

# Introducing the **Crypto Rating Council**

Sep 30

*Coinbase is proud to join leading crypto businesses in announcing the creation of the [Crypto Rating Council](#), a member-operated organization formed to assist market participants that trade or support crypto assets to comply with U.S. federal securities laws. Founding members of the Council are Anchorage, Bittrex, Circle, Coinbase, DRW Cumberland, Genesis, Grayscale Investments and Kraken.*



The proper legal characterization of a crypto token — as a currency, a commodity, a security, or something else — can have a meaningful impact on how crypto businesses operate.

Whether a token is a security under U.S. federal securities laws, in particular, will significantly impact registration, licensing, and operating obligations for financial services firms that offer crypto services like exchange, investment management, or trading.

Although the U.S. Securities and Exchange Commission has issued [helpful guidance](#), whether any given crypto asset is a security ultimately requires a fact-intensive analysis by knowledgeable technical and securities law experts. This analysis is difficult and expensive to operationalize consistently, may involve judgment calls, and can lead to disagreement among legal experts (and even government officials).

This challenge prompted Coinbase to bring together several industry leaders and securities law experts to create a scalable, points-based rating system centered around a set of several dozen, yes / no factual questions. These questions are derived directly from SEC guidance and case law and are designed to address important characteristics that inform whether an asset is or is not a security. We also worked hard to focus our framework on objective, repeatable, fact-driven questions that can be answered consistently by technical experts across different assets and over time. The result of the analysis is a score which makes it easy for members to synthesize the analysis across many tokens and make their own, independent business decisions about whether or how to support an asset.

### **The Council Members**

The following companies, spanning digital asset trading platforms, digital custodians, trading firms and more, are founding members of the Crypto Rating Council:

- **Anchorage**
- **Bittrex**
- **Circle**
- **Coinbase**
- **DRW Cumberland**
- **Genesis**
- **Grayscale Investments**
- **Kraken**

Any asset rating published by the Council is the result of a factual analysis performed by outside legal experts in conjunction with technical experts at member firms. These legal experts then use the Council's framework to establish a rating for each asset under review. Member firms, typically acting through in-house lawyers, then deliberate and vote whether to adopt the rating. All scores published by the Council are the result of this analytical and deliberative process. We expect and look forward to welcoming more organizations to the Council over time.

### **About Asset Ratings**

The Council's analytical framework results in a score between 1 and 5. A score of 1 means the Council's independent analysis suggests the asset has few or no characteristics consistent with a traditional regulated security. A score of 5 means the Council's analysis suggests that an asset has many characteristics strongly consistent with treatment as a security. The Council will publish its score for most assets that members support or use in the ordinary course of their respective businesses. We expect that some ratings will change over time and we will accept and consider feedback from asset issuers when they want to share

additional information or clarifications that may impact an asset's rating.

The Council's ratings are performed independently. They are not endorsed by the SEC, CFTC, or any government agency, developer team, or other third party, and they are not legal advice. Although we may seek input from development teams, developers have no influence over the performance of the analysis and most of the Council's ratings have been established without direct developer input. More details about the scores and methodology can be found [here](#).

In the coming months, we expect to add more members, review more assets, and publish more and revised asset scores. As we continue to grow, we may develop similar tools for non-U.S. jurisdictions.