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STATEMENT

Statement on the Commission's Approval of In-Kind Creations and Redemptions for Crypto Exchange-Traded Products

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Prior to today, crypto asset exchange-traded products (ETPs) could not use in-kind creations and redemptions — in stark contrast to other forms of commodity ETPs — a limitation that resulted in unnecessary costs and burdens.

When the Commission first approved rules for the listing of spot crypto ETPs in January 2024, it was disappointing that the order only described a cash-only redemption structure.[1] Under such a model, authorized participants must redeem ETP shares for U.S. dollars, forcing the ETP issuer to buy or sell the crypto asset on the open market. This introduces significant transaction costs, exposes the product and its investors to price slippage in the underlying asset class, and makes the ETP more expensive. The Commission's 2024 order did not adequately address why this novel structure for spot crypto ETPs should differ from other commodity ETPs.

Today's order aligns with the SEC's mission to protect investors and maintain fair, orderly, and efficient markets. Crypto asset ETPs will now be able to use the same processes for creations and redemptions as other comparable

products, giving investors access to products in which they have expressed interest for years. The Commission's order eliminates the market asymmetries and inefficiencies created by cash-only redemption. In-kind redemptions will enable crypto-asset ETPs to access the tools for managing exposure more cheaply, more transparently, and with better alignment to how asset managers and investors use ETPs in other markets.

I am pleased that the Commission is moving forward on this path. Thanks to Chairman Paul S. Atkins, as well as to Commissioner Hester M. Peirce and the Crypto Task Force, for their leadership on these issues. My gratitude also extends to the SEC staff across the Commission, who worked on these matters, particularly Director Jamie Selway and the staff in the Division of Trading and Markets.

[1] See Commissioner Mark T. Uyeda, "Statement Regarding the Commission's Approval of Proposed Rule Changes to List and Trade Shares of Spot Bitcoin Exchange-Traded Products" (Jan. 10, 2024), <https://www.sec.gov/newsroom/speeches-statements/uyeda-statement-spot-bitcoin-011023>.

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