

## SEC Permits In-Kind Redemptions for Crypto ETFs

July 30, 2025

— Categories: *Crypto*



Download IPFS

The U.S. Securities and Exchange Commission (SEC) has agreed to allow in-kind creations and redemptions for cryptocurrency exchange-traded products (ETPs), marking a significant development in how these financial instruments operate. This policy shift aligns crypto ETFs (Exchange-Traded Funds) more closely with traditional commodity funds and is expected to streamline the management and trading of crypto assets within the regulated market.

Previously, the SEC mandated that redemptions and creations of crypto ETFs, specifically those tied to spot Bitcoin (BTC) and Ethereum (ETH), be conducted in cash. This requirement was in place when the SEC first approved the products last year, a cautious approach that some believed limited efficiency and discouraged certain investors. Asset managers had pushed back, stating that most commodity-based ETFs, such as those backed by gold or oil, typically allow in-kind transactions using the underlying asset rather than fiat currency.

The new allowance by the SEC is a notable step toward parity with other commodity ETFs, addressing long-standing concerns in the financial community. Industry advocates have argued that in-kind redemptions can reduce transaction costs, minimize taxable events, and enhance liquidity. By granting this flexibility, the SEC appears to be acknowledging the maturing structure and growing stability of the crypto market.

The change comes as regulatory bodies globally continue to refine their approach to digital assets, seeking to balance investor protection with innovation and market development. While the SEC has remained cautious in its broader stance on crypto, this move suggests a more nuanced regulatory posture that recognizes the distinct characteristics of digital commodities.

The decision is widely viewed as a win for ETF issuers and institutional investors who are seeking more efficient exposure to cryptocurrencies. It may also pave the way for further innovation in digital asset products, particularly as traditional financial institutions deepen their involvement in the sector.