



SECURITIES ENFORCEMENT AND REGULATORY UPDATE

SEC Announces Launch of “Project Crypto”

August 5, 2025

On July 31, 2025, Securities and Exchange Commission (SEC or Commission) Chairman Paul Atkins delivered a **speech** introducing “Project Crypto,” a Commission-wide initiative to modernize the securities rules and regulations to enable America’s financial market to move “on-chain.” This initiative could lead to significant transformation in the U.S. securities markets. Chairman Atkins indicated that while the SEC staff works on regulations in the areas described below, he has instructed the staff to use interpretive and exemptive relief as appropriate in the coming months to ensure that existing rules and regulations do not smother American innovation and entrepreneurship.

Key components of Chairman Atkins’s vision:

1. Clarity on Crypto Asset Classification and Offerings

- creating clear guidelines for when crypto assets qualify as securities, stablecoins, digital commodities, or digital collectibles
- promoting purpose-fit disclosures, exemptions, and safe harbors for crypto distributions, including for “initial coin offerings,” airdrops, and network rewards

2. Tokenized Securities and Decentralized Finance (DeFi) Integration

- facilitating tokenization of common stock, bonds, partnership interests, and third parties’ securities
- creating a path for trading of tokenized securities on DeFi protocols, such as automated market makers, that do not require operation by a central intermediary.

3. Facilitating Custody and Multiple Business Lines

- modernizing rules governing the custody of crypto assets for market intermediaries and facilitating self-custody for individuals

- allowing for broker-dealers that operate an alternative trading system (ATS) to offer trading in non-security crypto assets alongside crypto asset securities, traditional securities, and other services (e.g., crypto asset staking and lending) as a “super-app”
- prioritizing efficiency in licensing so that SEC registrants are not unnecessarily subject to multiple regulators, duplicative regulatory costs, or “paternalistic regulation”
- evaluating the use of Commission authority to clear the way for CFTC–regulated platforms to offer non-security crypto assets with margin capabilities, without the need for additional congressional action

4. Proposed Rulemakings and Amendments to Regulation NMS

- developing formal rule proposals under Project Crypto while using interpretative or exemptive relief where possible until final rules are in place
- amending Regulation NMS to, among other things, accommodate trading of tokenized securities on-chain

5. Innovation Exemption

- contemplating a potential “innovation exemption” to allow firms to deploy novel business models without full compliance with existing regulations, provided they meet principles-based conditions designed to achieve the core policy aims of the securities laws, which may include periodic reports to the SEC

Next Steps

Market participants should continue to provide feedback and meet with the SEC Crypto Task Force and closely follow further developments on Project Crypto from the SEC regarding these initiatives. The SEC will release its plans for future rulemakings in the coming weeks, which may provide greater clarity on top priorities and a rough timeline.

Sidley is uniquely positioned at the intersection of securities regulation and blockchain innovation. With leading practices in both market structure regulation and digital asset developments, our team is well prepared to assist clients in shaping emerging rules and navigating the evolving regulatory landscape.

For guidance or to discuss potential effects on your firm, please contact the Sidley team.

Knowledge management lawyer Dan Engoren contributed to this Sidley Update.

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Contacts

If you have any questions regarding this Sidley Update, please contact the Sidley lawyer with whom you usually work, or



Charles A. Sommers

Partner

CSOMMERS@SIDLEY.COM

+1 202 736 8125

Washington, D.C.



Sonia Gupta Barros

Partner

SBARROS@SIDLEY.COM

+1 202 736 8387

Washington, D.C.



Andrew P. Blake

Partner

ABLAKE@SIDLEY.COM

+1 202 736 8977

Washington, D.C.



W. Hardy Callcott

Partner

HCALLCOTT@SIDLEY.COM

+1 415 772 7402

San Francisco



[Ian McGinley](#)

Partner

IAN.MCGINLEY@SIDLEY.COM

+1 212 839 5385

New York



[Lara Shalov Mehraban](#)

Partner

LMEHRABAN@SIDLEY.COM

+1 212 839 5551

New York



[Andrew J. Sioson](#)

Partner

ASIOSON@SIDLEY.COM

+1 202 736 8351

Washington, D.C.



[Corin R. Swift](#)

Partner

CORIN.SWIFT@SIDLEY.COM

+1 212 839 5381

New York, Boston

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