

## SEC Staff Issues Statement on Meme Coins

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On February 27, 2025, staff in the SEC's Division of Corporation Finance issued a [public statement](#) on so-called meme coins. According to the statement, meme coins meeting certain specified conditions will not be deemed securities for purposes of the federal securities laws.

The statement defines a "meme coin" as "a type of crypto asset inspired by internet memes, characters, current events, or trends for which the promoter seeks to attract an enthusiastic online community to purchase the meme coin and engage in its trading." According to the statement, meme coins "typically are purchased for entertainment, social interaction, and cultural purposes, and their value is driven primarily by market demand and speculation."

Citing the SEC's [Howey](#) test, the staff statement provides a conditioned analysis around why meme coins should not be considered securities under federal law:

The offer and sale of meme coins does not involve an investment in an enterprise nor is it undertaken with a reasonable expectation of profits to be derived from the entrepreneurial or managerial efforts of others. First, meme coin purchasers are not making an investment in an enterprise. That is, their funds are not pooled together to be deployed by promoters or other third parties for developing the coin or a related enterprise. Second, any expectation of profits that meme coin purchasers have is not derived from the efforts of others. That is, the value of meme coins is derived from speculative trading and the collective sentiment of the market, like a collectible. Moreover, the promoters of meme coins are not undertaking (or indicating an intention to undertake) managerial and entrepreneurial efforts from which purchasers could reasonably expect profit.

While the SEC staff's logic would apply equally to other classes of digital assets, such as [non-fungible tokens](#), the statement is careful to warn that it "does not extend to the offer and sale of meme coins that are inconsistent with the descriptions set forth above, or products that are labeled 'meme coins' in an effort to evade the application of the federal securities laws by disguising a product that otherwise would constitute a security." SEC Commissioner Caroline Crenshaw also issued her own [statement](#) disagreeing with the staff's reasoned analysis. Nevertheless, the staff's action represents the latest example of the agency's reconsideration of its prior positions on crypto assets.

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