Charltons Quantum – Quantum Updates 44 – May 2025

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**UK Finalises First Full-Spectrum Crypto Regulatory Regime Under UK FSMA: Treasury, UK FCA and Parliament Align on Authorisation and Compliance in 2025**

On 29 April 2025, the United Kingdom, taking forward its crypto roadmap, published a series of regulatory and policy framework to formally regulate cryptoasset activities under its principal financial legislation, the United Kingdom Financial Services and Markets Act 2000 ([**FSMA**](https://www.legislation.gov.uk/ukpga/2000/8/pdfs/ukpga_20000008_en.pdf)). In a coordinated regulatory release, HM Treasury laid before Parliament a draft statutory instrument, accompanied by an interpretive policy note, while the United Kingdom Financial Conduct Authority (**UK FCA**) followed with a detailed discussion paper. These instruments establish the UK’s first fully integrated, activity-based crypto regulatory regime, ensuring that crypto services such as custody, trading platforms, lending, stablecoin issuance, and staking will now fall within the UK FSMA perimeter.

The reforms are set out across three official documents: the United Kingdom *Draft Financial Services and Markets Act 2000 (Regulated Activities and Miscellaneous Provisions)*[*(Cryptoassets) Order 2025*](https://assets.publishing.service.gov.uk/media/680f6387faff81833fcae94b/0302425_draft_RAO_SI.pdf), published by UK HM Treasury; the [*Policy Note*](https://www.gov.uk/government/publications/regulatory-regime-for-cryptoassets-regulated-activities-draft-si-and-policy-note/future-financial-services-regulatory-regime-for-cryptoassets-regulated-activities-policy-note-accessible)*on the Future Financial Services Regulatory Regime for Cryptoassets (Regulated Activities)*, issued alongside the draft Order; and the United Kingdom *Financial Conduct Authority Discussion Paper*[*DP25/1*](https://www.fca.org.uk/publication/discussion/dp25-1.pdf)*: Regulating Cryptoasset Activities*, released in May 2025. Together, these instruments articulate the statutory basis, interpretive objectives, and regulatory implementation plan for bringing cryptoasset activities within the UK’s principal financial regulatory framework under the United Kingdom Financial Services and Markets Act 2000.

The Draft RAO SI 2025 serves as the legislative foundation for this transformation. It amends the Regulated Activities Order 2001 to define and regulate seven key crypto-related activities, including issuing qualifying stablecoins, safeguarding digital assets, dealing as principal or agent, arranging transactions, operating trading platforms, and providing staking services. It introduces legal definitions for “qualifying cryptoassets” and “qualifying stablecoins” and adopts a phased commencement structure, giving regulators early powers to finalise supervisory rules while allowing firms time to adapt.

Complementing the statutory framework, the Treasury’s Policy Note clarifies the rationale, design, and boundaries of the new regulatory perimeter. It explains the government’s decision to regulate cryptoassets using FSMA’s existing architecture rather than creating a new standalone statute. The note confirms that UK-issued stablecoins will not yet be included in the Payments Services Regulations, although they may still be used for transactions. It also outlines functional exclusions, such as token minting, internal group rewards, and most decentralised finance (**DeFi**) models, unless a person can be identified as conducting business “by way of business” within the meaning of UK FSMA.

The UK FCA’s DP25/1 sets out the regulator’s supervisory expectations, authorisation standards, and planned rulemaking agenda. It outlines operational criteria for crypto trading platforms (**CATPs**), custodians, intermediaries, and staking service providers. Key proposals include prohibitions on conflicted proprietary trading, requirements for pre- and post-trade transparency, segregation of client assets, and layered regulation of staking services, including custodial and liquid staking models. The UK FCA confirms that authorisation will be required for both UK-based firms and overseas entities that serve UK retail clients. UK Crypto asset discussion paper previews upcoming consultations on prudential rules, Consumer Duty obligations, and a tailored market abuse regime for cryptoassets.

Taken together, these three documents form a harmonized regulatory framework for the regulation of cryptoassets in the UK. The statutory instrument defines the scope and perimeter, the policy note contextualises the government’s strategic choices, and the UK FCA discussion paper operationalises the future of compliance and enforcement. This framework aims to aligns with international standards from IOSCO and FATF, to offer legal certainty to firms, investors, and consumers by applying a familiar UK FSMA-based approach to digital asset services.

This publication is the latest step in the UK FCA’s ongoing [Crypto Roadmap](https://www.fca.org.uk/publication/documents/crypto-roadmap.pdf), offering a structured timeline for future regulatory consultations. With this coordinated rollout, the UK has transitioned from a registration-focused model under the Money Laundering Regulations to a bespoke authorisation regime under UK FSMA. Crypto firms targeting or operating within the UK must now evaluate their activities against the new regulated categories and prepare for licensing, conduct compliance, reporting obligations, and consumer protection measures under a law that treats cryptoassets with the same institutional seriousness as traditional financial instruments.

(Source: <https://www.fca.org.uk/news>, <https://www.fca.org.uk/news/press-releases/fca-seeks-feedback-regulation-cryptoasset-trading-platforms>)

**United Kingdom Financial Conduct Authority Announces Board Appointments to Support 5-Year Vision**

On 29 April 2025, the Chancellor of the Exchequer of United Kingdom confirmed the appointment of four new non-executive directors to the Board of the United Kingdom Financial Conduct Authority (**UK FCA**): Professor Julia Black, Anita Kimber, John Ball, and Stéphane Malrait. The announcement also includes a one-year term extension for current Board member Richard Lloyd, ensuring continuity and seasoned leadership as the UK FCA implements its five-year strategy for market resilience, innovation, and regulatory agility.

Professor Julia Black, a former external member of the Prudential Regulation Committee, will assume her position as non-executive director on 12 May 2025 for an initial three-year term. She brings deep expertise in regulatory design and governance, particularly in complex financial systems. Joining her on the same day is Anita Kimber, an accomplished former partner at EY with prior leadership roles at PwC and IBM, known for her cross-sectoral insight into financial innovation and digital transformation.

John Ball, who previously served as global managing director for the pensions practice at Willis Towers Watson, will begin his three-year term on 27 May 2025. His appointment reflects the UK FCA’s continued focus on long-term consumer outcomes, particularly in retirement and pensions oversight.

Stéphane Malrait, formerly managing director and global head of market structure and innovation at ING Bank, will assume his post on 20 October 2025, bringing critical expertise in financial markets infrastructure and structural reform.

Richard Lloyd, who has served on the UK FCA Board since April 2019 and currently chairs the Policy and Rules Committee, has been reappointed for an additional one-year term. His continued presence ensures valuable policy continuity as the organisation executes its strategic reforms across wholesale and retail financial sectors.

In response to the announcement, UK FCA Chair Ashley Alder welcomed the appointments, stating: “*Together, they bring a wealth of experience and insight across the financial services sector. I look forward to working with them as we deliver our ambitious new 5-year strategy.”*

Under the United Kingdom Financial Services and Markets Act 2000, the UK Treasury is responsible for appointing members to the UK FCA Board. All appointments are regulated by the Office of the Commissioner for Public Appointments and are made strictly on merit. None of the newly appointed Board members has engaged in political activity in the last five years, in accordance with the UK Governance Code on Public Appointments.

(Source: <https://www.fca.org.uk/news/news-stories/fca-announces-new-board-appointments>)

**United States Securities and Exchange Commission Acknowledges Immediate Effectiveness of FICC’s Proposed Rule Change to Amend Capital Policy and Replenishment Plan**

On 05 May 2025, the United States Securities and Exchange Commission (**US SEC**) published a [notice](https://www.sec.gov/files/rules/sro/ficc/2025/34-102994.pdf) confirming the immediate effectiveness of a rule change proposed by the Fixed Income Clearing Corporation (**FICC**), filed under Section 19(b)(3)(A) of the United States Securities Exchange Act of 1934 and Rule 19b-4(f)(3) thereunder. This rule change, submitted on 25 April 2025, concerns amendments to two internal governance documents, namely, the Capital Policy and the Capital Replenishment Plan i.e. used by the FICC and its affiliates, The Depository Trust Company (**DTC**) and the National Securities Clearing Corporation (**NSCC**), collectively referred to as the Clearing Agencies.

The revisions primarily aim to update, simplify, and clarify the wording of these documents, ensuring they continue to operate as intended under the applicable regulatory framework. Additionally, the Capital Replenishment Plan has been modified to include provisions for alternate authorisations, enabling continuity in capital replenishment decision-making when designated authorising officers are unavailable.

The Capital Policy governs how Clearing Agencies determine, hold, and manage Liquid Net Assets (**LNA**) funded by equity to satisfy their General Business Risk Capital Requirement. This requirement ensures that the entities can maintain critical operations as going concerns even in the face of general business losses. The capital requirement is defined as the greatest value among three separate metrics: a risk-based capital estimate, a recovery/wind-down requirement, and a six-month operating expense buffer. The Policy also incorporates the Corporate Contribution, a distinct capital buffer reserved for credit risk events in compliance with Rule 17ad-22(e)(4) and (e)(7) of the [United States Securities Exchange Act](https://www.govinfo.gov/content/pkg/COMPS-1884/pdf/COMPS-1884.pdf).

The Capital Replenishment Plan, adopted in 2017 and maintained under US SEC Rule 17ad-22(e)(15), sets out procedures for restoring equity capital in case of depletion. The newly added language concerning alternate authorisations under Section 3.2 aims to ensure prompt and reliable implementation even during exigent staffing gaps.

The FICC has stated that the revisions will not impose any new burden on market participants, competition, or operational frameworks, as the changes are internally oriented and designed to ensure regulatory continuity and process integrity. No public comments were received at the time of filing in context of this.

The proposal became immediately effective upon filing. Nevertheless, under the United States Securities Exchange Act [https://www.govinfo.gov/content/pkg/COMPS-1885/pdf/COMPS-1885.pdf], the US SEC reserves the authority to summarily suspend the rule change within 60 days should it deem such action necessary in the public interest or for the protection of investors.

(Source: <https://www.sec.gov/files/rules/sro/ficc/2025/34-102994.pdf>)

**United States Securities and Exchange Commission Invites Public Comment on Blackstone Co-Investment Relief Application under the United States Investment Company Act of 1940**

On 05 May 2025, the United States Securities and Exchange Commission (**US SEC**) issued a [notice](https://www.sec.gov/files/rules/ic/2025/ic-35567.pdf) (Investment Company Act Release No. 35567; File No. 812-15759) concerning a joint application submitted by a suite of Blackstone-affiliated funds and advisory entities. The applicants are seeking an exemptive order under Sections 17(d) and 57(i) of the [United States Investment Company Act of 1940](https://www.govinfo.gov/content/pkg/COMPS-1879/pdf/COMPS-1879.pdf), and US SEC Rule 17d-1 thereunder, to permit joint participation in investment opportunities that would otherwise be prohibited as affiliated transactions. The application was originally filed on 14 March 2025 and subsequently amended on 11 April and 24 April 2025.

The core of the request lies in enabling certain business development companies (**BDCs**) and closed-end management investment companies, managed or advised by Blackstone entities, to co-invest alongside affiliated investment vehicles. This structure, while commercially aligned with market efficiencies, requires prior regulatory relief due to the conflict-of-interest provisions embedded in the Investment Company Act. Sections 17(d) and 57(a)(4) generally prohibit registered investment companies and BDCs from engaging in joint transactions with affiliates unless exemptive relief is granted by the Commission.

The proposed relief, if granted, would allow entities such as Blackstone Private Credit Fund, Blackstone Secured Lending Fund, Blackstone Private Multi-Asset Credit and Income Fund, and several others listed in the application’s appendices, to engage in co-investment transactions in portfolio companies, provided certain conditions and allocation procedures are followed. The applicants assert that such relief would enhance operational flexibility, improve capital deployment, and ultimately benefit shareholders of the funds involved.

Under Rule 17d-1, the Commission evaluates such applications to determine whether the proposed joint participation would be consistent with the protection of investors and the public interest. As is standard in such proceedings, the US SEC is now soliciting public comment from interested parties. The notice explicitly states that unless a hearing is ordered by 30 May 2025 at 5:30 PM, an order granting the requested relief may be issued without further notice.

Interested persons are invited to submit their views via email to the Commission’s Secretary at [Secretarys-Office@sec.gov](mailto:Secretarys-Office@sec.gov), with a courtesy copy served to the applicants’ legal counsel, including representatives at Blackstone Inc. and Simpson Thacher & Bartlett LLP. The submission must include a certificate of service or affidavit of delivery, and clearly outline the writer’s interest in the matter, contested issues, and rationale for a hearing request, pursuant to Rule 0-5 of the [United States Investment Company Act](https://www.govinfo.gov/content/pkg/COMPS-1879/pdf/COMPS-1879.pdf).

This application represents a significant development in the evolving regulatory landscape governing alternative credit strategies and affiliated co-investment activity. If granted, the relief would offer a formalised pathway for BDCs and closed-end funds under the Blackstone umbrella to engage in joint allocation of investment opportunities, potentially setting a precedent for similar exemptive requests by other asset managers.

The US SEC has indicated that the full text of the amended application, including detailed representations and proposed safeguards, is available via its EDGAR system. Stakeholders and compliance officers are encouraged to review the documentation and assess implications for portfolio management, governance oversight, and fiduciary accountability.

(Source: <https://www.sec.gov/files/rules/ic/2025/ic-35567.pdf>)

**United States Securities and Exchange Commission Seeks Public Comment on Proposed Rule Change to List Leveraged VIX Futures ETFs UVIX and SVIX Under the Securities Exchange Act of 1934**

On 5 May 2025, the United States Securities and Exchange Commission (**US SEC**) published a [notice](https://www.sec.gov/files/rules/sro/cboebzx/2025/34-102991.pdf) of proposed rule change filed by Cboe BZX Exchange, Inc., initiating the public comment process regarding the potential listing and trading of two leveraged exchange-traded funds (**ETFs**) i.e. the 2x Long VIX Futures ETF (**UVIX**) and the -1x Short VIX Futures ETF (**SVIX**). Released as Exchange Act Release No. 34–102991, the notice pertains to amendments submitted pursuant to Section 19(b)(1) of the United States Securities Exchange Act of 1934 and Rule 19b-4 thereunder. At this stage, the US SEC has not approved the proposal but is instead soliciting comments from interested parties to assess whether the rule change meets statutory standards for fairness, investor protection, and market integrity.

The proposed rule change seeks to permit the listing of UVIX and SVIX as series of the 2X Futures Access ETF Trust. Sponsored by Volatility Shares LLC, these products are structured to offer daily leveraged exposure to the Long VIX Futures Index — UVIX targeting 2x the index return, and SVIX aiming for -1x inverse performance. Unlike conventional equity ETFs, these instruments represent leveraged exchange-traded products (**LETPs**), relying on futures contracts linked to the Cboe Volatility Index (**VIX**). Their operation involves daily rebalancing and is subject to compounding effects, which may cause returns to diverge from the benchmark over periods longer than one trading day.

In its filing, Cboe BZX Exchange, Inc. proposed amendments to its Rule 14.11(f), which governs Trust Issued Receipts, in order to accommodate the trading of these volatility-linked products. The United States Securities and Exchange Commission, while acknowledging the potential for product innovation, has explicitly stated that its current objective is to evaluate public feedback. Under the process set forth by the Exchange Act, the Commission will, within 45 days of publication in the Federal Register, either approve, disapprove, or initiate proceedings to determine whether to disapprove the rule change.

The regulatory context for this proposed change is framed by heightened scrutiny of volatility ETFs following the February 2018 “Volmageddon” event, in which similar inverse VIX products suffered catastrophic losses. Accordingly, the US SEC has highlighted the importance of investor education, transparency, and adequate risk disclosures. The notice requires that interested persons submit comments on market structure impacts, the suitability of these products for retail investors, and whether the proposed rule is consistent with Section 6(b)(5) of the Exchange Act — which mandates that exchange rules must be designed to prevent fraudulent practices and protect investors.

Until a formal order of approval is issued, the rule change remains provisional. The US SEC’s current action is limited to the procedural step of publishing the proposed amendments for public comment. The outcome will depend on the volume and substance of stakeholder responses and the Commission’s internal evaluation.

(Source: <https://www.sec.gov/files/rules/sro/cboebzx/2025/34-102991.pdf>)

**United States Securities and Exchange Commission Unveils Agenda and Panelists for 12 May 2025 Roundtable on Tokenisation and Onchain Finance**

On 5 May 2025, the United States Securities and Exchange Commission (**US SEC**) published the ‘[full agenda and list of panelists](https://www.sec.gov/newsroom/press-releases/2025-72)’ for its upcoming public roundtable titled “[Tokenisation — Moving Assets Onchain: Where TradFi and DeFi Meet](https://www.sec.gov/newsroom/meetings-events/tokenization-moving-assets-onchain-where-tradfi-defi-meet).” The event is scheduled for 12 May 2025 from 1:00 p.m. to 5:30 p.m. ET and will take place at the Commission’s headquarters in Washington, D.C. The roundtable forms part of the US SEC Crypto Task Force’s broader engagement with industry, academia, and technology leaders on regulatory implications in emerging crypto asset markets.

Led by Commissioner Hester M. Peirce, the event is expected to explore how tokenisation is reshaping capital formation and institutional access to digital assets. Commissioner Peirce stated: “*Tokenisation is a technological development that could substantially change many aspects of our financial markets, I look forward to hearing ideas from our panelists on how the SEC should approach this area.”*

The roundtable will open with remarks by Crypto Task Force Chief of Staff Richard B. Gabbert, Chairman Paul S. Atkins, and Commissioners Caroline A. Crenshaw, Mark T. Uyeda, and Hester M. Peirce.

The first panel, titled “Evolution of Finance: Capital Markets 2.0,” will be moderated by Jeff Dinwoodie (Cravath) and feature senior representatives from leading crypto institutions, such as Fidelity, Nasdaq, Invesco, Franklin Templeton, BlackRock, Apollo Management, Tokenised Asset Coalition, DTCC, and SuperState. This panel will discuss in detail on the modernisation of capital markets through blockchain-based tokenisation and the practical integration of on-chain infrastructure into regulated markets.

Following a brief intermission, the second session, titled “The Future of Tokenisation,” will be moderated by Tiffany Smith (WilmerHale) and feature academic, technological, and venture perspectives. Panelists include experts from Chia Network, Robinhood, Canton, Maple Finance, Securitise, Blockchain Capital, and American University Washington College of Law, along with prominent independent researchers. This panel will explore regulatory design principles, the institutionalisation of tokenised instruments, and cross-jurisdictional alignment in token finance.

The event will be open to the public, webcast live on [www.sec.gov](https://www.sec.gov/), and accessible without registration for virtual attendees. In-person attendance requires advance registration.

(Source: <https://www.sec.gov/newsroom/press-releases/2025-72>)

**US SEC Reschedules Crypto Roundtable on “DeFi and the American Spirit” to 09 June 2025**

On 5 May 2025, the United States Securities and Exchange Commission (**US SEC**) announced a rescheduling of its upcoming Crypto Task Force roundtable on decentralised finance (**DeFi**). Originally slated for 06 June 2025, the roundtable titled “[DeFi and the American Spirit](https://www.sec.gov/newsroom/meetings-events/defi-american-spirit)” will now be held on 09 June 2025. The Commission confirmed that all prior registrations remain valid for the new date.

This roundtable is part of the US SEC’s ongoing efforts to examine the regulatory treatment of decentralised protocols and platforms through its United States Crypto Task Force public dialogue series. The event is expected to address core questions concerning how DeFi aligns with, or, challenges the existing US legal frameworks, particularly in relation to investor protection, disclosure obligations, and federalism in financial innovation.

The Commission has encouraged new registrants to continue applying via the official portal. Additional logistical details, agenda updates, and panelist lists will be made available in the days ahead on the Crypto Task Force webpage hosted by the US SEC.

(Source: <https://www.sec.gov/newsroom/press-releases/2025-72>)

**United States Securities and Exchange Commission Initiates Proceedings on Proposed Listing of Canary Litecoin ETF on Nasdaq**

On 5 May 2025, the United States Securities and Exchange Commission (**US SEC**) published an ‘[*order instituting proceedings*](https://www.sec.gov/files/rules/sro/nasdaq/2025/34-102988.pdf)’ to determine whether to approve or disapprove a proposed rule change submitted by the Nasdaq Stock Market LLC to list and trade shares of the Canary Litecoin ETF under Nasdaq Rule 5711(d), governing Commodity-Based Trust Shares. The application, originally filed on 15 January 2025, proposes that the ETF will track the market price of Litecoin (**LTC**) through the CoinDesk Litecoin Price Index (**LTX**) and hold LTC as its sole underlying asset, alongside cash.

According to the proposal, the Litecoin ETF is sponsored by Canary Capital Group LLC and administered by U.S. Bancorp Fund Services, LLC and purportedly it will allow investors to gain regulated exposure to the price performance of Litecoin without directly acquiring or custodying the digital asset. The Litecoin will be securely custodied by BitGo Trust Company, Inc. and Coinbase Custody Trust Company, LLC. The shares will be issued and redeemed in blocks of 10,000 units, settled in cash.

US SEC has not yet reached a decision, and to do that US SEC has instead initiated proceedings under Section 19(b)(2)(B) of the United States Securities Exchange Act of 1934 to further evaluate the rule change. The US SEC expressed the need for additional scrutiny on whether the proposed Litecoin ETF is consistent with the requirements of Section 6(b)(5) of the United States Securities Exchange Act of 1934 to, particularly the obligations that exchange rules must be designed to prevent fraudulent and manipulative practices and protect investors and the public interest.

US SEC is seeking public comment on whether the Nasdaq’s proposal sufficiently addresses concerns about market integrity, price manipulation, and adequate surveillance sharing arrangements. The US SEC noted that while Litecoin shares some commonalities with previously reviewed digital assets, including Bitcoin, it may present novel market structure risks or liquidity concerns that warrant further examination.

Interested parties are invited to submit written comments to the US SEC within 21 days of publication in the Federal Register, with rebuttals due within 35 days. Submissions can be made electronically via the SEC’s website or emailed directly to [rule-comments@sec.gov](mailto:rule-comments@sec.gov), referencing File No. SR-NASDAQ-2025-005. The Commission has also noted that, while an oral hearing is not currently scheduled, requests for such a proceeding will be considered in accordance with Rule 19b-4.

(Source: <https://www.sec.gov/files/rules/sro/nasdaq/2025/34-102988.pdf>)

**US SEC Cancels Registrations of Investment Advisers for Ceasing Operations or Failing to Comply with the Investment Advisers Act**

On 5 May 2025, the United States Securities and Exchange Commission (**US SEC**) published an ‘[Order for cancellation of registrations](https://www.sec.gov/files/rules/ia/2025/ia-6878.pdf)’ under United States Investment Advisers Act Release No. 6878, cancelling the registration of multiple investment advisers pursuant to Section 203(h) of the United States Investment Advisers Act of 1940. The action was taken against firms that have ceased operations as investment advisers or failed to file required updates through the Investment Adviser Registration Depository (**IARD**), as mandated under US SEC Rule 204-1.

In exercise of its statutory powers under Section 203(h), the US SEC has the power and authority to cancel the registration of any investment adviser that is no longer in business or is otherwise not eligible to remain registered, to protect the integrity of the national investment advisory registry and ensure that only active and compliant advisers operate within the United States financial system.

The following investment adviser registrations were cancelled as of the effective date:

1. Stock Markets Institute, Inc.
2. TCA Fund Management Group Corp.
3. Enier Jose Cabrera
4. Brite Advisors Pty Ltd
5. Mavros Capital Management, LLC
6. PF Advisors LLC

The above-listed firms are no longer legally permitted to operate as registered investment advisers in the United States. They must cease all advisory activities requiring US SEC registration and must not represent themselves as federally registered investment advisers. Any further violations may subject them to enforcement proceedings under federal securities laws.

The order was issued by the US SEC Division of Investment Management, acting under delegated authority, and signed by Sherry R. Haywood, Assistant Secretary.

(Source: <https://www.sec.gov/files/rules/ia/2025/ia-6878.pdf>)

**US SEC Grants Exemption to Monroe Capital Funds Under Section 6(c) of the Investment Company Act; Outlines Legal Path for Share Class Relief**

On 6 May 2025, the United States Securities and Exchange Commission (**US SEC**), via Investment Company Act Release No. 35571, through an [order](https://www.sec.gov/files/rules/ic/2025/ic-35571.pdf) granted a conditional exemption to Monroe Capital BDC Advisors, LLC, Monroe Capital Income Plus Corporation, and Monroe Capital Enhanced Corporate Lending Fund, allowing the issuance of multiple classes of shares with differing fee structures. Acting under its authority pursuant to Section 6(c) of the United States Investment Company Act of 1940, US SEC approved the applicants’ request for relief from Sections 18(a)(2), 18(c), 18(i), and 61(a) of the United States Investment Company Act of 1940. These sections govern capital structure limitations and shareholder equality provisions applicable to business development companies and closed-end investment companies.

The exemption permits the applicants to issue multiple share classes with distinct sales loads and asset-based distribution or service fees, a structure traditionally not available to business development companies or closed-end funds under the statutory framework. The order followed the filing of an application on 4 April 2025, and the subsequent publication of a notice of the application on 10 April 2025 (US Investment Company Act Release No. 35532). No requests for a hearing were received by US SEC, and no hearing was ordered. The US SEC Division of Investment Management issued the order under delegated authority, determining that the exemption is consistent with the protection of investors, appropriate in the public interest, and aligned with the policies and purposes of United States Investment Company Act of 1940.

Business development companies or other registered investment companies may seek similar exemptions by filing an application under Section 6(c), which provides the Commission with discretionary power to exempt any person, security, or transaction from provisions of the Investment Company Act or related rules, if such relief is deemed necessary or appropriate. The process is governed procedurally by Rule 0-5 under the Act. Applicants must clearly identify the provisions from which relief is sought and demonstrate with supporting documentation that the exemption would not undermine investor protections or the regulatory objectives of United States Investment Company Act of 1940.

Once the application is filed, it undergoes review by the US SEC Division of Investment Management. If deemed complete, a notice is published by the Commission, allowing for a public comment and hearing request period, usually lasting 25 days. If no opposition arises, and the US SEC does not independently schedule a hearing, it may issue a final exemption order. Such orders are conditional and require the applicant to adhere to the representations made in their submission. Any material deviation or failure to comply may result in regulatory action or revocation of the exemption.

These exemptions are granted by exercise of the Commission’s flexibility under Section 6(c), offering qualifying investment companies a path to modernise their product offerings while remaining within the statutory framework of the United States Investment Company Act. The order is effective immediately.

(Source: <https://www.sec.gov/files/rules/ic/2025/ic-35571.pdf>)

**Hong Kong SFC Deepens Virtual Asset Ties in UAE with Regulatory Dialogue and Web3 Industry Engagement**

On 6 May 2025, with the aim to enhance global regulatory alignment and promote Hong Kong in virtual asset oversight, senior executives from the Hong Kong Securities and Futures Commission (**HK SFC**) concluded a visit to Abu Dhabi and Dubai last week. The delegation was led by Dr. Eric Yip, Executive Director of Intermediaries, and Ms. Elizabeth Wong, Director of Intermediaries & Head of the Fintech Unit.

During the visit, the HK SFC delegation held bilateral discussions with regulatory counterparts of UAE, including the Securities and Commodities Authority of the United Arab Emirates, the Financial Services Regulatory Authority of the Abu Dhabi Global Market, the Dubai Financial Services Authority, and the Virtual Assets Regulatory Authority of Dubai. These meetings focused on evolving approaches to virtual asset regulation, licensing, and supervisory practices in line with the SFC’s ASPIRe roadmap, released on 19 February 2025.

Dr. Yip discussed the HK SFC’s approach has been rooted in “fit-for-purpose policymaking” which is designed to ensure both innovation and investor protection. He stated: *“By fostering global partnerships and implementing comprehensive oversight measures, the SFC aims to position Hong Kong as a leading hub for financial innovation.”*Engagements with the International Web3 and virtual asset industry further revealed a shared interest in consistent and balanced regulatory frameworks. Industry stakeholders in the UAE emphasised the importance of regulatory clarity to enable sustainable growth and address potential systemic risks in the sector.

The HK SFC’s visit is a diplomatic and regulatory outreach mission, intended to build cross-border alignment on virtual asset oversight. It directly supports the [ASPIRe roadmap](https://www.sfc.hk/en/News-and-announcements/Policy-statements-and-announcements/A-S-P-I-Re-for-a-brighter-future-SFCs-regulatory-roadmap-for-Hong-Kongs-virtual-asset-market), which sets out Hong Kong’s multi-pillar strategy to Advance regulatory clarity on digital asset activities, Support sustainable innovation, Promote investor protection, Reinforce international regulatory cooperation. These engagements help the HK SFC observe and adapt leading practices from other major jurisdictions, like the UAE, which is fast emerging as a digital asset hub under regulatory clarity-led growth.

(Source: <https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=25PR59>)

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