

Regulatory Update

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1. SEC Issues FAQs on Crypto Asset Activities and Custody Obligations

On May 15, 2025, the Securities and Exchange Commission (SEC) Division of Trading and Markets released an FAQ addressing broker-dealer and transfer agent obligations related to crypto asset securities and distributed ledger technology (DLT). On the same day, the Financial Industry Regulatory Authority (FINRA) formally withdrew its [2019 Joint Staff Statement on Broker-Dealer Custody of Digital Asset Securities](#), signaling that regulators are moving away from the prior framework in favor of more current guidance.

Broker-Dealer Guidance

The FAQ provided clarifications for broker-dealers engaging in crypto asset activities, particularly around custody obligations, capital treatment, and investor protections. While the SEC reaffirmed that traditional regulatory frameworks still apply, it also offered flexibility for firms that can demonstrate adequate controls tailored to digital asset securities. Key highlights include:

- The customer protection rule under Rule 15c3-3 applies only to securities, not to non-security crypto assets.
- Broker-dealers may establish “control” under Rule 15c3-3(c) even for uncertificated digital asset securities.
- The 2020 Special Purpose Broker-Dealer (SPBD) Statement offers a safe harbor for custody of digital asset securities, but compliance is not mandatory if alternative controls satisfy SEC requirements.
- Broker-dealers may facilitate in-kind redemptions for spot crypto-based ETPs. However, taking proprietary positions in underlying assets (e.g., bitcoin or ether) impacts net capital requirements.
- The SEC indicated it would not object if a broker-dealer treats proprietary positions in bitcoin or ether as “readily marketable” for purposes of applying the 20% commodity haircut under Rule 15c3-1 Appendix B.
- Securities Investor Protection Corporation (SIPC) protections do not apply to crypto assets that are not registered securities.
- To address insolvency risk, broker-dealers may agree with customers to treat custodied non-security crypto assets as “financial assets” held in “securities accounts” under Article 8 of the UCC, enhancing protections in the event of liquidation.

Transfer Agent Guidance

The SEC also addressed the role of transfer agents in handling crypto asset securities. The guidance clarifies when registration may be required and acknowledges how DLT can be integrated into existing recordkeeping frameworks. While the Staff expresses openness to innovation, the expectations for regulatory compliance and investor protection remain unchanged.

Staff clarified that transfer agents performing core functions (such as maintaining securityholder records, tracking ownership changes, or facilitating settlements) for crypto asset securities that qualify as Section 12 securities under the Exchange Act may be required to register with the SEC pursuant to Section 17A(c)(1). Registration is mandatory for transfer agents that serve securities registered under Section 12 or that are issued by companies required to file reports under Section 13 or 15(d) of the Exchange Act. In addition, the Staff acknowledged that DLT may serve as a Master Securityholder File, so long as it fully satisfies applicable regulatory requirements for recordkeeping, accessibility, and data integrity.

Read the full FAQ [here](#).

2. SEC Extends Form PF Compliance Deadline to October 1, 2025

On June 11, 2025, the SEC approved an additional extension of the compliance deadline for the amended Form PF, moving it from June 12 to **October 1, 2025**. The revisions first adopted in coordination with the Commodity Futures Trading Commission (CFTC) on February 8, 2024 significantly broaden the reporting obligations applicable to private fund advisers.

This latest delay follows persistent concerns from the industry regarding the complexity of the updated reporting framework. Many advisers have struggled with frequent technical adjustments and XML schema revisions, which have disrupted project timelines and hindered readiness efforts. During the Commission's open meeting, staff acknowledged these operational challenges and expressed support for granting more time for implementation.

Because the rule was jointly issued with the CFTC, the effectiveness of the SEC's extension technically depends on reciprocal action by the CFTC. That said, SEC officials indicated that if such action is not taken promptly, the agency does not expect to pursue enforcement against firms that continue using the current version of the form. Additionally, the Commission confirmed that the electronic filing system (PFRD) will not accept submissions under the revised form until the new compliance date becomes effective.

The SEC also suggested it may revisit some of the 2024 amendments, raising the possibility of further changes to the Form PF regime in the months ahead.

Takeaway: Advisers should adjust their internal timelines in line with the new October 1 deadline and continue preparation activities. Despite the delay, the expanded reporting framework remains in place, and the Commission has signaled that additional reforms may be forthcoming.

Read the SEC's statement [here](#).

3. Preparing for SEC Regulation S-P Amendments

The SEC recently finalized sweeping updates to Regulation S-P, significantly raising the bar on how financial institutions must protect and manage Nonpublic Personal Information (NPI).

From mandatory incident response programs to stricter customer notification rules, these changes mark a pivotal shift in data privacy expectations — with compliance deadlines approaching.

Who's Affected?

- SEC-registered investment advisers (RIAs)
- SEC-registered transfer agents
- Investment companies
- Broker-dealers (including funding portals)

Key Updates You Need to Know

- Written incident response programs required
- Expanded technical safeguards across third-party data
- Mandatory breach notifications within 30 days
- Broader application of the rule beyond your own customers

Compliance Deadlines

- Larger entities: by December 3, 2025
- Smaller entities: by June 3, 2026

Navigate These Changes with Waystone

Our compliance team has prepared a practical checklist to help you assess readiness, strengthen controls, and avoid costly missteps.

Learn more about the upcoming changes and to access Waystone's complimentary Regulation S-P Readiness Checklist: A Practical Compliance Guide [here](#).

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