ASIC Seeks High Court Appeal on Block Earner Crypto Financial Product Ruling

On 21 May 2025, the Australian Securities and Investments Commission (**ASIC**) announced that it is seeking special leave from the High Court of Australia to appeal the Full Federal Court's ruling in the Block Earner case. The Full Federal Court had determined that a fixed-yield crypto lending product issued by Block Earner did not constitute a "financial product" under the Corporations Act 2001 (**Cth**). ASIC stated that the appeal is intended to clarify the statutory definition of "financial product" and determine the regulatory scope of interest-earning and asset-conversion products. ASIC emphasised that the definition is designed to be broad and technology-neutral and that clarity from the High Court is required in the public interest. The High Court of Australia will consider ASIC's application on a date to be fixed.

ASIC's Legal Position

ASIC's appeal is in regards to authoritative clarification of the scope of the "financial product" definition in Australian law. The regulator argues that the term, intentionally drafted in a technology-neutral manner, should extend to fixed-yield crypto lending and asset-conversion arrangements. ASIC maintains that the public interest requires certainty on when crypto-linked interest products fall within the licensing and conduct framework of the Corporations Act 2001 (**Cth**).

Litigation Background and List of Dates

1. **9 February 2024**: The Federal Court found Block Earner engaged in unlicensed financial services conduct between March and November 2022 by offering its "Earner" product.

2. **4 June 2024**: The Federal Court relieved Block Earner from liability to pay a penalty in relation to the Earner product.

3. **18 June 2024**: ASIC appealed the penalty relief ruling.

4. **9 July 2024**: Block Earner cross-appealed, challenging the finding that a financial services licence was required.

5. **6 March 2025**: The Full Federal Court heard both ASIC's appeal and Block Earner's cross-appeal.

6. **22 April 2025**: The Full Federal Court allowed Block Earner's cross-appeal, ruling the Earner product was not a financial product, and dismissed ASIC's appeal.

7. **21 May 2025**: ASIC confirmed it will seek special leave from the High Court of Australia to challenge the Full Federal Court's decision.

Legal Analysis and Implications

The pending High Court application presents an important test of how Australian law treats crypto-asset products under the Australian Corporations Act 2001 (**Cth**). ASIC's position is that interest-earning products should fall squarely within the regulatory perimeter, regardless of the technology or assets involved. If the High Court grants leave and rules in ASIC's favour, the decision could expand the reach of Australian financial services law to a broader range of crypto-linked products. Conversely, if the Full Federal Court's reasoning stands, providers of fixed-yield crypto products may argue that their offerings are not financial products, provided they avoid structuring features resembling investment facilities.

For global crypto exchanges and product issuers, the outcome of this case will be critical in shaping compliance strategies for the Australian market. It will also signal how courts approach the balance between technological neutrality and investor protection in financial product regulation.

Jurisdictional Context

This matter will further lead to the High Court of Australia in defining the scope of statutory terms under the Corporations Act 2001 (**Cth**). ASIC's approach reflects international trends where regulators seek to ensure that crypto-linked yield and lending products are not treated as regulatory exemptions. The outcome of the High Court's consideration will carry implications beyond crypto assets, as it concerns the general statutory definition of financial products across all financial services in Australia.

(Source: https://www.asic.gov.au/about-asic/news-centre/find-a-media-release/2025-releases/25-082mr-asic-seeks-leave-from-high-court-to-appeal-block-earner-decision/)

ASIC Chair Joe Longo Outlines AI Blueprint for Banking at ABA Conference

On 23 July 2025, the Australian Securities and Investments Commission (**ASIC**) Chair Joe Longo delivered a speech at the Australian Banking Association (**ABA**) Banking Conference in Sydney. The speech, titled *"AI: A blueprint for better banking?"*, explored how artificial intelligence could reshape Australia's banking sector. Longo confirmed that ASIC will not impede customer-centric AI innovation but warned that "cutting-edge technology cannot leave your customers bleeding." While the regulator does not plan to rush new AI-specific rules, ASIC emphasised that directors and licensees must already comply with technology-neutral obligations under the Australian *Corporations Act 2001 (Cth)*. Joe Longo argued that trust in AI remains low in Australia, but that banks are uniquely positioned to rebuild consumer confidence by deploying AI ethically. He concluded by stating that ASIC would use its existing enforcement powers to address misconduct and ensure that AI adoption delivers real benefits for customers.

ASIC's Position on AI Regulation

ASIC's current stance is that Australia's technology-neutral legislative framework already imposes obligations on directors and financial services providers using AI. New regulation may eventually be necessary, but Longo stressed that creating fragmented, overly specific rules risks greater complexity and compliance burdens. Until then, ASIC will test the limits of its current powers, adopting what Longo called a "bolder and more imaginative" enforcement approach.

Consumer Trust and Banking Opportunities

Citing RepTrak and KPMG data, Longo stated that while 50% of Australians use AI tools, only 36% trust them. Australians report lower training and confidence in AI than international peers. ASIC views this distrust as an opportunity for banks to lead by example. With advanced systems, data science teams, and daily customer touchpoints, banks are well-positioned to demonstrate how AI can deliver secure, transparent, and beneficial outcomes.

AI in Practice: Examples from Australian Banks

Joe Longo pointed to industry pilots as evidence of AI's potential in banking:

- **Westpac** is using AI to assist scam and fraud detection teams.
- **NAB** is deploying AI to identify systemic issues in customer complaints.
- **CBA** is trialling AI bots to counter scam callers, a project first conceived at Macquarie University.

These initiatives, he argued, show how AI can protect consumers and reinforce trust.

Governance, Enforcement, and Consumer Protection

ASIC's Report 798: Beware the Gap found deficiencies in governance among AFS and credit licensees using AI. Longo warned that entities risk enforcement action if AI harms consumers or breaches existing obligations. He also noted that ASIC's *Report 785: Better Banking for Indigenous Consumers* revealed systemic fee harms, with millions refunded to low-income customers. He challenged banks to use AI proactively to prevent such harms rather than waiting for regulatory intervention.

Legal Analysis and Implications and Compliances

The speech made it clear that directors' duties under the Australian *Corporations Act 2001* (***Cth***) extend to oversight of AI systems. Boards must ensure that AI deployment aligns with fiduciary and statutory obligations, including managing risks of unfair contracts, predatory lending, and systemic harm. While ASIC has avoided proposing new AI legislation, its message was clear: customer-centric deployment of AI will be supported, but irresponsible use may trigger enforcement. This stance aligns with international regulatory approaches that favour principle-based obligations over rigid AI codes.

(Source: https://www.asic.gov.au/about-asic/news-centre/speeches/ai-a-blueprint-for-better-banking/)

ASIC Appeal in Finder Wallet Case Dismissed by Full Court of the Federal Court of Australia, Clarifies: Crypto Staking Activities not a Debenture

On 24 July 2025, the Full Court of the Federal Court of Australia dismissed the appeal brought by the Australian Securities and Investments Commission (**ASIC**) in the matter of *Australian Securities and Investments Commission v Wallet Ventures Pty Ltd (formerly Finder Wallet Pty Ltd) [2025] FCAFC 93*. The appeal concerned ASIC's contention that the Finder Earn product constituted a debenture and therefore required compliance with the licensing and disclosure provisions of the Australian *Corporations Act 2001* (***Cth***). The Full Court upheld the original Federal Court ruling, which found that the Finder Earn product was not a debenture, and consequently, Wallet Ventures Pty Ltd had not breached the Corporations Act as alleged by ASIC. The decision highlights interpretive challenges within the current statutory framework concerning the classification of debentures and the regulation of crypto-asset related offerings under Australian financial services law.

Definitions

Under the Australian *Corporations Act 2001* (***Cth***), under Division 1, Section 9 *"**debenture** of a body means a chose in action that includes an undertaking by the body to repay as a debt money deposited with or lent to the body. The chose in action may (but need not) include a security interest over property of the body to secure repayment of the money. However, a debenture does not include:*

- *an undertaking to repay money deposited with or lent to the body by a person if:*
- *the person deposits or lends the money in the ordinary course of a business carried on by the person; and*
- *the body receives the money in the ordinary course of carrying on a business that neither comprises nor forms part of a business of borrowing money and providing finance; or*
- *an undertaking by an Australian ADI to repay money deposited with it, or lent to it, in the ordinary course of its banking business; or*

Note: This paragraph has an extended meaning in relation to Chapter 8 (see subsection 1200A(2)).

- *an undertaking to pay money under:*
  i. *a cheque; or*
  ii. *an order for the payment of money; or*
  iii. *a bill of exchange; or*
- *an undertaking by a body corporate to pay money to a related body corporate; or*
- *an undertaking to repay money that is prescribed by the regulations.*

For the purposes of this definition, if a chose in action that includes an undertaking by a body to pay money as a debt is offered as consideration for the acquisition of securities under an offmarket takeover bid, or is issued under a compromise or arrangement under Part 5.1, the undertaking is taken to be an undertaking to repay as a debt money deposited with or lent to the body."

ASIC's Appeal and Court's Findings

ASIC's argued that the Finder Earn product constituted a debenture because it involved the raising of funds from customers in return for a fixed yield. ASIC contended that this arrangement fell within the statutory definition under the *Corporations Act 2001 (**Cth**)* and that Finder Wallet had engaged in unlicensed financial services conduct.

The Full Federal Court rejected ASIC's arguments and upheld the earlier decision of the Federal Court. The Court concluded that the Finder Earn product did not meet the statutory definition of a debenture because the arrangement lacked the requisite debt characteristics, despite its fixed-yield structure. As a result, Wallet Ventures Pty Ltd was found not to have breached the Corporations Act in offering the Finder Earn product.

Regulatory Context and Analysis

"Finder Earn" product was not a debenture on the basis that there was no money "deposited with or lent to" the respondent or in the alternative that there was no undertaking by the company to repay as a debt that money."

The dismissal of ASIC's appeal is based on the limitations of applying existing statutory definitions to emerging crypto-related products. While ASIC argued for a broad application of the debenture provisions under the *Corporations Act 2001 (**Cth**)*, the Court's interpretation reflects the need for legislative clarity in regulating novel digital asset products.

This decision clarifies that not all crypto-linked yield products will automatically fall within the ambit of regulated financial products in Australia. However, ASIC has indicated that it is considering the implications of the ruling for its broader regulatory strategy. Entities issuing crypto-related products must remain vigilant, as ASIC's *Information Sheet 225: Crypto-assets* confirms that certain offerings may still fall within financial product categories requiring an AFS licence.

Implications for Market Participants

For issuers and intermediaries in the crypto asset sector, the ruling provides short-term certainty that not all fixed-yield products will be treated as debentures. However, the decision also highlights a regulatory gap, raising the possibility of future legislative reform to address crypto yield-bearing products explicitly. Investors and product issuers alike must closely monitor ASIC's response, as the regulator is expected to pursue further guidance or test cases in its efforts to bring such products within the regulatory perimeter.

This judgment sits within the broader international regulatory landscape, where authorities are grappling with the classification of crypto-related financial products. The Australian position following *ASIC v Wallet Ventures Pty Ltd [2025] FCAFC 93* demonstrates judicial reluctance to extend traditional definitions of debt instruments to new crypto yield models absent express legislative mandate.

(Source: https://www.asic.gov.au/about-asic/news-centre/find-a-media-release/2025-releases/25-147mr-asic-s-appeal-against-finder-wallet-decision-dismissed/)

ASIC Investor Alert: Unlicensed Crypto Futures Offered by Bitget Breach Australian Financial Services Laws

On 28 July 2025, the Australian Securities and Investments Commission (**ASIC**) issued an investor warning against Bitget and its related entities, BTG Technology Holdings Limited. The regulator stated that Bitget is offering unlicensed crypto asset futures products to Australian investors without holding an Australian Financial Services (**AFS**) licence under the Australian Corporations Act 2001 (**Cth**). ASIC warned that Australians investing in these unlicensed derivative products lose access to statutory rights, including dispute resolution and client money protections. The futures products are marketed as "crypto futures trading" through Bitget's website and app, available for download in Australia. ASIC emphasised that such futures products involve extreme leverage, with exposure of up to 125:1, far exceeding the 2:1 leverage ratio cap imposed under Australian law for retail clients. The regulator cautioned that trading in highly leveraged unlicensed derivatives exposes investors to significant risks and potential losses.

ASIC confirmed that Bitget does not hold an Australian Financial Services Licence and therefore is not permitted to market or promote futures trading products to Australian residents. The regulator warned that investors engaging with Bitget do not benefit from statutory protections, including internal dispute resolution and client asset safeguarding, provided under Australian financial services law. ASIC's analysis underscores that unlicensed derivative products marketed with high leverage expose retail investors to substantial financial risk.

Risk Profile of Bitget's Futures Products

Bitget advertises futures products with leverage levels up to 125:1. By comparison, ASIC restricts crypto asset derivatives for retail clients to 2:1 leverage. This disparity means an investor committing one dollar can be exposed to $125 in notional value, magnifying both profits and losses. The regulator cautioned that trading unlicensed, over-leveraged derivatives increases the probability of severe investor losses.

ASIC noted that its position is consistent with regulatory warnings from multiple jurisdictions. Since 2022, regulators in Spain, Austria, Germany, Canada, France, Cyprus, Malaysia, and Japan have each issued public statements against Bitget or its related entities. These warnings consistently highlight Bitget's lack of authorisation to conduct regulated activities, with several regulators blacklisting Bitget's platforms. The Japanese Financial Services Agency most recently listed BTG Technology Holdings Limited in June 2025 as an unlicensed operator soliciting derivative transactions without registration.

(Source: https://www.asic.gov.au/about-asic/news-centre/news-items/investor-alert-asic-warns-investors-of-bitget-s-unlicensed-crypto-asset-futures-products/)

Hong Kong Monetary Authority Issues Guidance on Crypto Staking from Custodial Services

On 7 April 2025, the Hong Kong Monetary Authority (**HKMA**) released a circular titled "*Provision of Staking Services for Virtual Assets from Custodial Services*" addressed to all authorised institutions. The circular establishes regulatory standards for authorised institutions that wish to provide crypto staking services as part of their custodial offerings. According to the HKMA, crypto staking refers to committing or locking client virtual assets in a proof-of-stake blockchain protocol to support validation processes, with staking rewards distributed to clients. The guidance clearly states the expected standards that authorised institutions must implement which includes rigorous internal controls, transparent disclosure practices, and strong governance before engaging in crypto/virtual asset staking activities.

Scope of HKMA Guidance on Crypto Staking

The circular applies to authorised institutions and subsidiaries of locally incorporated authorised institutions that provide crypto/virtual asset staking from custodial services. The HKMA clarified that references to "authorised institutions" extend to such subsidiaries. Institutions must ensure their policies, systems, and operational controls comply fully with the HKMA requirements prior to offering staking services. Discussions with the HKMA are expected before launching staking operations.

Internal Controls for Custodial Crypto Staking

Authorised institutions providing crypto staking must:

1. Maintain possession or control of withdrawal mechanisms for staked assets, including private keys and voluntary exit messages.

2. Safeguard client virtual assets with effective policies preventing errors or misconduct.

3. Establish comprehensive operational rules to manage risks, mitigate conflicts of interest, and ensure business continuity.

These controls are intended to reduce operational and custody risks inherent in crypto staking.

Disclosure Standards for Virtual Asset Staking Services

The HKMA requires authorised institutions to disclose:

1. The types of virtual assets eligible for staking.

2. The involvement of any third-party service providers.

3. Fee structures, activation and lock-up periods, payout timelines, unstaking processes, and business resumption arrangements.

4. Material risks including slashing, lock-up, validator inactivity, technical bugs, hacking, and legal uncertainty around ownership rights.

The HKMA emphasised that client protection requires clear, upfront disclosures on both staking rewards and potential risks.

Protocol Selection and Oversight of Third-Party Providers

When selecting blockchain protocols for crypto/virtual asset staking, authorised institutions must demonstrate due skill and care. They are expected to perform thorough due diligence, ensuring their infrastructure, technology, and risk controls are fit for purpose. Where outsourcing occurs, authorised institutions must monitor third-party service providers continuously, assessing their validation experience, security measures, and operational resilience.

Implementation and Supervisory Support

Before commencing crypto/virtual asset staking activities, authorised institutions must implement adequate systems and compliance frameworks in accordance with the circular. The HKMA in its circular stated that authorised institutions may also test their staking models within the *Supervisory Incubator for Distributed Ledger Technology*, launched in January 2025, as part of its supervisory innovation framework.

(Source: https://brdr.hkma.gov.hk/eng/doc-ldg/docId/getPdf/20250407-1-EN/20250407-1-EN.pdf)

Hong Kong SFC Circular on Custody of Virtual Assets for Licensed Trading Platform Operators

On 15 August 2025, the Hong Kong Securities and Futures Commission (**HK SFC**) issued its *Circular to licensed virtual asset trading platform operators on custody of virtual assets*. The circular sets minimum custody standards under the Hong Kong Securities and Futures Ordinance (Cap. 571) for all licensed virtual asset trading platforms (**VATPs**). It follows recent overseas incidents of compromised wallet solutions and aligns with Initiative 3 of Pillar "Safeguard" in the HK SFC's *ASPIRe Roadmap*. The Circular established that client asset protection requires robust cold wallet governance, enhanced transaction verification, and 24/7 threat monitoring. These requirements now form mandatory obligations for licensed VATPs and will extend to providers of virtual asset custodian services once the legislative framework, as outlined in the *Public Consultation on Legislative Proposal to Regulate Virtual Asset Custodian Services* jointly issued by the Financial Services and the Treasury Bureau (**FSTB**) and the HK SFC, is implemented.

Definitions under the Hong Kong Custody Framework

- **Virtual Asset Trading Platform (VATP)**: A trading platform licensed under the Hong Kong Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) and the Hong Kong Securities and Futures Ordinance (Cap. 571).
- **Virtual Asset Custodian Services**: Defined in the *Public Consultation on Legislative Proposal to Regulate Virtual Asset Custodian Services* as the safekeeping of client virtual assets or instruments enabling their transfer (including private keys).
- **ASPIRe Roadmap**: The HK SFC's 2025 regulatory framework structured around Access, Safeguards, Products, Infrastructure, and Relationships.

Senior Management Responsibilities under the Circular on Hong Kong VATPs

The circular requires each VATP to designate a Responsible Officer or Manager-in-Charge to oversee custody functions. In line with the *Guidelines for Virtual Asset Trading Platform Operators*, senior management must ensure effective internal controls, governance, and accountability for cold wallet security, private key management, and compliance with custody obligations.

Client Cold Wallet Infrastructure and Operations obligations on Hong Kong VATPs

Under the circular, cryptographic seeds and private keys must be generated offline, stored in certified hardware security modules, and backed up securely. Cold wallets should avoid smart contract reliance on public blockchains. VATPs must enforce whitelists for withdrawal addresses, apply multiple independent verification checks, and ensure signing devices are air-gapped, isolated, and dedicated solely to custody functions.

Use of Third-Party Wallet Solutions and Outsourcing Controls by Hong Kong VATPs

The HK SFC mandates strict due diligence on third-party wallet solution providers. VATPs must implement independent code reviews, supply chain management, audit trails, and segregation of duties. Ongoing provider assessments, including disaster recovery tests and cybersecurity audits, are compulsory. The circular requires monitoring of any outsourced infrastructure to ensure compliance with the *Guidelines for Virtual Asset Trading Platform Operators*.

Ongoing Real-Time Monitoring Requirements on Hong Kong VATPs

Licensed platforms must establish a Security Operations Centre or equivalent function with 24/7 monitoring. Custody systems must reconcile on-chain client assets with internal ledgers in real time. Escalation protocols require immediate senior management involvement upon anomalies. Monitoring must cover dependencies including blockchain protocols, encryption algorithms, and vendor systems, with alerts calibrated to capture vulnerabilities.

Training and Awareness Obligations on Hong Kong VATPs

The circular reinforces requirements under the *Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the Securities and Futures Commission*. VATPs must ensure ongoing training for staff, particularly transaction signers, to prevent blind signing and mitigate insider threats. Firms are expected to conduct phishing simulations and transaction validation exercises to strengthen awareness and compliance.

Legislative Context

The custody requirements align with the *Public Consultation on Legislative Proposal to Regulate Virtual Asset Custodian Services* (July 2025), which proposes a statutory licensing regime for custodian service providers under the Hong Kong Securities and Futures Ordinance (Cap. 571) and the Hong Kong Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615). Under the proposal, only entities licensed or registered with the HK SFC will be permitted to provide virtual asset custodian services in Hong Kong.

The HK SFC's *Circular on custody of virtual assets* establishes immediate baseline obligations for VATPs and signals the forthcoming regulatory framework for dedicated custodians. These measures, are grounded in ASPIRe Roadmap and are reinforced by the parallel legislative consultation which is ongoing.

(Source: https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=25PR124)

Singapore MAS and Brunei BDCB Strengthen Cross-Border Financial Cooperation with MoU on Collateral Framework

On 14 August 2025, the Monetary Authority of Singapore (**MAS**) and the Brunei Darussalam Central Bank (**BDCB**) announced their partnership at the fifth BDCB-MAS Bilateral Roundtable in Brunei Darussalam. The meeting reinforced cooperation between the two central banks in financial stability, payments connectivity, and cross-border liquidity management. Both regulators announced plans to commemorate the 60th Anniversary of the Currency Interchangeability Agreement in 2027. A Memorandum of Understanding was signed to establish a reciprocal cross-border collateral arrangement, enabling financial institutions in both jurisdictions to access a wider pool of eligible collateral. This provides greater flexibility in liquidity provisioning and strengthens resilience in regional markets. The roundtable confirmed the long-standing relationship between MAS and BDCB as an important framework for navigating regional economic developments.

Definitions and Legal Framework

Currency Interchangeability Agreement (CIA): A bilateral framework established in 1967 allowing the Brunei dollar and Singapore dollar to be accepted interchangeably at par value in both jurisdictions.

Reciprocal Cross-Border Collateral Arrangement (CBCA): A mechanism under which MAS and BDCB will recognise and accept a wider range of collateral across their liquidity facilities, thereby supporting financial institutions operating in both markets.

MoU on Cross-Border Collateral Arrangements

The MoU signed between MAS Managing Director Chia Der Jiun and BDCB Managing Director Hajah Rashidah binti Haji Sabtu formalises the reciprocal collateral framework. The arrangement allows banks and financial institutions to pledge assets across both jurisdictions for liquidity access, enhancing operational efficiency and financial stability.

Regional and Global Relevance

The cooperation highlights Singapore's and Brunei's commitment to strengthening monetary frameworks in the ASEAN region. For crypto entities and virtual asset service providers, this development signals continued regulatory emphasis on cross-border liquidity resilience and collateral transparency—critical principles also embedded in international financial regulations such as the United States Securities Act of 1933 and the European Union Markets in Financial Instruments Directive II.

Both regulators confirmed their intent to expand collaboration in payments connectivity and to mark the 60th Anniversary of the CIA in 2027. The reaffirmation of this central bank partnership underscores the strategic importance of cross-border financial infrastructure in an evolving economic and digital asset landscape.

(Source: https://www.mas.gov.sg/news/media-releases/2025/brunei-darussalam-central-bank-and-monetary-authority-of-singapore-reaffirm-bilateral-cooperation)

US SEC Division of Corporation Finance Clarifies Application of United States Securities Laws to Liquid Staking

On 5 August 2025, the United States Securities and Exchange Commission (**US SEC**) Division of Corporation Finance issued a staff statement addressing the legal status of "Liquid Staking" activities. The statement clarified that Liquid Staking Activities, when conducted within the defined framework, do not constitute the offer or sale of securities under the United States Securities Act of 1933 or the United States Securities Exchange Act of 1934. The US SEC's position extends its prior guidance on protocol staking and provides detailed analysis of staking receipt tokens. According to the US SEC Division of Corporation Finance, registration obligations arise only where the deposited crypto assets or the staking receipt tokens are structured as investment contracts. While the statement does not carry binding legal effect, it establishes an authoritative interpretive stance on how United States securities laws apply to liquid staking.

Definitions

Crypto Assets: *a "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*.

Liquid Staking: "Liquid Staking" as used in this statement refers to a type of Protocol Staking whereby owners of Covered Crypto Assets deposit their Covered Crypto Assets with a third-party Protocol Staking service provider (such owners, "Depositors") and in return receive newly "minted" (or created) crypto assets ("Staking Receipt Tokens") that evidence Depositors' ownership of the deposited Covered Crypto Assets and any rewards (as described in the Protocol Staking Statement) that accrue to the deposited Covered Crypto Assets.

Staking Receipt Tokens, enable their holders to maintain liquidity without having to withdraw the deposited Covered Crypto Assets from staking.

Liquid Staking Providers: Persons can participate in such Liquid Staking through protocol-based or third-party service providers, both referred to in this statement as "Liquid Staking Providers."

US SEC Division of Corporation Finance View on Liquid Staking Activities

"Liquid Staking Activities in connection with Protocol Staking do not involve the offer and sale of securities within the meaning of Section 2(a)(1) of the Securities Act of 1933 (the "Securities Act") or Section 3(a)(10) of the Securities Exchange Act of 1934 (the "Exchange Act").[11] Accordingly, it is the Division's view that participants in Liquid Staking Activities do not need to register with the Commission transactions under the Securities Act, or fall within one of the Securities Act's exemptions from registration in connection with these Liquid Staking Activities."

The US SEC Division of Corporation Finance concluded that Liquid Staking Activities, as defined in the statement, are not securities transactions under the United States Securities Act of 1933 or the United States Securities Exchange Act of 1934. Applying the "investment contract" test from *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946), the

Division stated that liquid staking providers do not engage in entrepreneurial or managerial efforts that would satisfy the "efforts of others" prong. Custody arrangements, node operator selection, and redemption processes are administrative in nature and therefore insufficient to transform the activity into a securities transaction.

Treatment of Staking Receipt Tokens under United States Securities Laws

The US SEC Division of Corporation Finance further clarified that staking receipt tokens are not securities under Section 2(a)(1) of the United States Securities Act of 1933 or Section 3(a)(10) of the United States Securities Exchange Act of 1934. The tokens are classified as receipts evidencing ownership of deposited crypto assets, which are not themselves securities unless offered as part of an investment contract. Rewards accrue to the underlying assets, not the tokens, confirming that staking receipt tokens are evidentiary instruments rather than investment products.

Legal Analysis and Compliance Implications

The US SEC's position takes upon a narrow interpretation of US securities law in relation to liquid staking. By distinguishing between entrepreneurial efforts and administrative functions, the Division limits the scope of the Howey test in this context. However, the analysis leaves open the possibility that activities extending beyond ministerial functions, such as providers guaranteeing rewards, exercising discretion over staking, or facilitating additional yield mechanisms, may fall within the definition of an investment contract.

For crypto exchanges, custodians, and protocol operators, this interpretive stance offers operational certainty, but it does not replace a fact-specific legal analysis. Global entities must ensure that their liquid staking models remain consistent with the framework described, particularly where they target United States participants.

This staff statement represents the views of the US SEC Division of Corporation Finance and does not constitute a rule, regulation, or formal Commission action. It aligns with previous interpretive statements on protocol staking and clarifies the treatment of liquid staking under the United States Securities Act of 1933 and the United States Securities Exchange Act of 1934. While informative, it does not create new obligations, and compliance must be determined through statutory analysis, case law precedent, and regulatory oversight.

(Source: https://www.sec.gov/newsroom/speeches-statements/corpfin-certain-liquid-staking-activities-080525)

US SEC Commissioner Caroline A. Crenshaw Issues Response Liquid Staking Guidance: "Caveat Liquid Staker"

On 5 August 2025, United States Securities and Exchange Commission (**US SEC**) Commissioner Caroline A. Crenshaw issued a response to the US SEC Division of Corporation Finance's staff statement on liquid staking. While the Division had sought to provide "greater clarity on the application of the federal securities laws to crypto assets," Crenshaw argued that the statement instead "muddies the waters." Her dissent, titled "*Response to Staff Statement on Certain Liquid Staking Activities: Caveat Liquid Staker*", raised concerns that the Division's conclusions rest on "a wobbly wall of factual assumptions" disconnected from industry reality. Crenshaw emphasised that the statement represents only staff views, not binding Commission guidance, and therefore provides little comfort to liquid staking entities.

Crenshaw's Critique of the Staff Statement

Commissioner Crenshaw argued that the Division's *Statement on Certain Liquid Staking Activities* builds broad legal conclusions on unsupported factual assumptions. She warned that the statement's framing does not reflect how liquid staking actually operates in practice.

Crenshaw stated "But instead of clarifying the legal landscape, today's statement, like other recent staff statements before it, only muddies the waters" which means that while the Division defines the scope of liquid staking narrowly, its conclusions apply only if every assumption about how providers operate proves correct. Any deviation in real-world models would place activities outside the statement's coverage.

She further stressed that the statement explicitly disclaims Commission endorsement and cautions that its analysis may change depending on facts. This conditional framing, she argued, undermines the regulatory certainty the industry seeks.

Caveat for Liquid Staking Providers

According to Crenshaw, liquid staking entities should not rely on the staff statement as a safe harbour. Because the analysis is "circumscribed by assumptions," providers whose business models differ in any material respect remain exposed to regulatory risk. Her conclusion was clear: *"Caveat liquid staker."*

This follows her earlier critique of the Division's May 2025 *Protocol Staking Statement*, where she warned that vague generalisations could not be "mapped onto real-world services."

Legal Context and Implications

The Division's staff statement made it clear that liquid staking activities, conducted within described parameters, do not involve the offer or sale of securities under Section 2(a)(1) of the United States Securities Act of 1933 or Section 3(a)(10) of the United States Securities Exchange Act of 1934. Her response as Dissent to the statement is in contradiction to the statement issued by the Division of Corporate finance and signals towards an enduring divide within the US SEC over how staking arrangements should be classified under federal securities laws.

(Source: https://www.sec.gov/newsroom/speeches-statements/crenshaw-statement-liquid-staking-080525)

United States SEC puts Cboe BZX Proposal under Review to Permit Staking in VanEck Ethereum ETF

On 19 August 2025, the United States Securities and Exchange Commission (**US SEC**) published notice of a proposed rule change filed by Cboe BZX Exchange, Inc. The filing seeks approval to amend the governing rule for the VanEck Ethereum ETF to permit staking of ether held by the trust under BZX Rule 14.11(e)(4), which governs commodity-based trust shares. The proposal, filed on 6 August 2025, would allow the sponsor to stake all or part of the trust's ether through staking providers, with rewards accruing to the trust. The US SEC is seeking public comment under File No. SR-CboeBZX-2025-114 before determining whether to approve, disapprove, or institute disapproval proceedings.

The US SEC's notice was issued under Release No. 34-103743; File No. SR-CboeBZX-2025-114.

The VanEck Ethereum ETF was approved for listing on 23 May 2024 under BZX Rule 14.11(e)(4), which applies to commodity-based trust shares. The rule allows shares issued by a trust holding a specified commodity, such as ether, to be listed and traded on the exchange.

Proposed Amendment: Staking of Ether

The exchange proposes to insert a new section on staking into the ETF's governing rule. According to the text: *"The Sponsor may stake, or cause to be staked, all or a portion of the Trust's ether through one or more trusted staking providers. In consideration for any staking activity in which the Trust may engage, the Trust would receive all or a portion of the staking rewards generated".*

Key features include:

1. Only ether already held by the trust will be staked.
2. The sponsor will not pool assets with third parties or advertise staking services.
3. Rewards will be treated as income of the trust.
4. Custody remains with the custodian, ensuring ether cannot leave the trust's control.

Staking Process and Regulatory References

The filing describes the Ethereum network's transition to proof-of-stake in September 2022, where validators stake a minimum of 32 ether to propose or verify blocks. Malicious validator actions can result in "slashing" penalties.

The sponsor states that its staking activities will be consistent with the US SEC's Division of Corporation Finance statement of 29 May 2025 on certain protocol staking activities, ensuring compliance with securities law and avoiding treatment as an unregistered securities offering.

The filing distinguishes the trust's approach from prior enforcement cases against Kraken, Binance, and Coinbase, which involved pooled retail staking programs.

Statutory Basis for the Proposal

The Cboe BZX Exchange argued that the amendment meets the standards of Section 6(b)(5) of the United States Securities Exchange Act, as it is designed *"to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and to protect investors and the public interest".*

Allowing staking would:

1. Improve the trust's ability to track returns from ether.
2. Increase efficiency in share creation and redemption.
3. Provide investors with exposure to staking rewards while maintaining safeguards against manipulation.

Next Steps and Comment Process

The US SEC will decide within 45 to 90 days whether to approve, disapprove, or open disapproval proceedings.

Public comments must reference **File No. SR-CboeBZX-2025-114** and can be submitted via the US SEC's rule comment portal or by email to rule-comments@sec.gov.

(Source: https://www.sec.gov/files/rules/sro/cboebzx/2025/34-103743.pdf)

United States SEC Notice of Filing and Immediate Effectiveness to Amend BOX Rule 3120 on Bitcoin ETF Options

On 20 August 2025, the United States Securities and Exchange Commission published a notice for proposed changes by BOX Exchange LLC filing that is effective immediately. The proposal amends BOX Rule 3120 to raise position and exercise limits for options on GBTC, BITB, and BTC. The change removes these products from IM 3120 2 so limits are set under Rule 3120 and Rule 3140. Limits may rise from 25,000 contracts to levels determined by trading activity. The filing cites prior United States SEC approvals on other venues and seeks comment under File No. SR BOX 2025 23. The United States SEC also waived the thirty day operative delay and designated the rule operative on filing.

The filing is titled "Self Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Change to Amend BOX Rule 3120 to Increase the Position and Exercise Limits for the Grayscale Bitcoin Mini Trust ETF, the Bitwise Bitcoin ETF, and the Grayscale Bitcoin Trust ETF." The subject is the increase of position and exercise limits for options on BTC, BITB, and GBTC.

United States SEC action and effectiveness

While allowing the amendment the US SEC gave its reason as follows:

"The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act58 and Rule 19b-4(f)(6) thereunder.59 Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder."

The filing states that the proposed change became effective on submission under Section 19(b)(3)(A) of United States Securities Exchange Act and Rule 19b 4(f)(6). The United States SEC waived the thirty day operative delay and designated the proposal operative upon filing. The notice explains that the action raises no novel legal issues and provides another venue with limits that may exceed 25,000 contracts.

What changes for BOX options

BOX proposes to delete the fixed 25,000 contract cap for these Bitcoin ETF options by removing them from IM 3120 2. Position limits will instead follow Rule 3120, which ties limits to recent six month trading volume and shares outstanding. Exercise limits will mirror position limits under Rule 3140. The effect is to align BTC, BITB, and GBTC options with the standard equity option framework on BOX.

Comparative references and rationale

The filing is a competitive response to approvals on NYSE Arca and prior analysis by other exchanges. It notes that these ETFs have trading volumes that qualify for higher tiers under exchange rules. The filing explains that higher limits can support hedging, improve liquidity, and help listed markets compete with over the counter activity while preserving investor protection.

Surveillance, reporting, and safeguards

Existing surveillance and reporting programs remain in force. Large Option Position Reporting continues to apply. Market Makers are exempt from customer reporting but remain subject to information requests. BOX describes coordination with FINRA and intermarket surveillance groups. The notice stresses that procedures exist to detect unusual activity and potential manipulation.

Comment process and file details

Comments should reference File No. SR BOX 2025 23. Submissions can be made through the United States SEC rule comment portal or by email to rule-comments@sec.gov. Copies will be available at the exchange and on the United States SEC website. The United States SEC may suspend the rule within sixty days and institute proceedings if required in the public interest.

(Source: https://www.sec.gov/files/rules/sro/box/2025/34-103748.pdf)

United States SEC Notice on BOX Proposal to Raise Position and Exercise Limits for iShares Bitcoin Trust ETF Options

On 20 August 2025, the United States Securities and Exchange Commission (**US SEC**) published notice of a filing by BOX Exchange LLC. The proposal, filed on 15 August 2025, seeks to amend BOX Rule 3120 to raise position and exercise limits for options on the iShares Bitcoin Trust ETF (**IBIT**). The rule change would remove IBIT from IM-3120-2, thereby lifting the existing 25,000 contract cap and subjecting IBIT options to the higher thresholds in Rule 3120 and Rule 3140. Based on trading volume and market data, IBIT currently qualifies for a 250,000 contract limit. The US SEC designated the proposal effective immediately and waived the standard thirty-day operative delay. Comments are invited under File No. SR-BOX-2025-22.

Documents and Legal Position of iShares Bitcoin Trust ETF Options

The US SEC's notice was issued under Release No. 34-103747; File No. SR-BOX-2025-22.

IBIT is an exchange-traded fund that holds bitcoin and is listed on Nasdaq. Options on IBIT began trading in November 2024 with a fixed 25,000 contract limit under BOX Rule 3120.

BOX proposes to remove IBIT from the fixed table so that position and exercise limits will instead be set under the graduated thresholds of Rule 3120(d). These allow limits up to 250,000 contracts depending on trading volume and shares outstanding.

Reasoning for Increasing iShares Bitcoin Trust ETF Option Limits

The US SEC noted in prior approvals that "rules regarding position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market".

Data show that at a 25,000 contract cap, exercisable risk represents only 0.4% of IBIT's outstanding shares. With more than 866 million IBIT shares outstanding, the fund qualifies for the 250,000 contract tier under Rule 3120.

Comparisons with other products show:

1. GLD (SPDR Gold Shares) and SLV (iShares Silver Trust) both operate under 250,000 contract limits.

2. BITO (ProShares Bitcoin Strategy ETF) also has a 250,000 contract cap.

In contrast, a 250,000 contract limit for IBIT represents 2.89% of its float, which is more conservative than the percentages applicable to GLD, SLV, or BITO.

Comparative Analysis and External Benchmarks

The proposal relies on analyses by Nasdaq ISE, which concluded that a modeled position limit for IBIT could be more than 565,000 contracts, based on regression analysis of market capitalisation and average daily volume.

Further comparisons include:

1. CME Bitcoin futures: with a 2,000 contract limit (five bitcoin multiplier), notional exposure exceeds $949 million, implying a higher tolerance than the current IBIT limit.

2. Cboe Bitcoin U.S. ETF Index Options (CBTX and MBTX): IBIT is weighted at 20% in these indices, which trade under a 24,000 contract limit equivalent to one million IBIT contracts in notional exposure.

Surveillance and Reporting Safeguards

BOX emphasised that existing surveillance remains in place.

1. Large Option Position Reporting will continue to apply.

2. Market Makers remain exempt from customer reporting but are subject to disclosure requests.

3. Automated surveillance and FINRA cooperation remain active safeguards.

The US SEC in the above stresses that financial and margin requirements will also contain risks from large, un-hedged positions.

Immediate Effectiveness and Comment Process

The filing became effective on submission under Section 19(b)(3)(A)(iii) and Rule 19b-4(f)(6). The US SEC waived the thirty-day delay, making the proposal operative immediately.

Public comments must reference File No. SR-BOX-2025-22 and can be submitted through the US SEC's portal or by email to rule-comments@sec.gov.

(Source: https://www.sec.gov/files/rules/sro/box/2025/34-103747.pdf)

US SEC Appoints Judge Margaret Ryan as Director of Enforcement Division

On 21 August 2025, the United States Securities and Exchange Commission (**US SEC**) announced the appointment of Judge Margaret "Meg" Ryan as Director of the Division of Enforcement, effective 2 September 2025. She succeeds Acting Director Sam Waldon, who will return to his role as Chief Counsel for the Division.

US SEC Chairman Paul S. Atkins welcomed Judge Ryan, noting:

"I am thrilled to welcome Judge Ryan to the SEC, She brings to the Commission decades of experience as a respected judge and practitioner of the law. She is fulfilling a critical role. Judge Ryan will lead the Division guided by Congress' original intent: enforcing the securities laws, particularly as they relate to fraud and manipulation. I thank Sam for his service since January as Acting Director of Enforcement, I am very pleased that he will continue serving at the Commission in the critical role of Chief Counsel for the Enforcement Division. His good judgement and knowledge of the securities laws serve the SEC very effectively."

Judge Ryan, a senior judge of the United States Court of Appeals for the Armed Forces and lecturer at Harvard Law School, stated:

"It is my honor to join the Commission as Director of the Division of Enforcement, I look forward to joining the Commission in its important work to ensure that the Division is true to the US SEC's mission in taking action on behalf of investors harmed by those who break the securities laws and providing an effective deterrent against fraudulent and manipulative activities in our financial markets."

Mr Waldon, who has served as Acting Director since January 2025, will continue to contribute as Chief Counsel, a position in which he has extensive prior experience.

(Source: https://www.sec.gov/newsroom/press-releases/2025-108-sec-names-judge-margaret-ryan-director-division-enforcement)

UK FCA Approves London Stock Exchange as First PISCES Operator: A Capital Markets Reform to Boost Private Companies

On 26 August 2025, the United Kingdom Financial Conduct Authority (**UK FCA**) published a press release stating that it has approved the London Stock Exchange plc (**LSE**) as the first operator of a Private Intermittent Securities and Capital Exchange System (**PISCES**) platform. PISCES represents the world's first regulated private stock market, designed to allow buyers and sellers of shares in private companies to trade on an intermittent basis. The approval marks a significant step in the UK's drive to reform its capital markets, expand funding options for growth companies, and create a seamless continuum between private and public markets. The FCA confirmed that PISCES platforms will initially operate within the Financial Market Infrastructure (**FMI**) Sandbox, with a permanent regime expected in 2030.

FCA's Regulatory Framework for PISCES Platforms

The UK FCA stressed that PISCES platforms will be governed under the FMI sandbox powers introduced by the UK Treasury, following the Statutory Instrument laid before Parliament in May 2025. This framework allows the regulator to test trading models and system design before embedding permanent regulatory requirements. Trading events may take the form of periodic auctions or limited periods of continuous trading, ensuring flexibility while maintaining investor protection. Firms seeking to operate PISCES platforms must apply for UK FCA approval, with the regulator offering pre-application and application support to facilitate market entry.

Industry and Government Collaboration on Market Innovation

Simon Walls, UK FCA Executive Director of Markets, described the approval as "a major milestone in our drive to boost growth and unlock capital investment." He underlined the regulator's expectation that PISCES will seed a competitive marketplace and expand investor access to high-growth private companies. Julia Hoggett, CEO of the LSE, highlighted that the approval reflects years of collaborative work between industry, government, and regulators, and confirmed that the LSE will launch its Private Securities Market later in 2025. She noted that the new market structure is designed to support companies "across all stages of their growth."

Emma Reynolds, Economic Secretary to the Treasury, welcomed the approval, calling it "the latest significant milestone for PISCES." She emphasised that the initiative aligns with the UK Government's Plan for Change to enhance capital markets, support economic growth, and improve returns for working households.

Legal and Market Implications

The approval of the LSE as the first PISCES operator signals a fundamental innovation in the UK's securities framework. While private markets have historically operated without regulated secondary trading venues, the FCA's sandbox approach introduces regulatory oversight while allowing for experimental flexibility.

For issuers, PISCES provides a route to raise liquidity and broaden shareholder bases before pursuing a public listing. For investors, it offers structured access to high-growth companies in a regulated environment, bridging a gap long criticised in UK capital markets. By 2030, when a permanent regime is expected, PISCES could reshape how private equity, venture-backed companies, and institutional investors interact with secondary markets.

Conclusion: PISCES and the Future of UK Capital Markets

The UK FCA's willingness to balance innovation with oversight creates a blueprint for how intermittent private trading systems might evolve worldwide. Market participants, including issuers, investors, and legal advisers, should closely watch the rollout of the Private Securities Market later in 2025 as the next step in the UK's capital markets reform journey.

(Source: https://www.fca.org.uk/news/press-releases/first-pisces-operator-gets-greenlight-drive-growth)

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CHARLTONS QUANTUM

Hong Kong Office

Dominion Centre 12th Floor
43-59 Queen's Road East
Hong Kong

enquiries@charltonslaw.com
www.charltonsquantum.com
www.charltonslaw.com
Tel: + (852) 2905 7888
Fax: + (852) 2854 9596