



US SEC Reviews NYSE Arca Proposal to Permit In-Kind Creations and Redemptions for Bitwise Bitcoin and Ethereum ETFs

On 9 July 2025, the United States Securities and Exchange Commission (**US SEC**) published the [Notice of Filing of Amendment No. 2](#) to Proposed Rule Change to Amend the Bitwise Bitcoin ETF Trust and the Bitwise Ethereum ETF in Order to Permit In-Kind Creations and Redemptions, filed by NYSE Arca, Inc. The proposed Amendment No. 2 seeks to amend the currently approved operational framework of the Bitwise Bitcoin ETF Trust and the Bitwise Ethereum ETF to allow for in-kind creation and redemption of shares, in addition to the existing cash-based model.

Proposed Amendments in Amendment No. 2

NYSE Arca, Inc. proposes to amend representations in the rule filings governing the Bitwise Bitcoin ETF Trust (the “Bitcoin Trust”) and the Bitwise Ethereum ETF (the “ETH Trust”) to permit in-kind creations and redemptions. Both Trusts are Delaware statutory trusts and are listed on NYSE Arca, Inc. under Rule 8.201-E, which governs Commodity-Based Trust Shares.

The amendments would allow authorised participants to deliver bitcoin or ether directly to the respective Trust, or receive those assets upon redemption, as an alternative to the current model which permits only cash settlements.

All other representations made in previous filings, Amendment No. 2 replaces and supersedes the original filing, as amended by Amendment No. 1, in its entirety.

Bitwise Bitcoin ETF Trust: Proposed In-Kind Process

1. In-Kind Creations

- i. Authorised participants must submit a purchase order by 3:59 p.m. ET on the purchase order date (the “In-Kind Order Cutoff Time”).
- ii. On the settlement date, the Bitcoin Trust delivers shares to the authorised participant in exchange for bitcoin deposited with Coinbase Custody Trust Company, LLC (the “Bitcoin Custodian”).

- iii. If the bitcoin is not deposited in time, the participant may:
 - a) Cancel the order,
 - b) Delay settlement, or
 - c) Permit the Bitcoin Trust to acquire bitcoin directly, with the participant providing US dollars.

2. In-Kind Redemptions

- i. Authorised participants must submit redemption orders by the same cutoff time.
- ii. The Bitcoin Trust delivers bitcoin in exchange for Trust shares received into its DTC account.
- iii. If shares are not deposited in time, the participant may:
 - a) Cancel the redemption,
 - b) Delay settlement, or
 - c) Permit the Bitcoin Trust to liquidate bitcoin and deliver cash equivalent proceeds.

Bitwise Ethereum ETF: Proposed In-Kind Process

1. In-Kind Creations

- i. Similar to the Bitcoin Trust, orders must be submitted by 3:59 p.m. ET on the purchase order date.
- ii. On settlement, the ETH Trust delivers shares in exchange for ether deposited with Coinbase Custody Trust Company, LLC (the "Ether Custodian").
- iii. If the ether is not received in time, the authorised participant may:
 - a) Cancel the order,
 - b) Delay settlement, or
 - c) Permit the ETH Trust to purchase ether, with US dollar funding by the participant.

2. In-Kind Redemptions

- i. The ETH Trust delivers ether in exchange for shares deposited in its DTC account.
- ii. If the shares are not delivered on time, the participant may choose from the same options outlined above.

NYSE Arca, Inc. in its proposed Amendment No. 2, states that the proposed rule change is consistent with Section 6(b) of the United States **Securities Exchange Act of 1934**, and specifically with Section 6(b)(5) . The NYSE Arca, Inc. Exchange asserts that allowing in-kind creations and redemptions promotes just and equitable principles of trade, fosters coordination in securities transactions, removes market impediments, and protects investors.

According to NYSE Arca, Inc., in-kind processes increase market efficiency by allowing authorised participants to manage crypto asset sourcing themselves, rather than relying on the Trusts to transact in the open market. This reduces market impact and improves execution, especially during periods of high volatility.

The United States Securities and Exchange Commission (**US SEC**) is accepting public comments on the proposal. Comments may be submitted referencing **File No. SR-NYSEARCA-2025-38** via the US SEC internet comment form at www.sec.gov/rules/sro.shtml or by email to rule-comments@sec.gov. The comment period remains open for 21 days following publication in the Federal Register.

(Source: <https://www.sec.gov/files/rules/sro/nysearca/2025/34-103407.pdf>)

U.S. SEC Brings Fraud Charges Against Georgia-Based First Liberty Building & Loan for \$140 Million Ponzi Scheme

On 10 July 2025, the United States Securities and Exchange Commission (**US SEC**), through [Release No. 2025-98](#), announced that it has filed a civil complaint in the U.S. District Court for the Northern District of Georgia against *First Liberty Building & Loan, LLC*, a Newnan, Georgia-based lender, and its founder and owner *Edwin Brant Frost IV*. The action seeks emergency relief in connection with an alleged \$140 million Ponzi scheme that defrauded approximately 300 investors over more than a decade.

The complaint alleges that, between 2014 and June 2025, the defendants offered and sold promissory notes and loan participation agreements to retail investors, promising annual returns of between 8% and 18%. Investors were told that their funds would be used to make short-term bridge loans to small businesses, often to be refinanced through Small Business Administration (**SBA**) or commercial loans. However, according to the US SEC's findings, a significant portion of the funds was either misused or redirected to pay existing investors, constituting a classic Ponzi structure.

"The promise of a high rate of return on an investment is a red flag that should make all potential investors think twice or maybe even three times before investing their money. Unfortunately, we've seen this movie before – bad actors luring investors with promises of seemingly over-generous returns – and it does not end well." said Justin C. Jeffries, Associate Director of Enforcement for the US SEC's Atlanta Regional Office.

The complaint reveals that by 2021, First Liberty was operating at a deficit and was largely dependent on fresh investor inflows to meet its interest obligations. Frost is further alleged to have misappropriated investor money for personal use, including over \$2.4 million in credit card payments, \$335,000 paid to a rare coin dealer, \$230,000 spent on family vacations, and purchases of luxury items such as a Patek Philippe watch and high-value jewellery. Five affiliated entities, *First Liberty Capital Partners LLC*, *First National Investments LLC*, *MyHealthAI Capital LLC*, *The Legacy Advisory Group Inc.*, and *The Liberty Group LLC*, were named as *Relief Defendants*, having received proceeds from the alleged fraud without providing value in return.

The US SEC's complaint charges the defendants with violations of the antifraud provisions of the US [Securities Act of 1933](#) and the [Securities Exchange Act of 1934](#). Without admitting or denying the allegations, both the defendants and the relief defendants consented to the SEC's request for emergency and permanent relief, with monetary penalties to be determined at a later stage.

This enforcement action is brought under Sections 17(a) and 10(b) of the United States Securities Act and Exchange Act respectively, aligning with the US SEC's statutory mandate under federal law to protect investors and maintain fair, orderly, and efficient markets.

(Source: <https://www.sec.gov/newsroom/press-releases/2025-98-sec-charges-georgia-based-first-liberty-building-loan-its-owner-operating-140-million-ponzi-scheme>)

George R. Botic Appointed Acting Chair of the PCAOB Following Erica Williams' Resignation

On 21 July 2025, the United States Securities and Exchange Commission (**US SEC**) formally announced, in [Release No. 2025-100](#), the designation of George R. Botic to serve as Acting Chair of the Public Company Accounting Oversight Board (**PCAOB**), effective from 23 July 2025. The decision follows the resignation of current Chair Erica Y. Williams, which takes effect on 22 July 2025.

The PCAOB, established under the [United States Sarbanes-Oxley Act of 2002](#), has the power to regulate and oversight of audits for public companies and broker-dealers. Under the authority of the [United States Sarbanes-Oxley Act of 2002](#), the US SEC retains the power to appoint members and the Chairperson of the PCAOB.

In a public statement, US SEC Chairman Paul Atkins expressed his appreciation for the outgoing Chair, noting: *"I thank Erica Williams for her dedicated service on the Board, and I look forward to working with George Botic as Acting Chair."*

In response, Mr Botic stated: *"I am honoured to work with the US SEC and the staff of the PCAOB as Acting Chair to ensure that we meet the mission established by Congress."*

Mr. Botic, a Certified Public Accountant, was appointed to the PCAOB Board on 25 October 2023. He brings over a decade of regulatory and public accounting experience, having previously served as Director of the PCAOB's Division of Registration and Inspections, where he oversaw registration and inspection of both domestic and international firms auditing entities traded in U.S. securities markets. His prior roles include Director of the Office of International Affairs, Special Advisor to former Chairperson James R. Doty, and Deputy Director of the Registration and Inspections Division. Before joining the PCAOB, Mr. Botic worked at PricewaterhouseCoopers as a Senior Manager. He is an alumnus of Shepherd University and holds a Master of Accountancy from Virginia Tech.

(Source: <https://www.sec.gov/newsroom/press-releases/2025-100-sec-announces-george-botic-serve-acting-chair-public-company-accounting-oversight-board>)

US SEC Chairman Paul S. Atkins Delivers "Statement on President Trump Signing the GENIUS Act into Law," Advancing America's Crypto Innovation Leadership

On 18 July 2025, the US Securities and Exchange Commission (**US SEC**) Chairman Paul S. Atkins issued a statement describing US President Trump's signing of the [US GENIUS Act](#) into law as a monumental step forward for crypto assets and financial markets, reiterating the potential of blockchain technologies to revolutionise US financial infrastructure, emphasising the need for clear rules to boost efficiency and lower costs, and inviting market participants to engage with US SEC staff on integrating payment stablecoins into securities markets to advance America's leadership in crypto innovation.

In the statement titled ["Statement on President Trump Signing the GENIUS Act into Law,"](#) US SEC Chairman Paul S. Atkins discussed the law's broader implications for the sector. "President Trump's signing the GENIUS Act is a monumental step forward for crypto assets, financial markets, and our country. As I have stated previously, blockchain and crypto asset technologies have the potential to revolutionize America's financial infrastructure and deliver new efficiencies, cost reductions, transparency, and risk mitigation for the benefit of all Americans. Ensuring that the U.S. is the best and most secure place in the world to invest and do business requires clear rules of the road that allow market participants to adopt emerging technologies with confidence. President Trump and the entire Administration are sending a powerful message that America is ready to embrace crypto asset innovation."

Atkins further detailed the Act's role in the ecosystem: "The GENIUS Act provides necessary guidance for a crucial element of the emerging crypto asset ecosystem. Clear payment stablecoin regulation allows companies and individuals to transact in ways that boost efficiency and lower costs. Payment stablecoins will play a significant role in the securities industry moving forward, which is why I have asked SEC staff to consider whether guidance, rulemaking, or other steps may be helpful to accommodate SEC registrants utilizing payment stablecoins, including for settlement and margining. I invite market participants to engage with the SEC staff on what is needed for our securities markets to take advantage of the GENIUS Act's full potential."

Concluding on a forward-looking note, Atkins aligned the development with national objectives: "Today's developments are a major milestone in achieving President Trump's goal of making America the "crypto capital of the world." The Trump Administration and Congress have thus far made terrific progress, and there is more work to do. The SEC will work diligently to consider any changes needed to achieve regulatory clarity. Together we will make America the center of crypto asset innovation and strengthen the financial markets for the benefit of all Americans."

(Source: <https://www.sec.gov/newsroom/speeches-statements/atkins-statement-genius-act-071825>)

US SEC Commissioner Hester M. Peirce Releases “Smart Start: Statement on the GENIUS Act,” Highlighting Clarity and Protections for Payment Stablecoins

On 18 July 2025, the US Securities and Exchange Commission (**US SEC**) Commissioner Hester M. Peirce issued a statement marking the signing of the **US GENIUS Act** into law as an important milestone for regulatory clarity in crypto, confirming payment stablecoins are not securities, noting their broad use as payments mechanisms, and aiming to protect users and the financial system through oversight by state and federal banking regulators while urging the US SEC to provide guidance for registrants’ use of stablecoins.

In her statement titled “**Smart Start: Statement on the GENIUS Act**,” US SEC Commissioner Hester M. Peirce emphasised the law’s role in advancing crypto regulation. “The signing of the GENIUS Act into law marks an important milestone in the effort to bring regulatory clarity to crypto—a necessary prerequisite for innovation in our markets to flourish and for the American public to benefit from that innovation,” Peirce stated. She continued: “The new law confirms that payment stablecoins are not securities. People have voted with their dollars, privately issued stablecoins already enjoy broad use as a payments mechanism. The GENIUS Act, by putting a regulatory framework around them, aims to protect current and future users and the financial system. The GENIUS Act charges state and federal banking regulators with overseeing payment stablecoin issuers. This clear direction from Congress also should serve as a catalyst for the SEC to provide guidance on how SEC registrants can use, and accommodate their customers’ use of, payment stablecoins. I invite investors and market participants regulated by the SEC to engage with the Crypto Task Force on what the Commission needs to do, in light of the GENIUS Act, to ensure that SEC registrants interacting with payment stablecoins can serve their customers effectively, efficiently, and safely.”

The US GENIUS Act is the first federal legislation dedicated to digital assets in the US, with bipartisan consensus on the importance of stablecoins. By delineating responsibilities away from the US SEC for stablecoin issuance, the US GENIUS Act may encourage further guidance from the US SEC on integration within securities markets, as suggested by Commissioner Peirce’s call for engagement with the Crypto Task Force.

(Source: <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-genius-act-071825>)

US SEC Chairman Paul S. Atkins Issues “Statement on Passage of the GENIUS Act by the House of Representatives,” Regulatory Milestone for Crypto

On 17 July 2025, the US Securities and Exchange Commission (**US SEC**) Chairman Paul S. Atkins issued a **statement** congratulating the US House of Representatives on passing the **US GENIUS Act**, commending the collaborative efforts of the US House and US Senate, and highlighting it as a historic milestone for crypto entrepreneurs, financial market participants, by providing clear regulatory rules for payment stablecoins to encourage innovation, efficiencies, cost reductions, transparency, and risk mitigation in financial transactions.

The **US GENIUS Act**, formally sponsored by US Senate Banking Committee Chairman Tim Scott, US House Financial Services Committee Chairman French Hill, US Senator Cynthia Lummis, and US Senator Bill Hagerty, represents a legislative effort to establish a regulatory framework for payment stablecoins within the broader context of blockchain and crypto asset technologies. The purpose of the US GENIUS Act is to provide clear rules for innovators in payment stablecoins, aiming to foster efficiencies, cost reductions, transparency, and risk mitigation in financial transactions while ensuring robust safeguards.

In the statement released by US SEC Chairman Paul S. Atkins, discussed the significance of this development for various stakeholders. “I would like to congratulate the House of Representatives on passing the GENIUS Act and commend the work both the House and Senate put into this important legislation,” Atkins noted. He further described the bill’s progress as “a historic milestone for crypto entrepreneurs, financial market participants, and everyday Americans,” expressing gratitude to the sponsors for their leadership.

Atkins elaborated on the transformative potential of the underlying technologies, stating: “Blockchain and crypto asset technologies have the potential to revolutionise America’s financial infrastructure and deliver new efficiencies, cost reductions, transparency, and risk mitigation for the benefit of all Americans. Innovators experimenting with these exciting technologies deserve clear rules of the road, which the GENIUS Act provides for payment

stablecoins.” Looking ahead, he anticipated positive outcomes from the legislation: “Over the coming months and years, I look forward to watching the market leverage the regulatory framework provided by the GENIUS Act to go to market with payment stablecoins solutions that make transactions quicker, cheaper, and safer, all while maintaining robust risk safeguards.”

(Source: <https://www.sec.gov/newsroom/speeches-statements/atkins-statement-genius-act-071725>)

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