

SEC Unveils Comprehensive Disclosure Requirements as Crypto ETFs Enter the Mainstream

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— Categories: Crypto



In a significant regulatory milestone for the digital asset industry, the U.S. Securities and Exchange Commission (SEC) has introduced comprehensive new guidance aimed at enhancing transparency around cryptocurrency-based exchange-traded funds (ETFs). Announced on July 1 by the SEC's Division of Corporation Finance, the directive sets forth a clear framework for what issuers must disclose when launching token-based investment products in public markets.

The guidance applies to both spot and derivative crypto ETFs registered under the Securities Act of 1933 and the Exchange Act of 1934, underscoring the SEC's commitment to imposing more robust investor protections as demand for these products accelerates. Under the new rules, issuers are required to provide detailed, asset-specific disclosures covering nearly every facet of fund operations.

Specifically, firms must explain the methodology used to select and value underlying crypto assets, outline how net asset value (NAV) is calculated daily, and describe the mechanics of the creation and redemption process, an essential function that keeps ETF share prices aligned with the value of their holdings. The guidance also mandates full disclosure of custody practices, including how assets are secured against cybersecurity threats, fraud, or the failure of third-party custodians.

Additionally, the SEC is placing particular emphasis on conflicts of interest, requiring issuers to identify any relationships with affiliated market makers, custodians, or liquidity providers that could compromise the fairness or accuracy of trading and pricing.

This policy shift arrives at a pivotal moment for the market. Since the introduction of spot Bitcoin ETFs in early 2024, investor appetite for crypto-based funds has grown rapidly, with inflows surpassing \$25 billion. The surge in popularity has heightened concerns that many investors may not fully understand the operational complexities and risks associated with these products.

Market participants have offered mixed reactions to the announcement. While some issuers and asset managers welcomed the clarity as a long-overdue step toward standardization and legitimacy, others cautioned that the more rigorous disclosure requirements could delay new product launches and impose higher compliance costs.

Nevertheless, the SEC's position is unequivocal. As the agency stated in its notice, "Investors deserve transparency into the risks and mechanics behind crypto ETFs." With this guidance, the Commission has taken a decisive step to ensure that the next generation of digital asset funds is built on clear, consistent, and reliable information.