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Crypto Policy Tracker

SEC Issues No-Action Letters, SEC-CFTC Host Joint Roundtable, SEC Chair Outlines IPO Reforms and California and New York Release Digital Asset Guidance

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The past week saw significant regulatory activity, reflecting growing momentum toward inter-agency coordination and the modernization of U.S. financial oversight. The SEC issued two no-action letters — one addressing the use of state trust companies as crypto custodians and another regarding a token offering. The SEC and CFTC convened a joint roundtable on regulatory harmonization, where leaders emphasized reducing duplicative rules and providing clarity for markets navigating the digital asset space. SEC Chair Paul Atkins also laid out a reform agenda for IPO processes, while the SEC approved streamlined listing standards for commodity-based exchange-traded products.

At the CFTC, Acting Chair Caroline Pham announced a new initiative to expand the use of tokenized collateral, including stablecoins, in derivatives markets. The Federal Reserve continued its focus on payments innovation, with Governor Christopher Waller highlighting tokenization, smart contracts, and AI as tools reshaping settlement and financial infrastructure. At the state level, the New York Department of Financial Services (NYDFS) issued updated guidance on custodial structures, emphasizing that beneficial ownership of customer assets must be preserved in insolvency scenarios, while the California Department of Financial Protection and Innovation (DFPI) released revised proposed regulations clarifying exemptions for certain digital asset activities under the state Money Transmission Act.

Regulatory Agency Updates

SEC Issues No-Action Letters

- On Sept. 30, the SEC's Office of Chief Counsel for the Division of Investment Management issued a [no-action letter](#) stating that based on the facts and representations presented, the Division would not recommend enforcement action against certain registered investment advisers and regulated funds for using state trust companies as crypto custodians, provided that firms satisfy specified due diligence requirements.
- Under Rule 206(4)-2 of the Investment Advisers Act of 1940, investment advisers must custody client securities and funds with "qualified custodians," a category that includes "banks." Similarly, Sections 17(f) and 26(a) of the Investment Company Act of 1940 require

registered funds to place assets with certain custodians, including “banks.” However, uncertainty existed as to whether a state trust company qualified as a “bank” under these statutes for purposes of crypto custody.

- The incoming letter emphasized that state trust companies providing crypto custody have adopted robust safeguards, including cold storage solutions, independent audits, and advanced encryption protocols, all within regulatory frameworks requiring state licensing and ongoing supervision.
- On Sept. 29, the SEC issued another [no-action letter](#) to a foundation, stating that it would not recommend enforcement action in connection with the unregistered offering of tokens under Section 5 of the Securities Act or Section 12(g) of the Exchange Act. The tokens in question enabled users to make payments for network services. This follows a limited number of SEC no-action letters addressing whether crypto tokens are securities, such as those involving [Turnkey Jet](#), [Pocketful of Quarters](#) and [IMVU](#), and may signal renewed interest by the SEC in providing guidance through the no-action process.

SEC-CFTC Joint Roundtable on Regulatory Harmonization Efforts

- On Sept. 29, the SEC and CFTC hosted a [joint roundtable](#) titled “[SEC-CFTC Joint Roundtable on Regulatory Harmonization Efforts](#)” to discuss coordination between the agencies.
 - [SEC Chairman Paul Atkins](#). Chairman Atkins dispelled any notion that the agencies plan to merge: “Let me be clear: our focus is on harmonization, not on a merger of the SEC and CFTC, which would be up to Congress and the President.” He emphasized “building a framework where our agencies coordinate seamlessly, reduce duplicative regulation, and give markets the clarity they deserve.”
 - [Acting CFTC Chairman Caroline Pham](#). Acting Chair Pham noted this may be “the first SEC-CFTC joint roundtable since Dodd-Frank, almost 15 years ago” and highlighted that many market-structure innovations, such as prediction markets, have been operating in CFTC markets for some time.
 - [Overview of Panels](#). The three panels traced the long history of SEC–CFTC tensions and their consequences for markets. Some panelists urged both agencies to build a consistent framework so that platforms face similar oversight regardless of whether they list securities or derivatives. New entrants called for exemptions, while incumbents argued for a level playing field. Some panelists highlighted tokenized equities as a frontier where a lack of harmonization risks fragmented liquidity if products are launched outside Reg NMS. Some supported 24/7 trading on blockchain rails and others cautioned that 24/7 trading could harm market quality.

SEC Chair Atkins Highlights IPO Reform and Alternative Assets in Retirement Plans

- On Sept. 25, SEC Chairman Atkins [spoke](#) at the Financial Markets Quality Conference 2025, addressing IPO reform, disclosure practices and the integration of alternative assets in retirement plans. He noted the sharp decline in IPOs in recent years and outlined an agenda to reverse the trend, including reducing litigation burdens and a “spring cleaning” of disclosure rules. Atkins raised the possibility of shifting from quarterly to semiannual reporting for certain companies and stated the SEC is working with the Department of Labor on [Executive Order 14330](#) to democratize access to alternative assets for 401(k) investors.

SEC Approves Generic Listing Standards for Commodity-Based Trust Shares

- On Sept. 17, the SEC [voted to approve](#) proposed rule changes by three national securities exchanges to adopt generic listing standards for exchange-traded products that hold spot commodities, including digital assets. Chair Atkins stated: “This approval helps to maximize

investor choice and foster innovation by streamlining the listing process and reducing barriers to access digital asset products within America's trusted capital markets."

CFTC Acting Chair Pham Launches Tokenized Collateral and Stablecoins Initiative

- On Sept. 23, CFTC Acting Chair Pham [announced](#) that the CFTC will launch an initiative for the use of tokenized collateral, including stablecoins, in derivatives markets. The initiative also builds on [guidance](#) from the CFTC's Global Markets Advisory Committee, which recommended expanding the use of non-cash collateral through distributed ledger technology.

President Withdraws Nomination of Quintenz for CFTC Chair

- On Sept. 30, President Donald Trump withdrew his nomination of Brian Quintenz to lead the CFTC, following the president's request to delay the Senate committee vote on the nomination.

Fed Governor Waller Speaks on Payments Innovation

- On Sept. 29, at the Sibos Conference in Germany, Federal Reserve Governor Christopher Waller gave a [speech](#) on the next frontier of payments innovation, noting that the Federal Reserve is conducting research on the latest innovations, such as tokenization, smart contracts and AI to better understand how the private sector will utilize these tools in payments. Governor Waller will continue to discuss this issue at the Federal Reserve Board on Oct. 21.

Industry Group Updates

Financial Services Industry Groups Send Letter to SEC

- On Sept. 18, certain financial services industry groups sent a [letter](#) to SEC Chairman Atkins asking the agency to apply equal standards to all financial custodians as the agency drafts crypto rulemaking. The letter stated that crypto firms and investment advisors need to be held to equally rigorous standards including "asset segregation requirements, ongoing regulatory oversight, and prudential mandates equivalent to those that currently govern qualified custodians."

State Regulatory Updates

NY Governor Kathy Hochul Announces NYDFS Superintendent's Departure

- On Sept. 29, New York State Governor Kathy Hochul [announced](#) Superintendent Adrienne Harris' departure from the Department of Financial Services (NYDFS). Effective Oct. 18, Governor Hochul appointed Kaitlin Asrow to be Acting Superintendent. Asrow has worked at DFS as the Executive Deputy Superintendent of the Research & Innovation division for the past four years and previously worked at the Federal Reserve as a Senior Policy Advisor.

NYDFS Updates Guidance for Virtual Currency Customer Protections in the Event of Insolvency

- On Sept. 30, the NYDFS [updated guidance](#) on custodial structures and the importance of beneficial interest always remaining with customers in the event of insolvency. The updated guidance (i) makes clear the Department's expectations regarding acceptable sub-custodians and related agreements; (ii) provides sub-custodians with guardrails to structure their asset custody framework; (iii) clarifies the Department's expectations regarding permissible uses of customer assets; and (iv) continues to emphasize sound custody and disclosure practices to protect customers in the event of an insolvency or similar proceeding.

California DFPI Releases Modified Proposed Regulations

- On Sept. 29, the DFPI published a [Notice of Modification to Text of Proposed Regulation and updated text](#) related to licensure under the Digital Financial Assets Law, further clarifying that certain activities involving digital financial assets are exempt from licensure under the Money Transmission Act, amending license application requirements, and revising a potential token listing certification for certain exchanges. The comment period ends [Oct. 15](#).
- The proposed regulation is promulgated pursuant to [Assembly Bill 39](#) and [Senate Bill 401](#), signed into law by Governor Newsom in October 2023. Later, in September 2024, Governor Newsom signed [AB 1934](#) which extended the effective date of required licensure under DFAL from July 1, 2025 to July 1, 2026.

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