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SEC Staff Cede Jurisdiction Over Certain Stablecoins

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On 4 April 2025, the SEC's Division of Corporation Finance (Division) issued a statement (Statement) providing that the offer and sale of certain "Covered Stablecoins" do not involve the offer and sale of securities within the meaning of federal securities laws. As such, persons involved in the process of offering, selling and redeeming Covered Stablecoins are not required to register those transactions with the SEC or rely on an exemption from registration.

The Division defines "Covered Stablecoins" as crypto assets that are designed to maintain a stable value relative to the US Dollar (USD) on a one-for-one basis, can be redeemed for USD on a one-for-one basis, and are backed by low-risk and readily liquid assets held in a reserve, with a USD value that, at a minimum, meets the redemption value of the stablecoins in circulation. Accordingly, stablecoins outside this definition – including those that are pegged to the price of digital assets or other currencies besides USD and algorithmic stablecoins – are not covered by the guidance included in the Statement.

The Division provided its analyses of Covered Stablecoins under *Reves v. Ernst & Young* and *SEC v. W.J. Howey Co*., the key cases setting forth the tests for whether an asset is a "security." If not considered to be "securities," Covered Stablecoins would likely be considered "commodities," and thus subject to the enforcement jurisdiction of the CFTC. However, legislation currently pending in Congress could shift oversight of these digital assets to banking regulators.

Commissioner Caroline Crenshaw criticized the Statement as doing "a real disservice to USD-stablecoin holders," and questioned whether any existing stablecoin falls within the scope of "Covered Stablecoin".

Following the Division's recent Statement on Meme Coins, the Statement appears to be another small but positive step towards regulatory clarity for the digital asset industry.

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