

Sidley Discusses “Project Crypto” and the Next Phase of Digital Asset Oversight

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On November 12, 2025, **SEC Chairman Paul Atkins delivered remarks** (the November Remarks) revisiting his announcement of “**Project Crypto**,” the Commission-wide initiative launched earlier this year to promote blockchain innovation in U.S. financial markets. Chairman Atkins laid out plans for the next phase of the initiative, describing how the SEC intends to bring greater legal clarity to crypto assets through a formal token taxonomy, a refined application of the Howey investment-contract framework, and a forthcoming “Regulation Crypto” proposal aimed at establishing tailored disclosures, exemptions, and safe harbors for digital asset distributions. Chairman Atkins also reaffirmed the Commission’s intent to coordinate closely with Congress as lawmakers consider new market structure legislation.

As the federal government emerges from its shutdown, we take stock of the SEC’s progress under Chairman Atkins’ **ProjectCrypto initiative**, examining what has been achieved, what is still in progress, and where further action or rulemaking may lie ahead.

1. Clarity on Crypto Asset Classification and Offerings

One of Project Crypto’s central aims is to bring order to the fragmented landscape of digital asset classification. To that end, Chairman Atkins’ stated goal is to create clear guidance on when crypto assets qualify as securities, stablecoins, digital commodities, or digital collectibles — and to design tailored disclosures, exemptions, and safe harbors for various types of distributions, including token sales, airdrops, and network rewards. To date, the SEC’s Division of Corporation Finance (Corp Fin) has released five separate statements clarifying how federal securities laws apply to a range of crypto activities:

- ***Staff Statement on Meme Coins*** (February 27, 2025): Establishing Corp Fin’s view that certain “meme coins,” a type of crypto asset inspired by internet memes, characters, current events, or trends are typically purchased for entertainment and social interactions and therefore do not meet the criteria for an “investment contract” under the federal securities

- ***Statement on Certain Proof-of-Work Mining Activities*** (March 20, 2025): Providing Corp Fin’s view that certain crypto asset mining activities, specifically those involving proof-of-work blockchain networks, do not constitute securities offerings under the federal securities laws. The statement clarified these activities relate to crypto assets “intrinsically linked to the programmatic functioning of a public, permissionless network,” which are earned by participating in or maintaining the network’s consensus mechanism and security.
- ***Statement on Stablecoins*** (April 4, 2025): Advising that offers and sales of certain stablecoins “designed and marketed for use of making payments, transmitting money, or storing value” do not involve the offer and sale of securities. The statement emphasized that this view applies in particular to stablecoins redeemable on a one-for-one basis for U.S. dollars and backed by low-risk, highly liquid assets.¹
- ***Statement on Certain Protocol Staking Activities*** (May 29, 2025): Establishing Corp Fin’s view that certain “staking” activities on proof-of-stake blockchain networks do not constitute the offer or sale of securities under the federal securities laws. The statement explained that these activities involve crypto assets “intrinsically linked to the programmatic functioning of a public, permissionless network,” which are used to participate in, or earned for participating in, the network’s consensus mechanism and for maintaining the technological operation and security of the network.
- ***Statement on Certain Liquid Staking Activities*** (August 5, 2025): Providing Corp Fin’s view that certain “liquidstaking” arrangements do not constitute the offer or sale of securities under the federal securities laws. The statement clarified that these activities include holding deposited crypto assets on behalf of depositors, issuing receipt tokens evidencing ownership of those assets, and facilitating their staking on behalf of depositors, as well as providing certain ancillary services described in Corp Fin’s Statement on Certain Protocol Staking Activities.

Corp Fin also issued a **no-action letter on September 29, 2025**, stating it would not recommend enforcement action for certain crypto token distributions designed to support the programmatic functioning of a decentralized physical infrastructure network.

Yet to come: This progress notwithstanding, questions remain regarding crypto asset distributions through token sales or investment contracts — including disclosures and potential exemptions or safe harbors. The existing Corp Fin guidance is non-binding and

the Commission has not adopted formal rules or regulations that clarify the security status of any crypto asset. Legislative proposals remain pending, but further Commission rulemaking is anticipated that may potentially come ahead of any new legislation. That next phase appears underway: on September 4, 2025, the Office of Information and Regulatory Affairs **signaled that formal SEC rule proposals are coming in 2026** — one to **establish a comprehensive crypto asset framework** and another to **amend the Securities and Exchange Act of 1934 to accommodate crypto trading on exchanges and alternative trading systems**.

Chairman Atkins' November Remarks provide a preview of what that rulemaking may include. In his speech, Chairman Atkins described his expectation that the Commission will adopt a "token taxonomy" establishing that digital commodities, network tokens, digital collectibles, and digital tools are not securities. The SEC's eventual taxonomy may align with Chairman Atkins' personal views, as outlined in his remarks, and the Corp Fin statements described above. Chairman Atkins also stated his belief that once an investment contract has "run its course," the underlying token may continue to trade, and those subsequent transactions are no longer securities transactions. In addition, Atkins expressed his hope that the Commission will consider a package of exemptions to create a tailored offering regime for crypto assets that are "part of or subject to" an investment contract.

2. Tokenized Securities

Another Project Crypto goal is to pave the way for tokenizing traditional financial instruments: stocks, bonds, and partnership interests. On April 10, 2025, **Corp Fin released a statement** clarifying how disclosure and registration requirements under federal securities laws apply to offerings and registrations of securities in crypto markets. On July 9, 2025, **Commissioner Hester Peirce issued her own statement**, encouraging distributors of tokenized securities to consult Corp Fin's guidance when preparing disclosures and reminding market participants to consider the nature of the tokenized asset, including whether it is a tokenized security or a securities-based swap.

Yet to come: The SEC has not undertaken any further action to specifically facilitate the distribution of tokenized securities in the United States beyond the non-binding guidance described above.² Chairman Atkins' November Remarks emphasized that tokenized securities "are and will continue to be" securities under the federal securities laws. With tokenized assets identified as a core element of the SEC's Project Crypto initiative, additional Commission guidance — and potentially rulemaking — on the treatment of

tokenized securities is expected in the coming months. This forthcoming work is likely to focus not only on the obligations of potential issuers and securities intermediaries, but also on broader questions of market structure.

3. Market Structure

Project Crypto aims to modernize the regulatory framework governing the trading and custody of crypto assets — both for intermediaries and individuals — and to allow broker-dealers to offer a broader suit of services within a single platform, or “super-app.” A key component of this initiative is coordinating oversight across the SEC and the Commodity Futures Trading Commission (CFTC) to reduce duplicative requirements and streamline licensing for firms operating in both securities and commodities markets. To date, there has been some progress with respect to custody and infrastructure for certain SEC registrants.³

- ***SEC-CFTC Joint Staff Statement (Trading of Certain Spot Crypto Asset Products)*** (September 2, 2025): The SEC’s Division of Trading and Markets and the CFTC Division of Market Oversight and Division of Clearing and Risk issued a joint statement announcing a cross-agency initiative to coordinate efforts in furtherance of the SEC’s Project Crypto and **the CFTC’s Crypto Sprint**. The statement **explains** that the divisions are coordinating to issue guidance “regarding the listing of leveraged, margined, or financed spot retail commodity transactions on digital assets,” taking the view that current law does not prohibit SEC- or CFTC-registered exchanges from facilitating trading of certain spot crypto-asset products. The divisions further stated their intention to begin reviewing filings and requests by SEC-registered national securities exchanges and CFTC-registered designated contract markets or foreign boards of trade that are seeking to facilitate trading of spot crypto asset products.
- ***Staff Guidance on Crypto Asset Activities by Broker-Dealer and Transfer Agents*** (May 15, 2025): The Division of Trading and Markets issued frequently asked questions (FAQs) for SEC-registered broker dealers and transfer agents, **addressing the application of certain broker-dealer financial responsibility rules and transfer regulations to crypto asset activities**. The FAQs address (i) how SEC Rule 15c3-3, (which requires a broker-dealer to maintain possession of customers’ fully paid and excess margin securities) applies to crypto asset securities; (ii) whether broker-dealers may facilitate in-kind creations and redemptions in connection with spot crypto exchange-traded products (ETPs);⁴ (iii) how the U.S. Securities

Investor Protection Act of 1970 applies to crypto asset securities in the event of a broker-dealer insolvency; (iv) record keeping requirements for broker-dealers handling crypto assets; and (v) the obligations of transfer agents engaged in crypto-related activities.

Yet to come: Although the SEC has taken steps to facilitate the custody of crypto assets by regulated intermediaries, it has not addressed other parts of Project Crypto regarding “super-apps,” such as assessing the Commission’s authority to permit regulated platforms to offer non-security assets with margin capabilities, licensing requirements, or changes to Regulation NMS that might be necessary to facilitate trading of tokenized securities. Chairman Atkins has **reiterated** his priority for the SEC to facilitate the creation of “super-apps,” and in the November Remarks, he directed Commission staff to prepare recommendations on allowing tokens tied to an investment contract to trade on non-SEC regulated platforms, including CFTC-registered and state-regulated platforms.

4. Innovation Exemption

Finally, Project Crypto envisions an “innovation exemption” — a framework that would allow companies to test novel business models under principles-based safeguards rather than full compliance with existing rules. For example, participants may be required to report periodically to the SEC in exchange for the flexibility to innovate within defined guardrails.

Yet to come: Although the SEC has yet to propose the innovation exemption formally, Chairman Atkins has reportedly called it one of his top priorities, indicating that the Commission aims to begin rulemaking by the end of 2025 or early 2026, and noting that the recent government shutdown delayed progress.

Conclusion

As Project Crypto advances, the SEC appears positioned to move from incremental staff guidance to a more comprehensive and durable framework for crypto assets. Chairman Atkins’ recent remarks suggest that the Commission intends to codify many of the principles articulated throughout 2025 into formal rulemaking, potentially through the introduction of a token taxonomy, targeted exemptions, and updates to existing market-structure rules.

While these developments signal meaningful progress toward greater regulatory clarity, substantial questions remain. The timing and scope of the forthcoming “Regulation Crypto” proposal, the extent of coordination with Congress, and the interplay between the SEC and CFTC will all shape the trajectory of the U.S. digital asset market in 2026 and beyond. Market participants should continue to monitor these efforts closely, as the Commission’s next phase of rulemaking could significantly influence how crypto assets are issued, traded, and held in compliance with federal securities laws.

ENDNOTES

1 Following Corp Fin’s statement, the GENIUS Act, which excludes permitted payment stablecoins from the definition of a security, was enacted. Sidley’s update on the GENIUS Act is available [here](#).

2 Likewise, on September 23, 2025, the CFTC announced a new initiative to enable the use of tokenized collateral in U.S. derivatives markets as part of its broader crypto regulatory sprint, but has not yet issued guidance or taken formal action.

3 On September 30, 2025, the SEC’s Division of Investment Management issued a **no-action letter** confirming that [registered investment advisers and registered investment companies may treat](#) certain state-chartered trust companies as “banks” for crypto asset custody purposes.

4 On July 29, 2025, the SEC **voted to approve orders to permit in-kind creations and redemptions** by authorized participants for crypto asset exchange-traded product (ETP) shares. On September 17, 2025, the SEC also **approved proposed rule changes** by three national securities exchanges to adopt generic listing standards for exchange-traded products that hold spot commodities, including crypto assets.

This post is based on the Sidley Austin LLP memorandum, “Breaking Down “Project Crypto”: SEC Chairman Atkins Outlines Next Phase of Digital Asset Oversight,” available [here](#).