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SEC Says Some Liquid Staking Tokens Fall Outside Securities Laws

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SEC Clarifies Rules on Liquid Staking and Crypto Tokens

Washington, D.C. – The U.S. Securities and Exchange Commission (SEC) has released new guidance stating that some forms of liquid staking and their associated staking receipt tokens may not qualify as securities under specific structures.

Issued by the Division of Corporation Finance, the statement aims to provide clarity for crypto participants seeking to understand when registration under U.S. securities laws is necessary.

What Is Liquid Staking?

In a liquid staking arrangement, cryptocurrency holders deposit assets with a third-party provider or smart contract. In return, they receive staking receipt tokens, which represent their ownership and any staking rewards.

Unlike traditional staking where assets are locked these receipt tokens remain tradeable and usable across decentralized applications. Users can later redeem the tokens, depending on the protocol's conditions, such as required "unbonding" periods.

SEC's Position: No Securities in Some Structures

According to the SEC, these setups don't involve a securities offering if the original assets being staked are not securities themselves and if the provider's role is limited to technical functions.

The key distinction lies in whether the provider engages in entrepreneurial or managerial efforts. As long as providers simply manage or facilitate staking without making investment decisions, the arrangements do not meet the criteria of an investment contract.

This interpretation is based on the Howey Test, a legal standard used to determine whether a financial arrangement constitutes a security. Under the Howey Test, a security exists if there is an investment of money in a common enterprise with an expectation of profits derived from others' efforts.

Staking Receipt Tokens Not Considered Securities

The SEC also clarified that staking receipt tokens which act as proof of ownership are not securities unless the assets they represent are themselves securities.

These tokens do not independently generate returns; they simply reflect the value of the staked assets. However, if the provider begins taking a more active role in managing investments, the regulatory assessment could change.

SEC Launches ‘Project Crypto’

On July 31, SEC Chairman Paul Atkins announced the launch of Project Crypto, a new initiative aimed at modernizing securities laws and integrating blockchain-based systems into U.S. financial markets.

The agency emphasized that this new framework is not a blanket exemption. Participants must still carefully assess their setup to ensure compliance.