

US SEC Extends Review Period for NYSE Arca's Proposal to List and Trade Shares of Grayscale XRP Trust

On 11 March 2025, the United States Securities and Exchange Commission (**US SEC**) published a **notice** designating a longer period for US SEC action on a proposed rule change submitted by NYSE Arca, Inc. (**NYSE Arca**), US SEC has extended the deadline to 21 May 2025. The proposal seeks to list and trade shares of the Grayscale XRP Trust under NYSE Arca Rule 8.201-E, which governs Commodity-Based Trust Shares. The proposed rule change, originally filed on 30 January 2025, was later amended by Amendment No. 1, filed on 10 February 2025, and subsequently published for public comment on 20 February 2025.

The proposed rule change would allow NYSE Arca to list and trade shares of the Grayscale XRP Trust, providing investors with indirect exposure to XRP, the native token of the XRP Ledger. The Grayscale XRP Trust is structured as a commodity-based trust, and if approved, would be among a growing class of exchange-traded products offering digital asset exposure in a regulated market framework. The application follows similar proposals for crypto-based exchange-traded products, submitted by NYSE Arca under Rule 8.201-E, which permits the listing of trust shares backed by physical commodities, including digital assets, subject to US SEC approval.

As per Section 19(b)(2) of the United States Securities Exchange Act of 1934, US SEC is required to take action on a proposed rule change within 45 days of publication in the Federal Register unless a longer period is deemed appropriate. In this case, the original 45-day period would have ended on 6 April 2025. However, US SEC has extended the deadline to 21 May 2025, citing the need for sufficient time to consider the proposal and the issues raised.

(Source: <https://www.sec.gov/files/rules/sro/nysearca/2025/34-102584.pdf>)

US SEC Reviews Nasdaq Proposal to List and Trade Shares of Grayscale Hedera Trust (HBAR)

On 11 March 2025, the United States Securities and Exchange Commission (**US SEC**) published a **notice** regarding a proposed rule change submitted by The Nasdaq Stock Market LLC (**Nasdaq**), seeking approval to list and trade shares of the Grayscale Hedera Trust (**HBAR**) under Nasdaq Rule 5711(d), which governs the listing of Commodity-Based Trust Shares. The notice, published as Release No. 34-102569; File No. SR-NASDAQ-2024-101, invites public comments and initiates the US SEC's formal review process of the proposed exchange-traded product (**ETP**) linked to the digital asset Hedera (**HBAR**).

The proposal aims to allow Nasdaq to list and trade shares of the Grayscale Hedera Trust, which will offer investors indirect exposure to the value of Hedera's native digital asset, HBAR. The Trust is designed to reflect the value of HBAR held by the Trust, less the Trust's expenses and liabilities. It will not engage in active trading or use derivatives and does not plan to register under the United States Investment Company Act of 1940. Grayscale Investments, LLC will serve as the sponsor of the Trust, with Delaware Trust Company acting as trustee. Coinbase Custody Trust Company, LLC will serve as the custodian for the Trust's HBAR holdings, while Vigilant Compliance, LLC has been appointed as the Trust's administrator.

The background of this rule change lies in Nasdaq's efforts to expand its digital asset offerings by listing commodity-based trust shares linked to cryptocurrencies. The Grayscale Hedera Trust proposes to calculate its Net Asset Value (**NAV**) based on the CoinDesk Hedera Reference Rate, which reflects a volume-weighted average price of HBAR across eligible spot markets. The Trust will not allow in-kind creations or redemptions; rather, all such activity will be conducted in cash, facilitating easier administration and investor access.

The US SEC's timeline for review follows the procedure outlined under Section 19(b)(1) of the United States Securities Exchange Act of 1934 and Rule 19b-4 thereunder. Upon publication in the Federal Register, the Commission has 45 days to approve, disapprove, or extend the review period for the proposed rule change. The US SEC has also requested public comment on whether the proposal sufficiently addresses concerns related to investor protection, market manipulation, and transparency.

For US SEC approval, the proposal must satisfy the criteria set out in Section 6(b)(5) of the United States Securities Exchange Act of 1934, which requires that the rules of an exchange are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest.

(Source: <https://www.sec.gov/newsroom/whats-new?type=news%2Csecarticle%2Clink&tag=36681%2C36691%2C36696%2C36686%2C36411%2C34141%2C35221%2C34916%2C36706%2C321801%2C334846%2C36146%2C335756&page=8>)

US SEC to Host Roundtable on Artificial Intelligence in Financial Industry on 27 March 2025

On 20 March 2025, the United States Securities and Exchange Commission (**US SEC**) published an official announcement, Release No. 2025-56, detailing the agenda and panelists for its upcoming Artificial Intelligence Roundtable, scheduled for 27 March 2025 at the US SEC's headquarters in Washington, D.C. The roundtable will explore the implications, opportunities, and risks associated with the use of artificial intelligence (**AI**) in financial markets and regulation.

The schedule outlines a full-day programme featuring four expert panels focused on the benefits and costs of AI, fraud prevention and cybersecurity, governance and risk management, and future trends. The event will open with remarks by Acting Chairman Mark T. Uyeda, Commissioner Hester Peirce, and Commissioner Caroline Crenshaw, setting the tone for a discussion that aims to advance understanding of AI's transformative potential in the financial ecosystem.

The roundtable will bring together voices from across the public and private sectors, including representatives from JP Morgan Chase & Co., Citadel Securities, Nasdaq, BlackRock, FINRA, the Department of Treasury, Morgan Stanley, Amazon Web Services, The Vanguard Group, Charles Schwab, and the Wharton School, among others.

Panel moderators will be drawn from divisions of the US SEC, including the Division of Trading and Markets, Division of Examinations, Strategic Hub for Innovation and Financial Technology, and Division of Economic and Risk Analysis.

The agenda includes discussions on practical applications of AI in trading, compliance, and fraud detection, as well as the governance structures and ethical frameworks needed to manage AI-related risks. The roundtable will run from 9:00 a.m. to 4:15 p.m. EST and will be open to the public. Those attending online may do so without registration through a livestream hosted on www.sec.gov, while in-person attendance will require advance registration. The US SEC also encourages public feedback on AI in financial markets, which can be submitted via the dedicated SEC Artificial Intelligence Roundtable event page.

US SEC Acting Chairman Mark T. Uyeda, stated: *"I look forward to hearing from the panelists on how emerging technologies, such as artificial intelligence, can both improve the cost-effectiveness of the Commission's regulations and provide additional value to market participants, I encourage members of the public to provide data and other evidence on how artificial intelligence can be used to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation."*

(Source: <https://www.sec.gov/newsroom/press-releases/2025-56>)

US SEC Division of Corporation Finance Issues Statement Clarifying Securities Law Status of Proof-of-Work Mining

On 20 March 2025, the Division of Corporation Finance of the United States Securities and Exchange Commission (**US SEC**) released a detailed [statement](#) on Certain Proof-of-Work Mining Activities, offering its views on the application of federal securities laws to crypto asset mining operations, particularly those associated with proof-of-work (**PoW**) networks. The statement defines the scope of covered activities as those involving the mining of "Covered Crypto Assets" i.e. digital assets that are intrinsically linked to the technological functioning of a public, permissionless PoW network. The term "Protocol Mining" is used to describe the activity by which network participants (miners) validate transactions and earn rewards in the form of newly minted crypto assets in accordance with pre-determined protocol rules. It specifically addresses whether mining activities constitute securities offerings under Section 2(a)(1) of the United States Securities Act of 1933 and Section 3(a)(10) of the United States Securities Exchange Act of 1934. The US SEC's Division of Corporation Finance's analysis focuses exclusively on "Protocol Mining" which is defined as the validation of transactions on public, permissionless PoW networks where miners earn "Covered Crypto Assets" as rewards.

In assessing whether mining activities fall within the definition of a "security" under Section 2(a)(1) of the United States Securities Act of 1933 and Section 3(a)(10) of the United States Securities Exchange Act of 1934, the US SEC's Division of Corporation Finance applied the longstanding Howey test as interpreted by the United States Supreme Court in *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946). Under Howey test, a transaction is an investment contract, and therefore a security, if there is: (i) an investment of money, (ii) in a common enterprise, (iii) with an expectation of profits derived from the efforts of others.

The US SEC's Division of Corporation Finance concluded that in the specific context of Protocol Mining described in the statement, miners do not meet the third prong of the Howey test. In self-mining, miners contribute their own computational resources, perform validation independently, and receive rewards determined by the protocol. The Division viewed this as a ministerial or administrative activity and not one in which profits are expected from the managerial efforts of a third party.

According to US SEC's Division of Corporation Finance, in mining pool arrangements, the same conclusion applies. Although pool operators may coordinate mining efforts and distribute rewards, the Division found that these actions do not constitute the "essential managerial efforts" contemplated by Howey. Instead, the rewards are attributed to the miner's proportional contribution of computational resources. Therefore, the economic realities, as framed in this statement, do not reflect an investment contract.

US SEC's Division of Corporation Finance stated that its views are not dispositive for all cases. The statement includes a footnote clarifying that a definitive legal determination would require a facts-and-circumstances analysis, taking into account variations in compensation structures, pool governance, and operator activity. Where those facts diverge from those discussed in the statement, the legal conclusion may differ.

This statement is not legally binding or adopted by the US SEC, but signals the US SEC staff's current thinking on crypto mining activities. The focus is limited to self-mining and mining pool participation, explicitly excluding PoW variations or protocols with different economic structures. Stakeholders are advised to read the statement in full and direct specific inquiries to the Office of Chief Counsel via the US SEC's online request form. The full statement and accompanying analysis are available at www.sec.gov.

(Source: <https://www.sec.gov/newsroom/speeches-statements/statement-certain-proof-work-mining-activities-032025>)

US SEC Commissioner Crenshaw Critiques Flawed Crypto Mining Guidance in 'The Flame in Plato's Cave' Statement

On 20 March 2025, United States Securities and Exchange Commission (**US SEC**) Commissioner Caroline A. Crenshaw issued a dissenting statement titled "*The Flame in Plato's Cave*" sharply criticising the agency's latest non-binding guidance on cryptocurrency mining activities. The statement, referencing Plato's allegory of illusory perceptions, argues that the US SEC's approach creates misleading interpretations of regulatory obligations in the digital asset space. In a sharply analytical statement as a pointed critique of a recent staff interpretation concerning the securities law implications of Proof-of-Work (**PoW**) crypto mining. The statement responds to what Commissioner Caroline A. Crenshaw characterises as an increasingly frequent issuance of non-binding staff guidance on crypto matters, ten in the past nine weeks alone, according to her tally.

The statement under scrutiny, issued by staff at the US SEC's Division of Corporation Finance, concludes that PoW mining generally does not involve an expectation of profit based on the efforts of others, and therefore falls outside the definition of a security under the United States Supreme Court's Howey test. Commissioner Caroline A. Crenshaw criticises this logic, arguing that it rests on an assumption, rather than a factual inquiry, about miners' intentions and activities.

"If you start with an assumption that mining is not undertaken with the expectation of profits based on the efforts of others," she wrote, "you will necessarily conclude that it does not involve such an expectation and is therefore not a security." She further observed that the statement appears to hedge its own position by limiting its scope to PoW "generally," explicitly excluding all of PoW's variations or any specific protocol. Crenshaw points out that this limitation renders the statement effectively hollow, as it avoids reaching a definitive legal conclusion.

Citing footnote 9 of the staff statement, Commissioner Caroline A. Crenshaw showed that the only way to determine whether a specific mining arrangement constitutes an investment contract is to conduct a fact-specific Howey analysis, which includes evaluating the economics of pool participation, compensation structures, and the role of pool operators. In her view, this caveat, which she likens to the shadows in Plato's allegory of the cave, exposes the superficial nature of the guidance: "In short, the statement leaves us exactly where we started: with a facts and circumstances application of Howey."

Commissioner Caroline A. Crenshaw also referenced the US SEC staff's February 2025 "Meme Coin" statement, warning that similar disclaimers buried in footnotes had been overlooked, leading to widespread misreporting that meme coins were categorically exempt from securities laws. She cautioned the public and media against drawing broad conclusions from limited or qualified staff guidance, urging readers to "mine the fine print."

Commissioner Crenshaw's remarks reflect concern over the fragmented and informal approach being adopted in crypto regulation. She reiterated that changes to the legal definition of a security, or carveouts for specific technologies, carry risks not only for the crypto asset class but for the broader financial system that relies on long-standing investor protections.

(Source: <https://www.sec.gov/newsroom/speeches-statements/crenshaw-statement-crypto-mining-032025>)

US SEC Opens Dialogue on Crypto Asset Classification at Inaugural Crypto Task Force Roundtable

On 21 March 2025, the United States Securities and Exchange Commission (**US SEC**) convened the inaugural roundtable of its newly formed Crypto Task Force, with Acting Chairman Mark T. Uyeda delivering **opening remarks** focused on the legal questions surrounding the classification of crypto assets under federal securities laws. The roundtable, held at the US SEC's headquarters in Washington D.C., is a step in the agency's effort to address persistent legal uncertainty in the digital asset sector.

In his remarks, Acting Chairman Mark T. Uyeda traced the roots of the crypto asset class to the 2008 release of the Bitcoin white paper by Satoshi Nakamoto, which laid the foundation for a new form of peer-to-peer, digitally native value exchange. Seventeen years later, he noted, the financial industry continues to wrestle with how these assets fit into the existing securities regulatory framework—particularly when applying the Howey test, the legal standard for determining whether a transaction qualifies as an investment contract and thus a security, as established by the United States Supreme Court in *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946).

Acting Chairman Mark T. Uyeda while discussing the interpretive difficulties of applying the Howey test are not exclusive to crypto assets. Drawing on personal experience as Chief Advisor to the California Corporations Commissioner, he recounted a case where he argued that the offering of a non-security certificate of deposit combined with a bonus payment constituted an investment contract. Though the state court disagreed, federal courts in similar cases have reached the opposite conclusion.

The speech elaborates and discusses on divergent appellate court interpretations of the Howey test's elements which includes debates over whether investor profits must be pooled and distributed pro rata, whether profits must be derived solely from the promoter's efforts, and whether post-sale activities or pre-purchase managerial actions are necessary to meet the "efforts of others" prong. Uyeda cited decisions from the Second, Fifth, Eleventh, and D.C. Circuits to illustrate how these doctrinal splits create uncertainty for market participants and regulators alike.

Against this backdrop, Acting Chairman Mark T. Uyeda advocated for greater regulatory clarity through guidance and rulemaking rather than enforcement alone. He noted that in the past, the US SEC has clarified difficult questions by issuing interpretive releases and rules, such as the application of fiduciary duty under the United States Investment Advisers Act and the treatment of whisky warehouse receipts and condominiums under the United States Securities Act. He suggested that a similar approach should have been considered for the classification of crypto assets under the federal securities laws.

Acting Chairman Mark T. Uyeda closing the speech stated: *"Today's roundtable is an important first step in addressing that concern, thank you to the Crypto Task Force and panelists for your time in preparing for this roundtable. I look forward to the discussions to follow."*

(Source: <https://www.sec.gov/newsroom/speeches-statements/uyeda-remarks-crypto-roundtable-032125>)

US SEC Commissioner Caroline Crenshaw Statement at US Crypto Roundtable: Urges Caution and Investor Protection in Crypto Regulatory Debate

On 21 March 2025, at the opening session of the United States Crypto Task Force's inaugural roundtable in Washington D.C., United States Securities and Exchange Commission (**US SEC**) Commissioner Caroline A. Crenshaw delivered the **inaugural speech** raising awareness and stressing on the importance of upholding the foundational principles of US securities law as the Commission explores the classification of crypto assets. The roundtable, themed "Defining Security Status" in respect of crypto assets and its classification in US, forms part of the US SEC's Spring Sprint Toward Crypto Clarity initiative.

Commissioner Caroline A. Crenshaw framed the discussion around two critical questions: whether crypto assets fall within the definition of securities under existing US law, and whether they should. She welcomed the opportunity for reasoned policy debate and emphasised the importance of regulatory clarity being rooted in the US SEC's scope of jurisdiction and to create an umbrella for investor security.

In the regulatory discussion, pointing out that the US capital markets is currently valued at over \$120 trillion, and among the most 'robust' and 'trusted' in the world. That trust, she noted, is grounded in decades of regulatory infrastructure and jurisprudence, with the definition of "security" forming the cornerstone of the system. "We cannot poke holes in the foundation without expecting the walls may crack," Caroline A. Crenshaw warned, expressing concern that weakening this definition to accommodate crypto assets could jeopardise broader investor protections.

While acknowledging the view that current legal frameworks may be inadequate for crypto, Caroline A. Crenshaw cautioned against creating a bespoke legal structure that carves out exemptions or dilutes existing protections. She posed a series of questions that should guide any proposal for reform among others are the following: 'What statutory authority does the US SEC have to enact such changes?', 'Can clarity be achieved without undermining the flexibility of the existing legal definition of a security?', 'Will any proposed framework adequately protect investors, uphold market integrity, and address national security concerns?', 'How can crypto assets be distinguished from other asset classes in a way that justifies special treatment?', and 'Will new frameworks provide equivalent protections and competitive neutrality?'. These questions will be dealt with in the future US Crypto Roundtables and are in view of US SEC's statutory mandate under the United States Securities Act of 1933 and the United States Securities Exchange Act of 1934 along with other risks associated with crypto assets, including high volatility, widespread scams, limited legal recourse, and potential misuse for criminal activity.

(Source: <https://www.sec.gov/newsroom/speeches-statements/crenshaw-remarks-crypto-roundtable-032125>)

US SEC Commissioner Hester Peirce Calls for Regulatory Reboot at Inaugural Crypto Roundtable

On 21 March 2025, at the inaugural Crypto Task force roundtable of the Spring Sprint Toward Crypto Clarity series, Commissioner Hester M. Peirce of the United States Securities and Exchange Commission (**US SEC**) delivered remarks welcoming participants and encouraging a renewed regulatory approach to the crypto asset space. The roundtable is part of the initiative by the US SEC's Crypto Task Force and reflects the agency's commitment to fostering collaboration and clarity around the classification and regulation of digital assets.

Commissioner Hester M. Peirce began by acknowledging the symbolic timing of the event, which takes place two months after Acting Chairman Mark T. Uyeda announced the formation of the Crypto Task Force and coincides with the onset of spring in Washington D.C., she referred to the roundtable as a "restart of the Commission's approach to crypto regulation," commending US SEC staff for their enthusiasm and readiness to develop a workable framework.

Commissioner Hester M. Peirce appreciated the collaborative intent behind the roundtable series, which will serve as a platform for industry experts, legal scholars, and regulators to address the nuanced legal questions surrounding crypto asset classification. Peirce used a metaphor involving her brother repairing a shed and a broken tractor to illustrate the importance of addressing foundational challenges, like defining what constitutes a security, before attempting to build a broader regulatory structure.

Commissioner Hester M. Peirce remarked the urgency of resolving definitional and conceptual questions that underpin the regulatory treatment of crypto assets. These include, "What makes something a security?", "Is that status permanent, or might an asset start as a security and convert to a non-security, or vice versa?", "How does decentralization affect the analysis?", "Can we translate the characteristics of a security into a simple taxonomy that will cover the many different types of crypto assets that exist today and will exist in the future?"

The US SEC Crypto roundtable and Commissioner Peirce's remark signal a strategic shift by the US SEC toward more inclusive and transparent policymaking in the evolving digital asset landscape. In line with the agency's responsibilities under the United States Securities Act of 1933 and the United States Securities Exchange Act of 1934, the event represents an effort to establish regulatory certainty while engaging with the broader financial and technological communities.

(Source: <https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-crypto-roundtable-032125>)

US SEC Crypto Task Force Announces Four Additional Public Roundtables on Digital Asset Regulation

On 25 March 2025, the United States Securities and Exchange Commission (**US SEC**) announced in [Release No. 2025-57](#) that its Crypto Task Force will convene four additional public roundtables as part of its ongoing initiative to address regulatory challenges in the crypto asset space. These sessions follow the inaugural roundtable held on 21 March 2025, and aim to deepen dialogue on key aspects of the crypto regulatory landscape.

According to the announcement, the scheduled roundtables and their respective themes are as follows:

1. **11 April 2025: Between a Block and a Hard Place: Tailoring Regulation for Crypto Trading**
2. **25 April 2025: Know Your Custodian: Key Considerations for Crypto Custody**
3. **12 May 2025: Tokenization – Moving Assets Onchain: Where TradFi and DeFi Meet**
4. **6 June 2025: DeFi and the American Spirit**

Each roundtable will take place at the US SEC's headquarters at 100 F Street, N.E., Washington, D.C., and will also be livestreamed on SEC.gov. No registration is required for virtual attendees. Those wishing to attend in person must register via the individual roundtable links provided on the Crypto Task Force's dedicated webpage. Panelist participation is open to public consideration, and interested individuals are encouraged to express interest by emailing crypto@sec.gov with the subject line "Potential Panelist".

Commissioner Hester M. Peirce, who leads the Crypto Task Force, remarked that *"The Crypto Task Force roundtables are an opportunity for us to hear a lively discussion among experts about what the regulatory issues are and what the Commission can do to solve them."* The series is designed to promote transparency and stakeholder engagement in regulatory decision-making, offering a forum for legal, technical, and market experts to explore practical solutions.

Launched on 21 January 2025 by Acting Chairman Mark T. Uyeda, the Crypto Task Force is tasked with developing coherent regulatory approaches to crypto assets, including drawing clearer jurisdictional lines, providing pathways for registration, crafting tailored disclosure requirements, and focusing enforcement efforts strategically.

(Source: <https://www.sec.gov/newsroom/press-releases/2025-57>)

This newsletter is for information purposes only

This newsletter and the information contained herein is not intended to be a source of advice or credit analysis with respect to the material presented, and the information and/or documents contained in this newsletter do not constitute investment advice.

Cryptocurrency markets are highly volatile and speculative in nature. The value of cryptocurrencies can fluctuate greatly within a short period of time. Investing in cryptocurrencies carries significant risks of loss. You should only invest what you are prepared to lose.

The content on this newsletter is for informational purposes only. You should not construe any such information or other material as legal, tax, investment, financial, or other advice. Nothing contained on our newsletter constitutes a solicitation, recommendation, endorsement, or offer to buy or sell any cryptocurrencies, securities, or other financial instruments.

We do not guarantee or warrant the accuracy, completeness, or usefulness of any information on this site. Any reliance you place on such information is strictly at your own risk. We disclaim all liability and responsibility arising from any reliance placed on such materials by you or any other visitor to this newsletter, or by anyone who may be informed of any of its contents.

Your use of this newsletter and your reliance on any information on the site is solely at your own risk. Under no circumstances shall we have any liability to you for any loss or damage of any kind incurred as a result of the use of the newsletter or reliance on any information provided on the newsletter. Your use of the newsletter and your reliance on any information on the site is governed by this disclaimer and our terms of use.

If you do not wish to receive this newsletter please let us know by emailing us at unsubscribe@charltonslaw.com

**CHARLTONS
QUANTUM**



Hong Kong Office

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

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