

Crypto Rating Council

Leading crypto financial services firms committed to practical compliance with the U.S. securities laws.

01 - Who We Are

The Crypto Rating Council is a diverse group of leading crypto financial services firms committed to the responsible growth and maturation of cryptocurrency markets and related financial infrastructure and trading services. Our members share a belief that practical compliance tools can help cryptocurrency exchanges, custodians, trading desks, investment firms, and other financial services providers support the growth and adoption of this important asset class and related blockchain technologies in the U.S. and around the world.

02 - Why We Started the CRC

We formed the Crypto Rating Council to create a framework to consistently and objectively assess whether any given crypto asset has characteristics that make it more or less likely to be classified as a security under the U.S. federal securities laws.

The important question of whether any given digital asset is a security—as opposed to a commodity, a currency, or something else—informs critical licensing, registration, and operating obligations for financial services firms that support cryptocurrency. The U.S. Securities & Exchange Commission has issued guidance that some crypto assets may be securities while others may not be. While the SEC’s guidance has been helpful in alerting the industry to complex legal issues, determining whether any particular token is a security remains highly circumstantial and difficult to resolve even with the help of leading legal and technical experts. This complexity has led to expensive, redundant, and frequently inconsistent compliance analysis among financial services firms and has generally slowed the launch of new cryptocurrency assets in the U.S.

Our securities law framework for cryptocurrency makes it easier for members to apply the law consistently and efficiently across many assets.

03 - Our Rating Framework

At the core of the Crypto Rating Council is our securities rating framework, a points-based rating system built upon a set of factual questions that assess each element of the legal test to determine whether an asset is a security. Our framework is derived directly from case law and SEC guidance and has been structured to emphasize objective, repeatable, and fact-driven responses that can be answered more consistently across different assets and across the same asset over time.

The analytical framework results in a score between 1 and 5 for each asset we review. A score of 1 means the Council's analysis suggests the asset has few or no characteristics consistent with treatment as a security under the U.S. federal securities laws. A score of 5 means the Council's analysis suggests that an asset has many characteristics strongly consistent with treatment as a security. The CRC will generally publish the results of our analysis to encourage a common dialogue, vocabulary, and understanding of the federal securities laws as applied in practice. To see the scores of the assets we've rated, [visit our asset ratings page](#).

Frequently Asked Questions

What is the Crypto Rating Council?

The Crypto Rating Council (CRC) is a member-owned and operated organization whose purpose is to assess whether any given crypto asset, or whether the

development, issuance, and use of such asset have characteristics that make it more or less likely to implicate the U.S. federal securities laws. The CRC will publish a simple rating for most assets it reviews to indicate the results of its analysis as a reference for operators, developers, and the public.

Why Create the Crypto Rating Council?

The question of whether a crypto asset is a security—as opposed to a currency, a commodity, or something else—may trigger registration, licensing, and other operating obligations for financial services firms that offer digital asset services like exchange, investment management, and trading. Under federal U.S. law, this important question is generally answered by applying the four-factor *Howey test*, which requires painstaking “facts and circumstances” analysis which often leads to judgment calls, inconsistent results, and can lead to disagreement among legal experts (and government officials). The founding members formed the CRC to create a compliance tool which, in partnership with securities law experts, allows the members to consistently review assets supported in the ordinary course of their respective businesses.

What is the Council’s Rating Framework?

At the core of the Council’s work is a points-based rating system centered around a set of factual questions. Working with legal and technical experts and members of the community, the CRC distilled a set of yes or no questions which are designed to plainly address each of the four, Howey test factors: **(i)** whether crypto purchasers invested money, **(ii)** in a “common enterprise”, **(iii)** with a reasonable expectation of profit, **(iv)** based on the efforts of others. The questions are tailored to assess the characteristics most likely to impact any given crypto asset’s treatment under the securities laws. These characteristics include circumstances of the asset’s issuance, governance features, third-party contributions to the project, and practical use of the asset by the general public. The questions are also structured to allow for objective, repeatable, and fact-driven responses that can be answered consistently across different assets and across the same asset over time.

What Does the Rating Mean?

Each question in the framework is assigned a points-based weighting to reflect its relative importance, the sum of which create scores for each Howey factor. Those scores are then scaled into a final rating between 1 and 5. A score of 5 results when an asset appears to have many characteristics that are consistent with the Howey-test factors. It is probably *more likely*, relative to lower-scored assets, to implicate the

U.S. securities laws. A score of 1 results when an asset appears to have few characteristics that are consistent with the Howey-test factors. It is probably *less likely*, relative to higher-scored assets, to implicate the U.S. securities laws.

How Does the Council Use the Framework in Practice?

Members periodically select a set of assets for review. Outside counsel, with assistance from technical experts, then performs a comprehensive factual review of each asset. This review includes a study of the history of the asset, developer team materials including whitepapers, websites, and social media, asset issuance history, codebase contributions, functionality of the asset and related blockchain, and other factors. Counsel then generates a summary memo and uses the framework to produce a score. Members' respective legal teams and technical experts then vote to adopt or revise the score, after which it may be published to the Council's website. Members are each left to their own discretion to decide whether to support or trade an asset and no member is responsible for any other member's subsequent decisions or operations.