors, misrepresents redemption mechanisms, and fails to satisfy the legal standards under the *Reves v. Ernst & Young* test. The critique frames the staff's conclusions as legally erroneous, factually incomplete, and systemically harmful.

Much of the US SEC staff's analysis is premised on issuer actions that supposedly stabilize price, ensure redeemability, and otherwise reduce risk. Staff also acknowledges, albeit briefly, that some USD-stablecoins are available to retail purchasers only through an intermediary and not directly from the issuer. But it is the general rule, not the exception, that these coins are available to the retail public only through intermediaries who sell them on the secondary market, such as crypto trading platforms. Over 90% of USD-stablecoins in circulation are distributed in this way. Holders of these coins can redeem them only through the intermediary. If the intermediary is unable or unwilling to redeem the stablecoin, a holder has no contractual recourse against the issuer. The role of intermediaries, particularly unregistered trading platforms, as primary distributors of USD-stablecoins poses a panoply of significant, additional risks that US SEC staff does not consider.

US SEC staff fails to unpack the consequences of this market structure and how it affects risk. The fact that intermediaries conduct most retail USD-stablecoin distribution and redemption significantly diminishes the value of the issuer actions staff relies on as "risk-reducing features." Key among these features is an issuer asset reserve that staff describes as designed to "satisfy fully their redemption obligations," i.e., with enough assets to pay out a \$1 redemption for each outstanding coin. But generally speaking, as described above, issuers have no "redemption obligations" to retail coin holders. These holders have no interest in or right to access the issuer's reserve. If they redeem coins through an intermediary, they are paid by the intermediary, not from the issuer's reserve. The intermediary is not obligated to redeem a coin for \$1 and will instead pay the holder the market price. Retail coin holders therefore do not, as US SEC staff claims, have a "right" to "redemption for USD on a one-for-one basis."

It is also grossly inaccurate for US SEC staff to suggest that just because an issuer's reserve is, at some point, somehow valued at or above the par value of its outstanding coins, the issuer has sufficient reserves to satisfy unlimited redemption requests (from intermediaries or coin holders) at any future time. First, the issuer's overall financial health and solvency cannot be judged by the value of its reserve, which tells us nothing about its liabilities, risk from proprietary financial activities, and so forth. Second, there is always a risk, particularly in times of market stress or if the price of a stablecoin drops, of a "run" scenario where intermediaries and/or issuers cannot honor all redemption requests in real time. This leads to a "self-reinforcing cycle of redemptions and fire sales of reserve assets." Major run events have already occurred with USD-pegged stablecoins, with significant consequences for the broader stablecoin market and the traditional banking system.

US SEC staff further overstates the assurance value of issuer reserves by claiming that some issuers publish reports, called "proof of reserves," that "demonstrate that a stablecoin is backed by sufficient reserves." As the United States Securities and Exchange Commission and the Public Company Accounting Oversight Board (**PCAOB**) have warned, proof of reserve reports demonstrate no such thing. Their content is unregulated, not subject to PCAOB standards, and determined entirely at the issuer's discretion. They are "typically [] not designed to" and "often provide no assurance as to the reliability of the information provided." Other regulators have similarly warned of the general lack of transparency and reliability in how stablecoin reserves are invested, managed, and valued. Whatever claims issuers make about their reserves, stablecoin holders have unfortunately learned the hard way that these claims often turn out to be false.

Understanding these facts, it becomes clear that as a legal matter, US SEC staff is simply wrong that the issuer's reserve is a "risk-reducing" feature under the United States Supreme Court's *Reves* test. Risk-reducing features under *Reves* include collateralization, insurance, or federal regulatory oversight. Because retail coin holders generally have no right to access the issuer's reserve to guarantee redemption at any price, let alone \$1, the reserve

does not “collateralize” stablecoins held by the retail public. Without a redemption right against the issuer, a retail stablecoin holder has no claim in a bankruptcy proceeding, as an unsecured creditor or otherwise, if the issuer becomes insolvent. Just like the product at issue in Reves, USD-stablecoins are “uncollateralized and uninsured.” Even intermediaries responsible for retail redemptions may not be secured creditors of the issuer, meaning they too would have limited or no ability to recover directly from the reserve if the issuer declares bankruptcy. The contractual arrangements between issuers and intermediaries are bespoke and generally non-public, leaving retail coin holders (and regulators) in the dark.

The statement also presents a practical problem: what if any existing stablecoins actually meet the stated criteria and fall within the US SEC staff’s definition of “Covered Stablecoin”? It is hard to even understand what staff’s criteria are because the statement is written as though issuers have redemption obligations directly to retail coin holders when in general, they do not. For example, staff claims that issuers stabilize the price because they “mint and redeem ‘Covered Stablecoins’ on a one-for-one basis with USD at any time and in unlimited quantities.” But staff fails to explain if or how that occurs in the typical case of a USD-stablecoin that is purchased and redeemed by retail holders only through intermediaries. To the extent distribution and redemption affect the retail market price, it is the intermediaries, not the issuers, whose actions matter. What are the practices and obligations of those intermediaries? Is that information disclosed to the retail public? US SEC staff gives us no idea.

These legal and factual flaws in the US SEC staff’s statement do a real disservice to USD-stablecoin holders, and, given the central role of stablecoins in the crypto markets, to crypto investors more generally. They feed a dangerous industry narrative about the supposed stability and safety of these products. This is perhaps best highlighted by the staff’s choice to parrot a highly misleading marketing term, “digital dollar,” to describe USD-stablecoins. Make no mistake: there is nothing equivalent about the United States dollar and unregulated, privately-issued crypto assets that are opaque (clearly even to the staff), uncollateralized, uninsured, and laden with risk at every step of their multi-layer distribution chain. They are risky business.

(Source: <https://www.sec.gov/newsroom/speeches-statements/crenshaw-statement-stablecoins-040425>)

Christina Choi’s Speech at Hong Kong Web3 Festival 2025: HK SFC’s Strategic Commitment to Web3 Ecosystem

On 7 April 2025, Ms. Christina Choi, Executive Director of Investment Products at the Hong Kong Securities and Futures Commission (**HK SFC**), delivered a keynote address titled “*Fuelling the Web3 and Digital Asset Ecosystem in Hong Kong*” at the Hong Kong Web3 Festival. The speech marks a pivotal moment in articulating the regulator’s evolving vision for the region’s digital asset future, firmly anchored in pragmatism, regulatory clarity, and investor protection.

In her opening remarks, Ms. Choi used a poignant anecdote involving a floppy disk mistaken as a 3D-printed “save button” by her son to illustrate the exponential pace of technological change, a prelude to emphasising the promise and disruption of Web3. Framing blockchain as the new technological frontier akin to the floppy disk’s transformation of data portability, Ms. Choi affirmed that the HK SFC views Web3 not as a fleeting trend, but as a foundational shift in the financial landscape.

Ms. Choi reaffirmed that the HK SFC, in alignment with the Hong Kong Government’s overarching vision, is committed to building a sustainable and globally competitive Web3 ecosystem. This vision, she explained, is grounded not in speculative hype but in strategic regulation and infrastructure development. The Commission’s dual focus lies on virtual asset (**VA**) exchange-traded funds (**ETFs**) and tokenization, two pillars it sees as vital to institutionalising digital finance.

Elaborating on Hong Kong’s leadership in regulated digital investment, Ms. Choi highlighted the jurisdiction’s milestone achievement in becoming the first in Asia to launch VA spot ETFs in April 2024. She noted that Hong Kong currently stands as the largest VA ETF market in the Asia-Pacific region. What sets the HK SFC apart, she added, is its robust regulatory framework mandating licensure of all actors across the VA value chain: fund managers, custodians, and trading platforms.

A development announced during her address, was the HK SFC’s decision to permit staking services for VA spot ETFs through licensed platforms. Ms. Choi clarified that while staking enhances returns for investors by allowing assets to support blockchain protocols, the HK SFC will enforce specific safeguards, including mandated custody and caps on staked proportions.

Transitioning to tokenisation, Ms. Choi described it as the natural complement to VA ETFs and enabling traditional and real-world assets to be digitised on blockchain infrastructure. She referenced the HK SFC's 2023 circulars which laid the regulatory groundwork for tokenising a variety of instruments including notes, bonds, and even gold. She reported early success in the form of retail tokenised funds, including three new money market funds, the largest debut of its kind among them.

Ms. Choi also discussed the HKMA's "Project Ensemble," describing it as an innovation sandbox for tokenised money, with the HK SFC co-leading pilots in asset management. She stated that integrating tokenised money into product trading is key to shortening settlement cycles and enhancing fund flows, with insights from ongoing experiments already proving valuable.

While the HK SFC is optimistic about expanding into secondary market trading of tokenised assets, Ms. Choi reiterated the HK SFC's core stance: investor protection is paramount. Keeping in mind the complexity of this next phase, such as unresolved challenges around custody, liquidity, pricing, and order matching in decentralised markets, and affirmed that the HK SFC will proceed with deliberation, ensuring safeguards evolve alongside innovation.

Concluding her address, Ms. Choi answered the inevitable question: "Why Hong Kong?" Reaffirming the city's strengths, its common law foundation, financial resilience, and regional centrality, she positioned Hong Kong as the natural choice for Web3 development. She referenced the Government's forthcoming VA Policy Statement 2.0, the HKMA's digital currency explorations, and the HK SFC's recent "A-S-P-I-Re" roadmap (Access, Safeguards, Products, Infrastructure, Relationships) as concrete manifestations of coordinated institutional commitment.

In closing, Ms. Choi reflected on the convergence of traditional finance and digital innovation, urging all stakeholders to collaboratively pursue the path from "zero to one hundred." Her remarks not only reflect the HK SFC's position as a forward-thinking regulator. This speech can be taken as the way forward of the HK SFC's regulatory philosophy: innovation is welcome, but only when tempered with discipline, structure, and investor safeguards.

(Source: <https://www.sfc.hk/-/media/EN/files/COM/Speech/Web3-speech-final.pdf?rev=-1&hash=67A04B3006E9CF73014C3905EF83C57E>, <https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=25PR48>)

US SEC Issues Disclosure Guidance for Crypto Asset Offerings and Registrations

On 10 April 2025, the United States Securities and Exchange Commission (**US SEC**), through its Division of Corporation Finance, published a detailed interpretive statement titled "*Offerings and Registrations of Securities in the Crypto Asset Markets*." The statement provides comprehensive staff views on the application of existing federal securities law disclosure requirements to offerings and registrations of securities within the crypto asset markets. This initiative forms part of the US SEC's broader regulatory effort, led by Acting Chairman Mark T. Uyeda and the Crypto Task Force, to create a clear and consistent disclosure regime for market participants involved with crypto-related securities.

The statement serves as a non-binding interpretive document outlining the expectations and common issues the Division has observed in the review of United States Securities Act and Exchange Act filings. It aims to clarify applicable disclosure requirements for issuers engaged with crypto networks, decentralised applications, and crypto asset offerings, including tokens offered as part of or under an investment contract. While not a rule or regulation, the document is intended to assist registrants and their advisors in preparing compliant disclosures during the SEC's ongoing deliberations to formulate a broader regulatory framework for crypto assets.

Definitions

For purposes of this statement, US SEC defines for the purpose of this statement as follows:

"crypto asset" is an asset that is generated, issued, and/or transferred using a blockchain or similar distributed ledger technology network ("crypto network"), including, but not limited to, assets known as "tokens," "digital assets," "virtual currencies," and "coins," and that relies on cryptographic protocols."

A “network” refer to a crypto network, and references to “application” refer to an application running on such a crypto network.”

An “application” refers to a decentralised or blockchain-integrated programme. A “subject crypto asset” refers specifically to crypto assets offered under or as part of an investment contract.

An “onchain” transaction occurs directly on a network and is validated in accordance with the protocol of the network, with the transaction recorded on the network’s public ledger.

An “offchain” transaction occurs outside the network where the parties agree that a third party will validate and authenticate the transaction.

Background and Disclosure Observations

The guidance identifies recurring areas of concern and interpretive ambiguity relating to existing federal disclosure forms, including Form S-1, Form 10, Form 20-F (for foreign private issuers), and Form 1-A under Regulation A. It specifically addresses the treatment of disclosures in business descriptions, risk factors, rights of security holders, technical attributes of securities, and director/officer-related disclosures in the context of crypto-focused issuers.

In business descriptions, the Division recommends tailoring narrative disclosures to describe material aspects of a crypto issuer’s operations—such as network development status, governance, intended utility of the token, and related revenue models. For technical aspects, the issuer should disclose the network’s architecture, consensus mechanisms, licensing terms, security features, and transaction processing details, including gas fees and block size.

In terms of securities descriptions, issuers are expected to address features including voting rights, redemption terms, transaction mechanics, and custodial arrangements. Disclosure should also cover supply control mechanisms, minting protocols, and whether the issuer retains discretion over token economics.

Timeline and Legal Objective

This staff statement, issued on 10 April 2025, aligns with the US SEC’s ongoing initiative to enhance regulatory clarity in the crypto asset domain, especially following the establishment of the Crypto Task Force earlier this year on 21 January 2025. By formally codifying the Division’s observations and expectations, the US SEC aims to ensure that disclosures in crypto asset offerings meet the investor protection, market transparency, and capital formation objectives of the United States Securities Act of 1933 and the Securities Exchange Act of 1934.

In legal terms, the statement draws from foundational jurisprudence such as *SEC v. W.J. Howey Co.* and *United Housing Foundation v. Forman*, which establish the principles for assessing whether an instrument is a security and what constitutes sufficient economic disclosure. As emphasised, “form should be disregarded for substance,” and “the emphasis should be on economic realities underlying a transaction, and not on the name appended thereto” (421 U.S. 837, 849 [1975]).

Issuers and practitioners are encouraged to consult with the Division’s Office of Chief Counsel or the SEC’s Office of the Chief Accountant to address any uncertainties in application, especially for novel crypto instruments.

For more information or submission of interpretive requests, market participants can contact the Division via the official SEC portal.

(Source: <https://www.sec.gov/newsroom/speeches-statements/cf-crypto-securities-041025>)

US SEC Disclosure Guidance Signals Shift Towards Clarity in Crypto Asset Offerings

On 10 April 2025, the United States Securities and Exchange Commission (**US SEC**) took a significant step towards regulatory transparency with the Division of Corporation Finance’s release of a detailed interpretive statement on *Offerings and Registrations of Securities in the Crypto Asset Markets*. Commissioner Hester M. Peirce, in a public statement titled *Let’s Talk Disclosure*, welcomed the development as part of the agency’s investor protection mis-

sion. While the guidance does not attempt to redefine whether a crypto asset qualifies as a security, it provides practical compliance-focused insight on the nature and scope of disclosures required under federal securities laws when securities are offered or registered in connection with crypto networks, applications, and related operations.

This development marks a crucial moment for regulatory certainty in the digital asset space. As the crypto industry continues to mature, the absence of tailored disclosure frameworks has been a long-standing concern. The statement does not resolve the broader interpretive debates on classification, but it advances a key compliance agenda: identifying material disclosures necessary for informed investor decision-making. From development timelines of decentralised applications to precise explanations of token rights, the statement serves as a reference for issuers navigating public offerings or registrations involving crypto-linked instruments. Crucially, it lays the groundwork for regulatory parity and more predictable expectations across a sector historically shaped by informal guidance and retrospective enforcement.

The Division's statement focuses on the disclosure obligations tied to both traditional securities (equity and debt) and crypto assets subject to investment contracts under the United States Securities Act of 1933 and Exchange Act of 1934. Commissioner Peirce acknowledged the historical confusion triggered by vague instructions to "come in and register," adding that the new statement "is a small step in identifying relevant disclosures so that investors have material information about the projects and businesses in which they are investing." The guidance contemplates a wide range of issuer types — from blockchain-based developers raising funds via token-linked securities to gaming platforms integrating NFTs and issuing debt instruments.

The statement outlines specific disclosures the Division has found beneficial through its recent reviews. These include development milestones of the network or application, technical operations and consensus mechanisms, smart contract features, investor rights, token supply protocols, and the governance structure. For crypto assets that are securities themselves, the US SEC also expects clarity on transferability, custody, and auditability of smart contract code. Importantly, the statement reiterates that a token not inherently qualifying as a security can still be included within a securities offering framework, depending on the manner of issuance and associated representations.

While this guidance provides immediate procedural clarity, much remains in flux. As Peirce aptly observes, the statement is not a "definitive how-to guide" but part of a gradual process to replace uncertainty with structure. The broader implications are regulatory and systemic — with clear disclosures and registration pathways, the SEC aims to ensure that every entity operating in the crypto asset ecosystem is duly identified and regulated, a significant evolution from the ambiguity that previously dominated the landscape.

The public and market participants are invited to submit further questions and requests for interpretive guidance to the Division of Corporation Finance through its contact portal at [sec.gov](https://www.sec.gov) or directly to the Crypto Task Force at crypto@sec.gov. This continued dialogue signals a more inclusive and constructive regulatory environment in which compliance can be achieved through engagement rather than enforcement alone.

(Source: <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-offerings-registration-041025>)

US SEC Commissioner Caroline A. Crenshaw Calls for Regulatory Clarity and Governance Readiness at AI Roundtable in Washington DC

On 27 March 2025, United States Securities and Exchange Commission (**US SEC**) Commissioner Caroline A. Crenshaw delivered a [speech](#) at the US SEC's Roundtable on Artificial Intelligence in the Financial Industry, held in Washington D.C. US SEC Commissioner Caroline A. Crenshaw discussed the urgent need for greater definitional clarity, robust governance structures, and regulatory foresight as artificial intelligence (**AI**) continues to transform the financial ecosystem.

Commissioner Crenshaw revisited the July 2023 proposed rule issued by the US SEC's Divisions of Investment Management and Trading and Markets concerning the use of Predictive Data Analytics by broker-dealers and investment advisers. While the rule aimed to address potential conflicts of interest arising from AI tools interacting with investors, she noted that its reception had been mixed. Many industry participants, some of whom were present at the roundtable, criticised the proposal as overbroad, with overlapping implications for existing frameworks such as Regulation Best Interest (**Reg BI**) and fiduciary duties applicable to investment advisers.

This divergence in opinion, she assumed, arises from a fundamental challenge: the absence of a unified understanding of what AI truly is and how it is being applied. “No one is on the same page,” she remarked, showing how conversations about AI in financial services often result in participants speaking past one another due to imprecise or inconsistent terminology. Among the questions she posed were:

- i. How should we define artificial intelligence in the context of financial services?
- ii. What are its current and anticipated use cases across broker-dealers, investment advisers, issuers, intermediaries, investors, and other participants?
- iii. Is AI primarily a customer-facing tool or more deeply embedded in operational processes?
- iv. Who is responsible for governance, particularly over “black box” models whose decision-making logic remains opaque even to their developers?

Commissioner Crenshaw also pressed for clarity on oversight structures. She questioned what regulatory mechanisms exist to ensure that fiduciary duties and professional obligations are upheld when AI systems are used to automate or influence trading decisions, client communications, or capital deployment. She further raised the issue of AI-related disclosures:

- i. what is being communicated to investors, and is that information adequate and consistent?

She warned against the systemic risks AI could pose if left unchecked, not only in the form of investor harm, but in the potential for fraud, unanticipated market volatility, and the erosion of public trust in financial systems. US SEC Commissioner Caroline A. Crenshaw described AI as a “sea-change” in technology: one that will inevitably reshape how markets operate and how participants interact. She noted that the core challenge is ensuring the US SEC is prepared to meet this change with the necessary foresight, tools, and engagement.

(Source: <https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-ai-roundtable-032725>)

US SEC Acting Chairman Mark T. Uyeda Urges Technology-Neutral Approach at Artificial Intelligence Roundtable

On 27 March 2025, Acting Chairman of the United States Securities and Exchange Commission (**US SEC**), Mark T. Uyeda, delivered the **keynote address** at the Commission’s Roundtable on Artificial Intelligence in the Financial Industry, held in Washington D.C. Addressing an audience comprising in-person and virtual participants, US SEC Acting Chairman Mark T. Uyeda discussed the US SEC’s commitment to informed, innovation-supportive regulation, particularly in the face of rapidly evolving artificial intelligence (**AI**) technologies across financial markets.

US SEC Acting Chairman Mark T. Uyeda began by placing the current discourse on AI within a broader historical context. He noted that the integration of emerging technologies into US financial markets is not unprecedented, referencing earlier innovations such as the stock ticker machine, telephone networks, and electronic trading systems. According to him, the capacity to adopt and adapt to new technologies has been a key driver in maintaining the competitiveness of US capital markets, which continue to lead the world in terms of liquidity, depth, and capital cost efficiency. Various forms of AI have long been embedded within financial products and services, but recent advances, driven by increased investment and innovation, have significantly broadened AI’s potential use cases. These include internal process automation, software development, investor communication tools, risk analytics, and supervisory technologies.

US SEC Acting Chairman Mark T. Uyeda expressed concern over recent regulatory proposals that may, in effect, impose undue restrictions on the use of predictive data analytics and other AI-driven tools by broker-dealers and investment advisers. He cautioned against prescriptive regulatory models that result in burdensome compliance, inhibit innovation, and risk becoming obsolete in the face of rapid technological change.

US SEC Acting Chairman Mark T. Uyeda also acknowledged that while AI holds considerable promise, it introduces a range of risks that are highly context-specific. He stressed that any regulatory evaluation of AI-related risks must be grounded in empirical data and real-world use cases. To this end, he called for continued engagement between the Commission and external stakeholders, including innovators, market participants, and technology providers, to promote a balanced and evidence-driven regulatory framework.

US SEC Acting Chairman Mark T. Uyeda thanked the roundtable's panellists for their contributions and extended appreciation to various divisions of the US SEC, including the Division of Economic Risk and Analysis, the Division of Examinations, the Office of Support Operations, and the Office of Public Affairs, for their efforts in organising the event.

(Source: <https://www.sec.gov/newsroom/speeches-statements/uyeda-ai-roundtable-032725>)

Artificial Fears and Human Intelligence: US SEC Commissioner Hester M. Peirce Advocates a Thoughtful, Human-Centred Approach to AI Regulation

On 27 March 2025, at the United States Securities and Exchange Commission (**US SEC**) Roundtable on Artificial Intelligence in the Financial Industry, held in Washington D.C., US SEC Commissioner Hester M. Peirce delivered a **speech** on the fast-evolving role of AI in finance. Commissioner Peirce, beginning with a warm thanks to the staff of the US SEC's Division of Economic and Risk Analysis and fellow organisers, as well as the diverse panel of experts participating in the roundtable. The industry, she stated, has a long history of welcoming disruptive tools, from the stock ticker to terminals, and now faces the exciting, if complex, challenge of integrating artificial intelligence. The question, she implied, is not whether AI belongs in finance, but how we choose to understand and shape its presence.

With a deliberate caution against alarmist rhetoric, US SEC Commissioner Hester M. Peirce criticised what she termed "artificial fears" around AI, drawing a clear line between legitimate regulatory oversight and reactionary policy. Referring specifically to the Commission's attempt to regulate predictive data analytics, she questioned the wisdom of broad, clumsy proposals that address AI as a monolith, rather than assessing its varied uses and potential risks on a case-by-case basis. Her message was clear: before writing new rules, the regulator must first understand the problem it's trying to solve and ensure that a regulatory solution is indeed necessary.

In a moment of relatable levity, Commissioner Peirce shared a story about a friend's four-year-old twins, describing their boundless capacity to learn, adapt, and surprise. "Sounds like AI, only better," she quipped. Looking ahead, she posed a set of thoughtful, open-ended questions to the panellists: Which areas of finance are most likely to be transformed by AI in the next five years? Do firms require guidance from the US SEC, and if so, how should that guidance be delivered without becoming obsolete? How can regulation remain technology-neutral and avoid being defined by extreme or isolated misuses of AI?

Commissioner Peirce's remarks were not merely about AI, they were about humility, curiosity, and the power of regulatory restraint. She championed the idea that effective regulation stems not from fear, but from understanding.

(Source: <https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-ai-roundtable-032725>)

US SEC's Commissioner Hester Maria Peirce's "The Mother" Speech: US SEC's Willingness to Embrace Innovation While Confronting Jurisdictional Hurdles in U.S. Crypto Regulation

On 11 April 2025, United States Securities and Exchange Commission (**US SEC**) Commissioner Hester Maria Peirce delivered her opening remarks titled "*The Mother*" at the second session in an ongoing series of roundtables convened to address regulatory challenges and opportunities in the crypto asset market. Speaking from Washington, D.C., Commissioner Hester Maria Peirce opened the discussion by thanking US SEC staff, market participants, and members of the public who had engaged with the Crypto Task Force. She appreciated the diverse institutional participation in the roundtable, which comprises national securities exchanges, alternative trading venues, and crypto-native firms.

Commissioner Hester Maria Peirce stated that successful markets are marked by the capacity to support a wide array of business models and approaches to trading. She emphasised that the regulatory framework governing crypto asset markets in the United States must not hinder flexibility and innovation. Instead, it should foster

competition, expand investor choice, and reflect the evolutionary nature of decentralised and centralised platforms alike. Her opening made clear that legal clarity must not come at the cost of market experimentation and technical progress.

Addressing one of the central technical issues, Commissioner Hester Maria Peirce turned to the emerging interest among market participants in conducting pairs trading i.e., trading securities against crypto assets such as stablecoins. While she clarified that United States SEC rules do not expressly prohibit this, she noted that traditional securities regulations, particularly those concerning recordkeeping, reporting, and the national market system, do not yet adequately account for such novel trading configurations. This, she suggested, opens the door for potential regulatory guidance or targeted modifications to bring legacy rules in alignment with current market practices.

In a critical portion of her remarks, Commissioner Hester Maria Peirce flagged broader concerns regarding authority and jurisdiction. She acknowledged that the United States SEC's remit is confined to securities activity and questioned what steps the Commission can take in the short term to address the growing trend of integrated securities and non-securities trading by crypto firms. Commissioner Hester Maria Peirce openly called for Congressional engagement to plug regulatory gaps and resolve conflicts that may arise between multiple regulatory bodies, including state-level and federal authorities. She signalled a need for inter-agency clarity as the legal classification of crypto assets continues to evolve.

Commissioner Hester Maria Peirce also floated the idea of invoking the Commission's exemptive powers to permit limited market testing by crypto intermediaries in the near term. These controlled trials would help firms assess the commercial and technical viability of various models while allowing the United States SEC to observe operational realities and refine its rulemaking accordingly. She invited participants to comment on what guardrails would be appropriate in such an approach, reflecting a collaborative, adaptive regulatory posture.

Demonstrating an institutional memory within the United States SEC, Commissioner Hester Maria Peirce referred to historical moments where the US SEC had previously adapted to technological disruption. She cited the 1984 release on computer brokerage systems, the 1998 statement on offering securities over the internet, and the eventual promulgation of Regulation ATS. Each of these instances demonstrated that regulation can evolve alongside innovation without compromising core principles of investor protection and market integrity. She urged the audience to extract lessons from these precedents to better integrate decentralised technologies into the current capital markets framework.

Concluding her speech with the metaphor that gave it its title, Commissioner Hester Maria Peirce likened the current set of regulatory issues to apple cider vinegar, particularly its probiotic-rich component known as "the mother." Though it may appear unpalatable at first glance, she argued, the complexity inherent in the legal and technical questions surrounding crypto regulation is ultimately beneficial if digested thoughtfully. "We are looking at an unsightly legal and technical knot of issues," she said, "but the conversation—among our expert panel—will be good for us." The analogy was intended to encourage stakeholders to confront regulatory complexity rather than shy away from it.

Commissioner Hester Maria Peirce's speech at the 11 April 2025 roundtable reminded the United States SEC as an agency that must remain flexible, engage with innovators, and coordinate with lawmakers, all while ensuring that the underlying principles of market transparency, fairness, and investor protection are upheld. Her remarks now stand as a pivotal intervention in the regulatory discourse shaping the next chapter of crypto trading in the United States.

(Source: <https://www.sec.gov/newsroom/speeches-statements/peirce-opening-remarks-trading-roundtable-041125>)

MIAX Sapphire Advances Rule Change with US SEC to Launch Options on VanEck Spot Bitcoin ETF

On 15 April 2025, the US Securities and Exchange Commission (**US SEC**) published a **notice** of proposed rulemaking (File No. SR-SAPPHIRE-2025-18) submitted by MIAX Sapphire, LLC, seeking approval to amend Exchange Rule 402 to permit the listing and trading of options on the VanEck Bitcoin Trust. This filing represents a significant step in broadening access to regulated crypto-derivative instruments within the United States and forms part of

a competitive response to a contemporaneous application lodged by Cboe Exchange, Inc. The proposal, grounded in the United States Securities Exchange Act of 1934, offers a structured legal justification for expanding options trading to include spot Bitcoin-based exchange-traded funds (**ETFs**), specifically the VanEck Bitcoin Trust.

MIAX Sapphire seeks to include the Trust under Exchange Rule 402, which sets the “Criteria for Underlying Securities” eligible for options trading. The VanEck Bitcoin Trust, structured as a commodity-based ETF, holds Bitcoin as its principal asset and provides investors with exposure to Bitcoin’s price movements without the complications of direct ownership. The proposed amendment is submitted pursuant to Section 19(b)(1) of the United States Securities Exchange Act of 1934 and Rule 19b-4 thereunder. It draws upon the legal precedent of earlier approvals, such as the US SEC’s accelerated approval of CboeBZX-2023-040, allowing the listing of Bitcoin-based trust shares.

The legal reasoning is rooted in a purposive interpretation of Exchange Rule 402(i), which permits options on ETFs representing interests in investment companies, currency trusts, and commodity pools. The VanEck Bitcoin Trust satisfies Rule 402(i)(5), meeting conditions for creation/redemption rights, net asset value correlation, and share issuance procedures as outlined in its prospectus. The Trust also qualifies as a national market system (**NMS**) stock under Rule 600 of Regulation NMS, as defined under the United States Securities Exchange Act, thereby fulfilling Exchange Rule 402(a) requirements.

From a quantitative perspective, the Trust exceeds the threshold criteria under Rule 402(b): it has over 49 million shares outstanding, more than 32,000 beneficial holders, and a six-month trading volume exceeding 133 million shares. These metrics surpass the standard numerical benchmarks typically required for underlying securities to qualify for options listing, thereby reinforcing the Exchange’s assertion that the Trust is widely held and actively traded.

The proposed Trust options will be subject to the same listing and trading protocols applicable to all ETF options on the Exchange. They will be American-style, physically settled contracts governed by the Options Clearing Corporation (**OCC**) rules under Chapters VIII and IX. MIAX Sapphire will open expirations in accordance with Exchange Rule 404—encompassing weekly, monthly, and long-term equity options (**LEAPS**)—and will adhere to prescribed strike price intervals and minimum tick sizes under Rules 404 and 510.

Position and exercise limits, pursuant to MIAX Rules 307 and 309 (incorporated into the MIAX Sapphire Rulebook), will initially be set at 25,000 contracts. These limits are aligned with other Bitcoin-based ETFs and reflect a conservative approach relative to the Trust’s trading volume and share capitalisation. MIAX Rule 1502 on margin requirements will also govern the Trust options.

Importantly, MIAX Sapphire assures the US SEC that adequate surveillance mechanisms are in place. These include cross-market monitoring through the Intermarket Surveillance Group (**ISG**), information-sharing agreements with affiliated exchanges (MIAX, MIAX Pearl), and a Regulatory Services Agreement with the Financial Industry Regulatory Authority (**FINRA**). Drawing from the US SEC’s findings in the January 2024 Bitcoin ETP Approval Order, MIAX Sapphire reinforces the Commission’s conclusion that a high correlation between CME Bitcoin futures and the spot market supports effective surveillance against fraud and manipulation.

The proposal is anchored in the public interest objectives enshrined under Section 6(b)(5) of the United States Securities Exchange Act of 1934. It argues that the listing would help prevent manipulative practices, promote fair and efficient markets, and enhance investor protection by enabling price discovery in a regulated environment rather than through opaque over-the-counter (**OTC**) options. By transitioning such Bitcoin-related options to the Exchange, the rule change is expected to improve transparency, counterparty reliability, and liquidity.

The US SEC’s invitation for public comments and its decision timeline—ranging from 45 to 90 days—provides an opportunity for market participants to contribute to the regulatory discourse. The application underscores MIAX Sapphire’s view that listing options on the VanEck Bitcoin Trust will foster healthy market competition, especially given that the Exchange already offers options on other commodity-based ETFs, such as gold and silver trusts, under the same legal and procedural framework.

Ultimately, the proposed amendment represents a convergence of crypto-financial innovation and established securities regulation. As the US SEC deliberates on this application, the outcome may shape how digital asset exposure through traditional instruments continues to evolve in United States capital markets.

(Source: <https://www.sec.gov/files/rules/sro/sapphire/2025/34-102865.pdf>, <https://www.sec.gov/newsroom>)

UK FCA Marks Operational Resilience Deadline: Regulated Firms Must Now Embed Resilience as a Strategic Imperative

On 15 April 2025, Suman Ziaullah, Head of Technology, Resilience and Cyber at the United Kingdom Financial Conduct Authority (**UK FCA**), offered a forward-looking perspective on the future of operational resilience, following the sector-wide compliance deadline of 31 March 2025. UK FCA concluded the final stage of its operational resilience framework, reaffirming that the journey now moves beyond compliance into cultural transformation. In a reflective commentary which underlined that while regulated firms have met the mandatory deadline, the true test lies in how well they anticipate and respond to disruptions that could cause intolerable harm to consumers and markets. The message is clear that the operational resilience must now be integrated into the very design, strategy, and governance structures of firms and not treated merely as a regulatory raincoat. Ziaullah, through a metaphor of being caught unprepared in the rain, emphasised that operational resilience is not about preventing all disruptions but about ensuring preparedness to recover without causing significant harm. He warned that future challenges—ranging from cyber threats and third-party dependencies to emerging technologies like AI and quantum computing—demand continual evolution of firms' resilience frameworks.

This requirement applies to a wide range of regulated entities, including banks, building societies, PRA-designated investment firms, insurers, Recognised Investment Exchanges, enhanced scope Senior Managers and Certification Regime (**SM&CR**) firms, as well as entities authorised and registered under the Payment Services Regulations 2017 or the Electronic Money Regulations 2011. However, it does not extend to European Economic Area (**EEA**) firms. Under the UK FCA's finalised framework, these firms were required, by no later than 31 March 2025, to complete full mapping and testing of their important business services, ensuring they are capable of remaining within impact tolerances under severe but plausible scenarios. This followed the earlier milestone of 31 March 2022, by which firms had to identify important business services, define impact tolerances for maximum tolerable disruption, conduct scenario testing at a suitable level of sophistication, and assess any vulnerabilities in their operational resilience.

The UK FCA, under its five-year strategic plan, has placed operational resilience at the core of maintaining public trust and financial market stability. It expects firms to:

- a) Show leadership engagement at board level, treating resilience as a business priority
- b) Design scenarios that may lead to controlled failure, revealing systemic weaknesses before real-world disruption occurs.
- c) Establish robust, adaptive communication frameworks with tested contingency plans.

Ziaullah identifies three features that set resilient firms apart: designing challenging, failure-prone scenarios to uncover true vulnerabilities; embedding resilience into the firm's culture and strategic decision-making; and fostering a no-blame approach to post-incident reviews. These practices align with the UK FCA's statutory objectives under the United Kingdom financial regulatory regime and reflect a shift from compliance to proactive governance of resilience. With the 31 March 2025 deadline now behind, the UK FCA has drawn a line between regulatory formality and genuine preparedness. Going forward, it will assess not just what firms have documented, but how they act and react in real crises. Operational resilience is now expected to be part of a firm's DNA: embedded, lived, and constantly tested, so that when the next storm hits, firms stand ready, not merely with an umbrella, but with the foresight and resilience to protect consumers and uphold market confidence.

(Source: <https://www.fca.org.uk/news/blogs/operational-resilience-beyond-regulatory-raincoats>)

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