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Tyler Winklevoss Criticizes SEC Over Crypto ETF Restrictions

August 1, 2025

– Categories: *Crypto*



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Tyler Winklevoss, co-founder of the cryptocurrency exchange Gemini, has openly criticized the U.S. Securities and Exchange Commission (SEC) for its approach to cryptocurrency exchange-traded funds (ETFs), particularly its decision to block the use of in-kind redemption mechanisms. He argues that this regulatory stance hinders the efficiency of Bitcoin ETFs and reflects a fundamental misunderstanding of how digital asset products are designed to function.

In-kind redemptions allow investors to exchange ETF shares directly for the underlying asset, such as bitcoin, without first converting them into cash. This method is widely used in traditional commodity-based ETFs because it improves tax efficiency and lowers transaction costs. According to Winklevoss, the SEC's insistence on cash-only redemptions creates unnecessary friction and limits investor flexibility.

“The SEC has had every opportunity to modernize its approach but has instead chosen to slow progress in the crypto sector,” Winklevoss said. His criticism underscores a broader frustration within the digital asset industry over what many see as outdated or restrictive regulatory frameworks.

Advocates of in-kind redemptions argue the mechanism provides better liquidity and reduces operational costs, key factors when dealing with high-volatility assets like cryptocurrencies. They also contend that these tools are critical for enabling crypto ETFs to match the performance and efficiency of their commodity-based counterparts.

The SEC, under Chairman Gary Gensler, has approved several spot bitcoin ETFs over the past year, marking a milestone for mainstream crypto adoption. However, the Commission's refusal to allow in-kind redemption models has been a point of contention, with some market participants warning that the U.S. may fall behind global peers who offer more flexible fund structures.

Winklevoss's remarks come at a time of growing interest in cryptocurrency investment vehicles from both retail and institutional investors. As ETFs tied to digital assets gain traction, calls for reform in the regulatory space are intensifying.

A vocal advocate for innovation in finance and technology, Winklevoss has frequently urged U.S. regulators to adopt frameworks that encourage growth rather than suppress it. His latest comments amplify pressure on policymakers to reconsider existing rules.

As the debate continues, the SEC's approach to structuring crypto ETFs will remain central to determining how competitive and accessible these products become in global markets.