K&L GATES

US Asset Management Regulatory Year in Review 2025

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Over 2025, US financial regulators undertook a broad recalibration of their approach to market regulation, marked by a noticeable shift toward deregulatory initiatives, clarifying guidance, and a renewed emphasis on flexibility over prescriptive rulemaking. Regulatory agencies revisited prior regulatory positions, withdrew or delayed significant proposals, and issued targeted relief in areas ranging from fund naming conventions and marketing disclosures to crypto custody, co-investments, and anti-money laundering obligations.

In the digital asset space, regulators moved decisively toward a more permissive and function-based framework. The Securities and Exchange Commission (SEC) issued multiple statements and frequently asked questions (FAQs) clarifying that certain stablecoins, staking activities, and crypto custody arrangements fall outside traditional securities regulation, while also withdrawing earlier restrictive guidance on broker-dealer custody. At the same time, the White House inter-agency Working Group on Digital Asset Markets (Working Group) advanced a formal taxonomy distinguishing between security tokens, commodity tokens, and commercial-use tokens, and Congress enacted the Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS Act) to establish a federal stablecoin regime—leaving broader market structure reforms under the Digital Asset Market Clarity Act of 2025 (CLARITY Act) framework still under negotiation.

While the SEC sought clarity for digital assets, the environment hardly cleared up for the climate risk disclosure rules, adopted by the SEC in 2024 and subject to a voluntary stay in light of court challenges. The question of whether the SEC would move to repeal the rules was still up in the air by year's end.

For asset managers and investment funds, the period also brought meaningful structural and operational changes. The SEC modernized co-investment rules for registered funds and business development companies (BDCs), simplified verification requirements for private offerings under SEC Rule 506(c), and eased SEC Rule 206(4)-1 (the Marketing Rule) constraints on performance presentation. It also approved multicrypto exchange-traded products (ETPs), authorized in-kind creations and redemptions for crypto products, and adopted generic listing standards for commodity-based ETPs. Parallel developments at the Financial Crimes Enforcement Network (FinCEN), the Commodity Futures Trading Commission (CFTC), and the Federal Trade Commission delayed or relaxed registration and compliance obligations for advisers and private fund managers.

Finally, regulators opened the door to longer-term innovation in fund distribution and retirement investing. The SEC advanced exemptive relief for exchange-traded fund (ETF) share classes within mutual fund structures, while the Department of Labor (DOL) signaled a shift toward facilitating alternative investments in defined contribution plans. Collectively, these developments reflected a sustained regulatory pivot away from enforcement-driven expansion and toward legal clarity, institutional accommodation, and market-driven innovation—redefining the operating environment for financial institutions, digital asset platforms, and investment managers alike.

Looking forward, the SEC's regulatory agenda under newly appointed Chair Paul Atkins points to a continued emphasis on deregulation, operational flexibility, and market modernization. Key priorities include further clarifying the regulatory treatment of digital assets across issuance, custody, and trading; expanding cross-trading permissions for registered funds; and easing capital formation through broader exempt offerings, improved resale safe harbors, and streamlined registration processes. At the same time, the SEC is expected to move ahead with finalizing customer identification program requirements for

investment advisers, reflecting an effort to modernize compliance frameworks without reverting to expansive prescriptive regulation. Taken together, these initiatives suggest that the next phase of reform will focus less on enforcement-driven expansion and more on enabling innovation, reducing friction in market infrastructure, and aligning regulatory oversight with evolving business models.

AN OVERVIEW OF REGULATORY REVIEW

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SEC Updated Names Rule FAQs

On 8 January 2025, the SEC's Division of Investment Management issued updated FAQs and supplemental staff guidance on the 2023 amendments to Rule 35d-1 (the Names Rule), revising and, in some cases, withdrawing portions of the original 2001 FAQs. The guidance clarifies that revisions to a fund's fundamental "80% Policy" under the Names Rule, when needed for compliance, may be made without shareholder approval so long as they do not deviate from existing fundamental investment objectives; funds must, however, provide 60 days of notice to shareholders before changing a nonfundamental 80% policy. The FAQs also confirm that funds whose names imply federal and state tax-exempt income—such as "municipal" or "tax-exempt"—must adopt a fundamental 80% policy focused on securities generating tax-exempt income, though "municipal" funds may include interest that is subject to the alternative minimum tax. Specific naming terms are addressed: "High-yield" generally requires an 80% policy (with some historical exceptions for municipal usage), "tax-sensitive" and "income" do not trigger an 80% policy requirement, and "money market" does trigger an 80% policy when it is paired with specific money-market instrument names. Finally, the SEC later extended the compliance dates for the amended Names Rule by six months, to 11 June 2026 for larger fund groups and to 11 December 2026 for smaller fund groups.

Sadly, however, optimism of significant amendments or even a rescission of the Names Rule faded as compliance dates approached.

Unsustainable—The SEC Climate Risk Disclosure Rules

Starting in February 2025, the plot thickened with respect to the SEC's climate risk reporting rules, adopted under former Chair Gary Gensler's SEC back in 2024 and immediately subject to legal challenge. As a reminder, the rule mandates that companies disclose climate-related risks and report Scope 1 and Scope 2 greenhouse gas emissions, but in response to legal challenges, the SEC had issued a voluntary stay on its effectiveness. Shortly after Gensler stepped down as SEC Chair, acting SEC Chairman Mark Uyeda announced on 11 February 2025 that he had instructed SEC staff to ask the Eighth Circuit Court of Appeals (Eighth Circuit) to delay the litigation. The SEC's posture hardened in March 2025 when the SEC formally voted to end its legal defense of the climate disclosure rules, an unusual step that left the rules stayed but no longer defended by the agency that promulgated them. Later in the year, the litigation posture effectively froze: On 12 September 2025, the Eighth Circuit held the consolidated challenges in abeyance, emphasizing that it was the agency's responsibility to decide whether the final rules would be rescinded, repealed, modified, or defended—particularly because the SEC's stay meant that delaying adjudication did not itself cause the rules to take effect.

By the end of the year, the future of the climate risk disclosure rules was still in limbo.

SEC Issued New Guidance on Schedule 13G Eligibility

The SEC's Division of Corporation Finance issued updated guidance on Schedule 13G eligibility via a Compliance and Disclosure Interpretation on 11 February 2025. While reinforcing long-standing principles—that shareholders may only rely on Schedule 13G if their holdings were not intended to change or influence control—the new guidance clarified the boundary between permitted engagement

and impermissible influence. It confirmed that routine discussions about voting intentions remained acceptable, but it drew a sharper line around pressure tactics aimed at management. Under the revised interpretation, a shareholder could lose eligibility if he or she exerted pressure on management to undertake specific actions, conditioned support for board nominees on the adoption of particular policies, or linked his or her votes to acceptance of his or her recommendations.

This represented more of a shift in tone than substance; it signaled to institutional investors that their engagement strategies should be more cautiously structured. The guidance encouraged investors to evaluate how they framed dialogue with issuers—ensuring that conversations did not cross the line into exerting control in a way that disqualified them from Schedule 13G filing status. While only modest in legal effect, the update began to influence filing behaviors and investor-management interactions, prompting some filers to reassess and, in certain cases, temper their policy-driven engagement tactics.

SEC Marketing Rule FAQs Yielded New Guidance

On 19 March 2025, the SEC staff issued updated FAQs on the Marketing Rule, providing new guidance on how investment advisers could present extracted performance and certain performance-related characteristics in advertisements. The update clarified that advisers could display gross-of-fees metrics—such as yield, coupon rate, volatility, attribution, or individual security returns—without showing net-of-fees figures, provided four conditions were met: the metric had to be clearly labeled as gross, the advertisement had to include both gross and net performance of the total portfolio, the total portfolio performance had to be presented with equal prominence and comparability, and the calculation period for total portfolio returns had to encompass the same time frame as the extracted metric. The SEC also confirmed that while not all characteristics were considered "performance," metrics like total return, time-weighted return, return on investment, internal rate of return, multiple on invested capital, and total value to paid-in capital would constitute "performance" metrics under the rule.

On 15 January 2026, the SEC staff issued two new FAQs under the Marketing Rule clarifying that it is not per se misleading for advisers to present net performance based on actual fees, even where anticipated fees are higher, so long as the differences are appropriately disclosed and explained. The FAQs also extended the Marketing Rule's testimonial disqualification relief to certain self-regulatory organization final orders, where the person was not barred or suspended and the order is disclosed in advertisements for 10 years.

Rule 506(c) Unchained? The SEC Loosens Requirements for Advertising in Private Capital Raises

The SEC staff issued a no-action letter on 12 March 2025 offering a significantly streamlined approach for private fund sponsors to rely on Rule 506(c), reducing verification burdens that previously hindered its use. Rule 506(c), originally introduced under the Jumpstart Our Business Startups (JOBS) Act in 2013, allowed issuers to engage in general solicitation for private offerings—provided they took "reasonable steps" to verify that all investors were accredited. Historically, compliance required examining tax returns, bank statements, or professional verification, which rendered the rule operationally onerous and infrequently used despite its potential to unlock broader fundraising opportunities. Under the new guidance, issuers could alternatively verify accreditation by imposing minimum investments of US$200,000 for individuals or US$1 million for entities, collecting written self-certifications from investors and ensuring no adverse knowledge existed. This objective, facts-and-circumstances test simplified the verification process and may have stimulated

increased utilization of Rule 506(c) for general solicitation.

What a Relief! Co-Investments Got Easier for Interval Funds, Tender Offer Funds, and BDCs

The SEC adopted a streamlined co-investment framework for interval funds, tender offer funds, and BDCs. The new rules lifted the previous prohibition on co-investments when an affiliate already held the same issuer's security, generally requiring board approval with specified findings, but eliminating any board approval requirement for pro rata investments by all affiliated entities. Board oversight was required only in specific circumstances—either when the fund had no prior investment in the issuer or when investments were not made on a pro rata basis. Reporting requirements were also eased: Rather than mandatory quarterly disclosures of individual co-investments and declined opportunities, advisers need only to deliver periodic board reports formatted as the board requested, plus an annual compliance summary from the chief compliance officer.

The framework further expanded eligibility: Joint ventures with unaffiliated partners, subadvised funds, and a broader range of affiliated private funds—including insurance general accounts—could now participate. These changes simplified governance by reducing routine board approvals, clarified adviser versus board roles in co-investments, and enabled more efficient participation in private-market opportunities. The removal of the “pre-boarded assets” distinction also facilitated easier conversions of private funds into registered funds, lowering costs and reducing the need for independent counsel.

The Great SEC Spring Clean Up–14 Proposals Were Wiped Away

On 12 June 2025, under newly appointed Chair Paul Atkins, the SEC formally withdrew 14 previously proposed rules affecting funds, asset managers, broker-dealers, and public markets. These proposed rules, many introduced during the previous administration, covered a wide range of topics, including enhanced cybersecurity requirements; environmental, social, and governance (ESG) disclosure mandates; safeguarding of client assets; outsourcing oversight; artificial intelligence (AI)-driven predictive analytics; and best-execution standards. The withdrawn proposals also included revisions to shareholding proposal exclusion thresholds, order competition mechanisms, consolidated audit trail security, and thresholds for large security-based swap positions. With this move, the SEC signaled a regulatory reprioritization and a shift toward greater clarity and reduced uncertainty around compliance expectations—especially in strategic areas like cybersecurity, AI, and ESG. However, the withdrawal did not preclude the SEC or its staff from scrutinizing these issues in future examinations or introducing new proposals on these subjects with fresh comment periods.

AML Reprieve for Investment Advisers

On 21 July 2025, FinCEN announced a two-year delay in the effective date of the Investment Adviser Anti-Money Laundering Rule (IA AML Rule), moving it from 1 January 2026 to 1 January 2028. During this delay, FinCEN stated that it would revisit the scope and substance of the rule through additional rulemaking, acknowledging that advisers varied significantly in business models and risk levels. Concurrently, FinCEN indicated that it would work with the SEC to reconsider the jointly proposed rule for Customer Identification Programs for Registered Investment Advisers and Exempt Reporting Advisers (IA CIP Rule). The delay addressed two primary industry concerns: the need for a more tailored rule for different types of advisers and the lack of a simultaneous review period for both the IA AML Rule and the IA CIP Rule. By synchronizing the review of both rules, investment advisers were given the opportunity to comment on the full scope of potential AML regulations.

US$12.2 Trillion Opportunity–Executive Order Paved the Way for Easier 401(k) Plan Access to Alternative Investments

On 7 August 2025, President Donald Trump issued an executive order aimed at “modernizing” the 401(k) investment landscape by directing the DOL to clarify fiduciary duties related to offering alternative asset products—such as private equity, real estate, infrastructure, and private credit—to defined contribution plans and to consider establishing “appropriately calibrated safe harbors” for fiduciaries. The executive order also tasked the SEC with revisiting regulations around accredited investor and qualified purchaser frameworks to facilitate easier access to alternative investments for retirement plans. Historically, fiduciary liability fears and operational constraints had made plan sponsors hesitant to include alternatives in standard 401(k) lineups, but the executive order sought to mitigate “burdensome” litigation that had restricted fiduciaries' ability to offer these broader investment options. If the DOL were to issue formal safe-harbor regulations, plan fiduciaries would gain greater confidence to provide participants with access to private-market exposures. This represented a significant pivot point for alternative asset managers aiming to tap into the roughly US$12.2 trillion defined contribution market. The move aligned with ongoing innovation in retirement products, including target-date funds and managed accounts that incorporated private equity and credit, reflecting growing investor appetite for diversification beyond traditional equities and bonds.

ETF Share Classes

On 29 September 2025, the SEC issued notice of Dimensional Fund Advisors' exemptive application permitting their funds to offer both mutual fund and ETF share classes, including a tax-free exchange privilege between them. This proposed structure, called a dual-class fund, ensured that mutual fund shares would not trade on exchanges, preserving the ETF's arbitrage mechanism. Dimensional's application addressed regulatory issues by committing to full, daily transparency and implementing a governance framework overseen by the board. This framework included an initial plan, ongoing monitoring with thresholds, and annual reporting to evaluate impacts across share classes. The SEC later granted preliminary approval for applications for 30 other fund sponsors who had submitted similar applications.

Although the regulatory issues are presently resolved through this exemptive relief, ETF share-class structures still face challenges associated within existing operational systems and distribution channels.

The CFTC Reinstated Exemption From CPO Registration for Certain Private Fund Managers

On 19 December 2025, the CFTC issued no-action relief that effectively reinstated—with modifications—the exemption from commodity pool operator (CPO) registration previously provided under Regulation 4.13(a)(4), known as the qualified eligible person (QEP) exemption, which had been repealed in 2012. This relief, prompted by the Managed Funds Association's request, allowed investment advisers that managed private funds offered solely to QEPs, including qualified purchasers under the Investment Company Act of 1940, to avoid registering as CPOs or commodity trading advisors (CTAs), subject to certain conditions. For example, advisers were required to file Form PF with the SEC with respect to each pool for which they availed themselves of the no-action relief. Existing CPOs and CTAs that could rely on this relief were able to withdraw from registration entirely.

A BANNER YEAR FOR BLOCKCHAIN-BASED AND DIGITAL ASSETS

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President Trump's Executive Order Steering Digital Assets Policy

On 23 January 2025, President Trump issued an executive order to roll back existing digital asset regulations and establish a new federal framework for cryptocurrencies, stablecoins, and related technologies, signaling strong support for the industry in his first week in office. Concurrently, the SEC rescinded Staff Accounting Bulletin 121, which had required crypto custodians and banks to classify digital assets in custody as both assets and liabilities. Earlier that week, the SEC also launched a dedicated crypto task force aimed at developing a comprehensive and clear regulatory framework, streamlining registration pathways, enhancing disclosure frameworks, and targeting enforcement resources judiciously. The executive order emphasized the importance of sector growth by endorsing responsible use of digital assets and related technologies and committing to technology-neutral regulatory standards, and it prohibited federal agencies from advancing central bank digital currencies. To finalize this shift, the order established the Working Group, chaired by the heads of key departments, with specific reporting deadlines for agency reviews of current regulations and recommendations on modifications and, ultimately, proposed federal framework governing digital assets. The executive order thus charted a clear, time-sensitive path toward comprehensive, innovation-friendly digital asset policy.

Following the January 2025 executive order, the Working Group delivered its initial regulatory inventory and recommendations during the first half of 2025, identifying areas for deregulatory action across the SEC, CFTC, Department of the Treasury (Treasury), and banking agencies. Over the course of 2025, the SEC continued to shift toward a more accommodative posture, withdrawing or narrowing several enforcement actions and issuing additional guidance intended to clarify registration and disclosure expectations for digital asset platforms and token issuers.

At the legislative level, Congress advanced multiple bipartisan proposals addressing stablecoins, market structure, and custody, with particular focus on establishing a federal framework for dollar-backed stablecoin issuance and delineating jurisdiction between the SEC and CFTC. By late 2025, both chambers had passed versions of stablecoin legislation, though final reconciliation and implementation remained ongoing.

Meanwhile, federal agencies formally halted work on any central bank digital currency initiatives, consistent with the executive order, and Treasury and the Federal Reserve shifted their digital asset efforts toward private-sector infrastructure, payment systems, and supervisory standards rather than sovereign digital currency development.

Collectively, these developments reflect a sustained move toward a more permissive, market-driven federal approach to digital assets, with emphasis on legal clarity, private innovation, and reduced reliance on enforcement-led regulation.

SEC Staff Ceded Jurisdiction Over Certain Stablecoins

On 4 April 2025, the SEC's Division of Corporation Finance issued a statement clarifying that the offer and sale of certain “Covered Stablecoins” did not constitute securities under federal law, meaning issuers, sellers, and redeemers of these tokens were not subject to SEC registration or required exemptions. The division defined “Covered Stablecoins” as those pegged one-to-one with the US

dollar, freely redeemable one-to-one for US dollars, and backed by low-risk, highly liquid assets equal to or exceeding the value of tokens in circulation. Stablecoins that fell outside this definition—such as those pegged to other currencies, digital assets, or governed by algorithms—were excluded from this guidance. In its statement, the division applied analysis from key US Supreme Court cases (*Reves v. Ernst & Young* and *SEC v. W. J. Howey Co.*) to conclude that "Covered Stablecoins" were unlikely to be securities and would instead likely fall under commodity regulation by the CFTC. The statement also noted that pending congressional legislation could further shift supervisory authority over these stablecoins to banking regulators. Commissioner Caroline Crenshaw criticized the division's guidance, calling it a "real disservice" to US dollar-stablecoin holders and expressing doubt that any current stablecoin met the narrow definition of a "Covered Stablecoin." Overall, this announcement followed the SEC's prior guidance on meme coins and represented another incremental move toward greater regulatory clarity in the digital asset space.

The SEC Takes Another Key Step Toward Crypto Clarity

The SEC's Division of Corporation Finance issued a statement on 10 April 2025, offering guidance on disclosure obligations under Forms S-1 and 10, particularly affecting commodity-based ETPs, such as spot bitcoin and ether ETPs. The division emphasized that disclosures had to be tailored to each issuer's specific business, communicated clearly and concisely, and avoid heavy reliance on technical jargon. It also highlighted the need to address risks associated with any material networks or applications tied to the asset. Importantly, investors should have been able to clearly understand what the security represented, including details on token supply, rights, obligations, preferences, and technical specifications. The division noted that this guidance did not cover every possible disclosure item and urged issuers to evaluate their unique facts and circumstances when preparing filings. Finally, the statement clarified that it did not imply registration was required for any crypto asset that was not a security or part of an investment contract.

SEC's Division of Trading and Markets Issued Crypto Asset-Related FAQs (and Withdrew Previous Guidance)

In May 2025, the SEC's Division of Trading and Markets released new FAQs to clarify how federal broker-dealer and transfer agent rules applied to engagements with crypto assets and distributed ledger technologies. On the same day, the division and the Financial Industry Regulatory Authority withdrew their joint July 2019 statement on broker-dealer custody of digital asset securities, removing prior constraints on custody practices. The FAQs explained that the possession and control requirements under Rule 15c3-3 were not triggered when broker-dealers held nonsecurity crypto assets for clients, though proprietary positions in assets underlying spot crypto ETPs had to be included in net capital calculations. They also stated that the division would "not object" if broker-dealers treated proprietary positions in bitcoin and ether as "readily marketable" for purposes of the 20% commodity haircut. Additionally, the FAQs confirmed that broker-dealers could exercise control over crypto asset securities under Rule 15c3-3(c), even if those assets were uncertificated, provided they were held at compliant control locations. The division further clarified that crypto assets structured as unregistered investment contracts were not considered securities under the Securities Investor Protection Act and thus received no Securities Investor Protection Corporation protection. Finally, the FAQs noted that whether a transfer agent for a crypto asset security had to register with the SEC depended on the specific security type and the agent's roles and functions.

SEC's Division of Corporation Finance Clarified That Participation in Certain Proof-of-Stake Activities Did Not Require SEC Registration

On 29 May 2025, the SEC's Division of Corporation Finance issued a statement clarifying that certain protocol staking activities on proof-of-stake (PoS) blockchain networks were not considered securities offerings and therefore did not require SEC registration under the US Securities Act of 1933 or the Securities Exchange Act of 1934 (Exchange Act). Specifically, staking "Covered Crypto Assets" on PoS networks—whether through self-staking (solo), self-custodial arrangements directly with a third party, or via custodial services—did not involve the offer or sale of securities. This guidance also applied to third-party roles in the staking ecosystem, including node operators, validators, custodians, delegates, and nominators. Moreover, ancillary services—such as slashing coverage, early unbonding, alternative reward schedules, and asset aggregation—when provided in a ministerial or administrative capacity, similarly fell outside the scope of securities regulation. However, the statement expressly excluded scenarios in which a custodian made discretionary decisions regarding whether, when, or how much of a client's crypto assets to stake. This release followed earlier efforts by the division to clarify the application of federal securities laws to digital assets, including a related FAQ addressing broker-dealer custody of such assets.

DOL ESG and Cryptocurrency-Related Matters

The DOL announced it would initiate a new rulemaking process to replace the Joe Biden-era "Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights" regulations, which allowed ESG factors to be considered in Employee Retirement Income Security Act of 1974 retirement plan investment decisions; this decision followed a legal challenge and a filing with the Fifth Circuit Court of Appeals. The DOL emphasized its intention to proceed "as expeditiously as possible," though no definitive timeline for proposing the revised rule was provided—it would depend on the release of its next regulatory agenda. Until the rulemaking process concluded or the plaintiffs succeeded in their appeal, the current ESG-inclusive regulations remained in effect.

In addition, the DOL withdrew its 2022 guidance on cryptocurrency inclusion in 401(k) plans and issued a Compliance Assistance Release to formalize this change. The move reaffirmed a neutral stance, indicating the department neither supported nor opposed fiduciary decisions to include digital assets in retirement plan menus. The 2022 guidance had drawn criticism for deviating from a neutral, principles-based fiduciary approach and imposing an "extreme care" standard that the DOL acknowledged was inconsistent with the statutory fiduciary duty. Going forward, fiduciaries considering digital assets were advised to evaluate them under the same standard of care, skill, prudence, and diligence expected of any other investment, in line with prevailing fiduciary principles.

Congress Advanced Stablecoin Legislation and Market Structure Principles Under the GENIUS and CLARITY Frameworks

In mid-2025, Republican senators on the Senate Banking Committee unveiled a set of "Crypto Market Structure Principles" to establish a negotiating baseline for the Senate's version of the CLARITY Act, following parallel efforts in the House Financial Services Committee. This move was reinforced by a hearing held by the Senate's Digital Assets Subcommittee, signaling momentum toward a comprehensive market structure framework, although no final Senate bill had been enacted at that time. House Financial Services Chair French Hill and Majority Whip Tom Emmer emphasized that market structure clarity should accompany stablecoin legislation, noting that the House's stablecoin bill required parallel progress on the CLARITY Act. President Trump and several Senate leaders urged

the House to pass a clean stablecoin bill to avoid delays associated with broader market structure negotiations. Senator Cynthia Lummis stated that the principles were intended to preserve US leadership in global financial innovation. The framework proposed distinct regulatory treatment for digital asset securities versus commodities; advocated for clear allocation of authority between regulators; and emphasized innovation, legal certainty for financial institutions, and robust customer protection.

On 17 July 2025, the US House of Representatives passed the GENIUS Act to implement a federal regulatory framework for payment stablecoins. The legislation provided that only “permitted issuers” could issue payment stablecoins in the United States, limited to subsidiaries of insured depository institutions, federally qualified nonbank issuers, or state-qualified issuers—all subject to federal or state oversight. The GENIUS Act clarified that permitted payment stablecoins were not securities, while subjecting issuers to the Bank Secrecy Act and related anti-money laundering obligations. SEC Chair Paul Atkins praised the legislation as an important step toward providing clear, consistent regulatory treatment for the digital asset industry. As of 2026, stablecoin legislation had advanced further than comprehensive market structure reform, with the GENIUS Act framework serving as the principal federal model, while broader CLARITY Act-style reforms remained the subject of continued congressional negotiation.

The GENIUS Act (stablecoin legislation) was fully enacted: It passed the Senate on 17 June 2025, the House on 17 July 2025, and was signed by President Trump on 18 July 2025, establishing a federal regulatory framework for payment stablecoins; however, the CLARITY Act (crypto market structure bill) has not become law as of early 2026. It passed the House in July 2025 but remained under consideration in the Senate, with progress delayed and no final Senate vote recorded by early 2026.

Going for Two! SEC Approved Multicrypto Asset ETP

On 29 July 2025, the SEC approved a rule change under NYSE Arca Rule 8.201-E that, for the first time, allowed the listing and trading of a multicrypto asset ETP investing in both bitcoin and ether on a spot basis. Previously, the SEC had only authorized ETPs linked to a single crypto asset. The SEC determined that the new trust complied with the Exchange Act, notably Section 6(b)(5), which mandates safeguards against fraud and manipulation and ensures investor protection, and Section 11A(a)(1)(C)(iii), which focuses on fair and orderly markets. The SEC found that the trust's structure, trading protocols, transparency measures, surveillance procedures, pricing disclosures, and portfolio holdings transparency substantially mirrored those of earlier approved single-asset spot ETPs. Exchanges were expected to submit similar applications for multicrypto ETPs, and this approval represented a move toward treating crypto ETPs more like traditional ETPs. This development had the potential to lead to more diverse crypto investment vehicles being offered to investors in the near future.

In Cash or In-Kind—SEC Approved Options for Creations and Redemptions of Crypto ETP Shares

On 29 July 2025, the SEC issued an order approving rule changes proposed by Nasdaq, Cboe BZX, and NYSE Arca. These changes allowed certain spot bitcoin and ether ETPs to create and redeem shares either in cash or “in kind,” using the actual underlying cryptocurrency rather than just cash. This marked a departure from earlier approvals, which restricted ETP share transactions to cash only. The SEC found that permitting in-kind creations and redemptions aligned with the Exchange Act's requirements—helping prevent manipulation, promote fair trading, and protect investors. Allowing in-kind transactions could improve tax efficiency, reduce costs, and grant greater flexibility to both ETPs and shareholders. Importantly, all other listing standards from the initial ETP

approvals remained in place, ensuring no changes to transparency, surveillance, or other operational representations. Overall, the SEC's move effectively brought crypto ETPs closer to the structure and functionality of traditional ETPs.

The Working Group Report Established a Digital Assets Taxonomy for Clearer Regulation

The Working Group emphasized the need for a well-defined taxonomy to establish effective regulation and assign oversight responsibilities—primarily between the SEC and CFTC—based on a digital asset's function. It proposed classifying digital assets into three principal categories: security tokens (including both traditional securities and tokenized representations), commodity tokens, and tokens for commercial or consumer use. Security tokens were further broken down into conventional securities, tokenized securities recorded on blockchain, and nonsecurity tokens offered under an investment contract that could later be separated; the report suggested the SEC might consider safe harbor or time-limited relief for certain subclasses. Commodity tokens—such as bitcoin and ether—fell within the CFTC's regulatory purview, which governed spot markets and derivatives, including anti-fraud and manipulation enforcement. Network or protocol tokens, tied to blockchain operations rather than profit expectations, were clearly delineated from investment-styled tokens. Finally, tokens used for commercial or consumer purposes—such as event tickets, warehouse receipts, or identity credentials—were regulated under existing commercial transaction laws, with future rules expected to focus on consumer protections and disclosure standards. The taxonomy aimed to streamline regulation, reduce uncertainty, and improve clarity in a rapidly evolving digital asset landscape.

SEC Approved Generic Listing Standards Benefitting Commodity-Based ETPs

The SEC approved rule changes proposed by three exchanges to establish generic listing standards for ETPs that hold spot commodities, including cryptocurrencies. These new standards allowed qualifying ETPs to list and begin trading without requiring each issuance to go through separate SEC review, provided the ETPs met certain conditions. Each underlying commodity—or the commodity-based assets it held—had to trade on a recognized futures market, and the ETP could not be structured as a registered investment company; it also had to track the performance of a single reference asset or index. Eligible products could contain one or more spot commodities or commodity-based assets, including crypto, and could hold securities, cash, and equivalents, with flexibility in issuance and redemption on both in-kind and cash bases. This move aligned commodity-based ETPs more closely with traditional ETFs registered under the Investment Company Act of 1940 and waived the requirement for exchanges and issuers to navigate a separate Rule 19b-4 review under the Exchange Act. This approval placed these commodity-based ETPs on a more level playing field with conventional ETFs, simplifying the path to market for new issuers.

No-Action Relief Issued for Crypto Custodied With State Trust Companies

On 30 September 2025, the SEC's Division of Investment Management issued a no-action letter clarifying that it would not recommend enforcement for investment advisers, registered investment companies, and BDCs that used state-chartered trust companies as custodians for crypto assets—so long as those trust companies were (1) overseen by state banking regulators, and (2) had fiduciary authority under state law. The relief came with several key conditions:

- A reasonable due diligence basis for believing the trust company was authorized to custody crypto and related cash, and it maintained strong asset protection policies and procedures.
- A written custodial services agreement was required, mandating asset segregation and prohibiting lending, pledging, or hypothecation of those assets.
- Advisers, funds, or BDCs had to provide adequate disclosure to clients or investors.
- A determination that using the state trust's custody services aligned with the client's or fund's best interests.

The no-action letter further referenced existing operational controls typical of state trust companies, including “deep” cold storage, encryption, and verification protocols for crypto movement. Importantly, this relief did not override compliance obligations under the Investment Advisers Act of 1940, as amended.

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