Multicoin
/ Capital

August 31, 2026

Via Electronic Submission
Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Request for Comment on Novel ETFs — File No. S7-2026-24; Release Nos. 33-11426; 34-105808; IC-36228

Dear Ms. Countryman:

Multicoin Capital Management, LLC ("Multicoin") respectfully submits this letter in response to the Commission's Request for Comment on Novel ETFs (the "Request").[1] Multicoin is also a signatory to a separate letter submitted today, together with Solana Policy Institute, Jito Labs, Inc., and the Jito Foundation, addressing how the Commission should treat staking receipt tokens ("SRTs") under the exchange listing framework.[2] This letter does not repeat that analysis. It incorporates the Coalition SRT Letter by reference and addresses the broader questions the Request raises about the regulation of Novel ETFs generally: the disclosure-based premise of the federal securities laws, investment-company status, liquidity and portfolio composition, tax alignment, nomenclature, and the registration process. Multicoin writes with a single conviction: the Commission can facilitate the innovation contemplated by the Request while protecting investors through objective, technology- and asset-neutral standards and robust disclosure, rather than through merit-based judgments about particular assets or structures.

I. Executive Summary and Recommendations

The Request asks how the Commission can facilitate innovation in Novel ETFs while protecting investors and maintaining fair, orderly, and efficient markets.[3] Multicoin believes the Commission

[1] *See* Request for Comment on Novel ETFs, Securities Act Release No. 33-11426, Exchange Act Release No. 34-105808, Investment Company Act Release No. IC-36228, File No. S7-2026-24, 91 Fed. Reg. 40647 (July 2, 2026) (providing a 60-day comment period from publication, making an August 31, 2026 submission timely) (the "Request"). Question references herein are to the numbered questions in the Request.

[2] Letter from Multicoin Capital Management, LLC, Solana Policy Institute, Jito Labs, Inc., and the Jito Foundation to Vanessa A. Countryman, Secretary, U.S. Securities and Exchange Commission, re Request for Comment on Novel ETFs, File No. S7-2026-24 (Aug. 31, 2026) (the "Coalition SRT Letter"). Multicoin is a signatory to the Coalition SRT Letter and incorporates its analysis, supporting authorities, and recommendations by reference. As used herein, "qualifying SRT" means an SRT satisfying the conditions and objective criteria described in the Coalition SRT Letter.

[3] The Request defines "Novel ETFs" as exchange-traded products that provide exposure to innovative asset classes or use novel investment strategies including "crypto assets; commodity-focused instruments; single-stock strategies; heightened leverage; blockchain-enabled opportunities; private assets; event contracts; and/or a combination of any of the above." Request at 5.

already possesses important analytical building blocks; what remains is to assemble them into clear, generally applicable rules. Staking through a qualifying SRT is a leading example, and Multicoin addresses it, together with its coalition partners, in the Coalition SRT Letter.[4] The Commission's Interpretation supplies Securities Act and Exchange Act analysis for qualifying arrangements under the conditions it describes; it does not resolve the separate Investment Company Act, exchange-listing, liquidity, custody, valuation, or tax questions addressed below. The Coalition SRT Letter contains the supporting market analysis, and a live listing proceeding illustrates the regulatory gap that a generic framework could close.

The federal securities laws charge the Commission with ensuring full and fair disclosure and sound market structure, not with judging the investment merit of any particular asset or instrument, or with conditioning market access on an official's view of whether a given holding is wise. Multicoin does not suggest that the Commission lacks substantive obligations. When it reviews a proposed rule change to list a new product, the Commission must find that the relevant exchange's rules are designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest; that is a statutory finding rather than a matter of discretion. Multicoin's comments focus on how that finding should be made, not whether it must be: it should rest on objective, generally applicable criteria that any qualifying product can satisfy in advance, rather than on a case-by-case assessment of whether a particular asset is suitable for investors. That is precisely what the Commission accomplished in approving the Commodity-Based Trust Shares generic listing standards ("CBTS Standards").

Second, and as a corollary, the framework for Novel ETFs should be technology- and asset-neutral. The same objective structural standards that govern a traditional registered ETF should govern a novel registered ETF, neither privileging nor disfavoring a particular asset class or strategy. Neutrality as to asset, technology, or strategy is not, however, a license to abandon structure. Novel products must continue to respect the rules applicable to their wrappers that make an exchange-traded structure function. For a registered fund, foremost among those rules is Rule 6c-11, with its conditions governing creation and redemption, the arbitrage mechanism, and portfolio transparency, together with the associated generic listing standards; non-investment-company ETPs remain subject to their applicable Securities Act and exchange-listing requirements. Multicoin's recommendations are offered in exactly that spirit: apply the existing structural rules neutrally to crypto and staking, and confirm that qualifying products satisfy them. We are neither asking the Commission to exempt these products from the rules nor urging product-specific judgments untethered to an express investor-protection or market-integrity requirement. These principles also track obligations Congress imposed on the Commission. Whenever the Commission engages in rulemaking under the Securities Act of 1933 ("Securities Act"), the Securities Exchange Act of 1934 ("Exchange Act"), or the Investment Company Act of 1940 ("Investment Company Act") and must consider whether an action is necessary

[4] The term "staking receipt token" is drawn from the joint SEC/CFTC interpretive release addressed in the Coalition SRT Letter, note 2 *supra*. *See* Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets, Securities Act Release No. 33-11412; Exchange Act Release No. 34-105020; File No. S7-2026-09, 91 Fed. Reg. 13714 (Mar. 23, 2026), § V.B.4 (the "Interpretation"). SRTs are referred to in industry usage as liquid staking tokens or "LSTs."

or appropriate in the public interest, it must also consider the action's effect on efficiency, competition, and capital formation. For example, in the context of SRTs, a categorical restriction on staking mechanisms, or a portfolio condition unrelated to an identified statutory risk, could negatively impact all three: it could foreclose a capital-efficient means of delivering staking exposure, advantage incumbents whose products were approved under an earlier standard, and channel capital formation into contested, product-by-product proceedings rather than generally applicable rules. Objective, technology- and asset-neutral standards are the course most consistent with that statutory mandate, and the Commission's adoption of Rule 6c-11 and the CBTS Standards reflects that judgment.

Accordingly, Multicoin respectfully recommends that the Commission:

1. adopt the objective, technology- and asset-neutral framework for qualifying SRTs described in the Coalition SRT Letter, including confirmation that a qualifying SRT may be held within the fifteen-percent buffer under the amended CBTS Standards and, through a generic look-through to the eligible underlying digital commodity, in a greater proportion up to and including substantially all of the digital-asset holdings of a spot crypto exchange-traded product ("ETP"),[5] whether the product is fully or partially staked and whether SRTs are used alone or with direct or delegated staking;[6]

2. confirm that a Novel ETF may obtain exposure to event contracts, whether exchange-listed and centrally cleared or bilateral, and whether as a principal strategy or as an ancillary hedging tool, subject to the derivatives, liquidity, valuation, and disclosure frameworks that already apply, rather than to a categorical restriction or a minimum-securities-holdings requirement that would operate as a merit screen;

3. confirm that holding a non-security digital commodity (or a qualifying SRT related to such a commodity) does not, without more, determine an issuer's investment-company status under Section 3 of the Investment Company Act, and preserve functionally comparable pathways for Securities Act trusts and Rule 6c-11 funds, subject to each wrapper's applicable requirements;

4. distinguish and coordinate the separate fifteen-percent thresholds under Rule 22e-4, the CBTS Standards, and Revenue Procedure 2025-31, 2025-48 I.R.B. 743 (Nov. 24, 2025) ("Revenue Procedure 2025-31"), while addressing portfolio composition through objective eligibility standards and disclosure rather than new categorical restrictions;

5. coordinate with the Department of the Treasury ("Treasury") and the Internal Revenue Service ("IRS") so that the staking tax safe harbor of Revenue Procedure 2025-31 extends with comparable certainty to SRT-based structures;

[5] Herein we use "ETP" to include both investment companies (*i.e.*, ETFs) and non-investment-company exchange-traded products (*e.g.*, exchange-traded commodities, exchange-traded commodity pools, and exchange-traded notes).

[6] The Coalition SRT Letter, note 2 *supra*, sets out the objective legal, market, liquidity, valuation, and operational criteria Multicoin supports for this purpose, together with the supporting record. Nothing in this letter is intended to expand upon or vary those criteria.

6. take no action restricting the colloquial term "ETF" or, to the extent the Commission nonetheless determines that only registered investment companies may use that term, phase in any such requirement over a period of not less than one year; and

7. expedite review of pending SRT-based filings and adopt a pre-filing consultation process for Novel ETFs, consistent with Question 15.

II. Multicoin's Interest and Prior Engagement

Multicoin is an SEC-registered investment adviser and a long-standing commenter on the architecture for crypto ETPs; it has urged the Commission to replace ad hoc, merit-oriented review with objective generic listing standards and a disclosure-based review process.[7] Multicoin has previously engaged the Commission staff on these and related questions, and it submits this letter to address the questions in the Request that extend beyond the SRT listing issue taken up in the Coalition SRT Letter.[8]

III. Disclosure, Not Merit — and the Efficiency, Competition, and Capital-Formation Mandate

Two features of the Commission's statutory mandate frame every recommendation that follows. The first is foundational: the Commission is not a merit regulator. The federal securities laws substitute a philosophy of full and fair disclosure for the philosophy of *caveat emptor*; they direct the Commission to ensure that investors receive the information they need and that markets remain fair, orderly, and efficient—not to judge the investment merit of any particular asset or instrument, or to condition market access on an official's view of whether a given holding is wise.[9]

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[7] *See* Letter from Multicoin Capital Management, LLC re SR-CboeBZX-2025-104; SR-NASDAQ-2025-056; SR-NYSEARCA-2025-54 (Aug. 25, 2025) ("Multicoin CBTS Comment"). *See also* Multicoin 6(b)(5) White Paper (Apr. 25, 2025), available at https://www.sec.gov/files/ctf-memo-multicoin-capital-management-chapman-cutler-052125.pdf ("Multicoin 6(b)(5) White Paper"). The Commission subsequently approved generic listing standards for Commodity-Based Trust Shares. *See* Exchange Act Release No. 34-103995, 90 Fed. Reg. 45414 (Sept. 22, 2025); *see also* Exchange Act Release Nos. 34-103972, 34-103973 & 34-103974, 90 Fed. Reg. 45075, 45082, 45089 (Sept. 18, 2025) (liquidity-related standards). Earlier, the Commission adopted Rule 6c-11 to replace individualized exemptive orders with a consistent, generally applicable framework that reduces barriers to entry and promotes competition and innovation; the rule imposes structural conditions—principally an efficient creation-and-redemption arbitrage mechanism and daily portfolio transparency—without restricting the asset classes or strategies an ETF may pursue. *See* Exchange-Traded Funds, Investment Company Act Release No. IC-33646, 84 Fed. Reg. 57162 (Oct. 24, 2019) ("6c-11 Adopting Release"); *accord* Request, note 1 *supra*. That same case-by-case-to-generic rationale supports accommodating qualifying SRTs through generally applicable standards rather than product-by-product proceedings.

[8] This letter builds on that record and on Multicoin's prior comments, including the Multicoin CBTS Comment, note 7 *supra*, and on the third-party equivalency analysis discussed in the Coalition SRT Letter, note 2 *supra*.

[9] Securities Act § 23, 15 U.S.C. § 77w (neither the filing nor the effectiveness of a registration statement shall "be held to mean that the Commission has in any way passed upon the merits of, or given approval to, such security"); Exchange Act § 26, 15 U.S.C. § 78z (parallel provision for securities registered on a national securities exchange); *see also* Item 501(b)(7) of Regulation S-K, 17 C.F.R. § 229.501(b)(7) (requiring every prospectus to state on its cover that the Commission has neither approved nor disapproved the securities and has not passed upon the adequacy or accuracy of the prospectus); *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 186 (1963) (the federal securities laws "substitute a philosophy of full disclosure for the philosophy of *caveat emptor*"); *Basic Inc. v. Levinson*, 485 U.S. 224, 230 (1988) (same); *SEC v. Ralston Purina Co.*, 346 U.S. 119, 124 (1953) (the Securities Act is a disclosure statute directed to whether offerees "need the protection of the Act").

That principle is not abstract. It underpins Multicoin's objection to any framework that would screen Novel ETFs by reference to the perceived merit of their underlying assets rather than by objective, structural standards. The clearest recent example is the application of the so-called "Winklevoss Standard," the practice, traceable to the Commission's 2018 disapproval of the Bats BZX bitcoin proposal, of conditioning a crypto ETP's approval on the listing exchange's surveillance-sharing agreement with a regulated market "of significant size" related to the underlying asset. That test proved shifting and merit-tinged in application rather than objective. In *Grayscale Investments, LLC v. SEC*, the D.C. Circuit held that the Commission failed to explain its different treatment of materially similar spot and futures products and vacated and remanded on that basis. The Commission's subsequent adoption of objective, generally applicable listing standards provided a more objective framework, and it is the model Multicoin urges the Commission to extend to Novel ETFs here.[10]

The second feature is a statutory mandate that points the same way. Whenever the Commission considers whether an action is necessary or appropriate in the public interest, it must also consider whether the action will promote efficiency, competition, and capital formation. That mandate governs rulemaking under the Securities Act, the Exchange Act, and the Investment Company Act alike, and it applies directly to any amendment of Rule 6c-11. Objective, technology- and asset-neutral standards—applied once and generally, rather than relitigated product-by-product—are the course most consistent with that mandate: they lower barriers to entry, reduce reliance on case-specific discretion, and allow competition rather than discretionary screening to determine which products reach investors. The Commission invoked precisely these considerations when it adopted Rule 6c-11, replacing individualized exemptive orders with a generally applicable framework.[11]

IV. Staking Receipt Tokens: A Paradigmatic Novel-ETF Feature

Staking through a qualifying SRT is the clearest present illustration of the framework this letter urges, and it is the subject of the Coalition SRT Letter, note 2 *supra*, which Multicoin joins and incorporates by reference. Multicoin does not restate that analysis here. In summary, under the conditions described in the Interpretation, the Commission has supplied the Securities Act and Exchange Act securities-law analysis for qualifying arrangements. The Coalition SRT Letter summarizes empirical analysis of the economic relationship between certain SRTs and their underlying digital commodities; the recently

[10] *See* Order Disapproving a Proposed Rule Change, Exchange Act Release No. 34-83723, 83 Fed. Reg. 37579 (Aug. 1, 2018) (File No. SR-BatsBZX-2016-30); Dissent of Commissioner Hester M. Peirce (July 26, 2018) (objecting that the order evaluated the underlying spot market rather than the exchange's ability to surveil the listed shares). *See Grayscale Investments, LLC v. SEC*, 82 F.4th 1239, 1252–53 (D.C. Cir. 2023) ("*Grayscale*") (holding that the Commission failed to explain its different treatment of materially similar spot and futures products and vacating and remanding on that basis). *See also* Multicoin 6(b)(5) White Paper, note 7 *supra*.

[11] On the Commission's obligation to consider efficiency, competition, and capital formation, *see* Securities Act § 2(b), 15 U.S.C. § 77b(b); Exchange Act § 3(f), 15 U.S.C. § 78c(f); and Investment Company Act § 2(c), 15 U.S.C. § 80a-2(c). Each directs that, where the Commission must consider whether an action is necessary or appropriate in the public interest, it "shall also consider, in addition to the protection of investors, whether the action will promote efficiency, competition, and capital formation." Section 2(c) governs rulemaking under the Investment Company Act and therefore applies to any amendment of Rule 6c-11. *See* 6c-11 Adopting Release, note 7 *supra*.

amended generic listing standards resolve part, but not all, of the eligibility question; and a live listing proceeding illustrates the cost of resolving the remainder one product at a time.

Two points bear emphasis for the broader framework the Request contemplates. First, an ETP's choice among staking mechanisms is a portfolio-construction decision rather than a change in the character of the underlying activity. There is accordingly no principled basis to distinguish among configurations (*e.g.*, full or partial staking, SRTs alone or alongside direct or delegated staking) for eligibility purposes, provided the configuration selected satisfies the objective eligibility, liquidity, custody, valuation, disclosure, and operational criteria described in note 6 *supra*.

Second, the SRT question is a test case for the method the Commission adopts for Novel ETFs generally. Resolved through objective criteria applied once and generally, it produces a repeatable path for any comparable instrument. Resolved product-by-product, it converts a structural question into a series of contested proceedings and reintroduces precisely the discretion that generic standards were adopted to displace. The remainder of this letter addresses how that method should apply to the other questions the Request raises.

V. Event Contracts: Disclosure and Sales Practices, Not Merit Review (Questions 5, 6, 7, and 26)

The Request lists event contracts among the features that make an ETF "novel," but asks no question addressed to them.[12] Multicoin addresses them here because they present the question framed in Section III in its starkest form. An event contract generally does not represent an interest in an issuer or its cash flows; its regulatory treatment therefore turns largely on whether an official believes the underlying subject matter is appropriate for investors to take a position on. That is a merit judgment, and the securities laws do not focus on such a judgment. The appropriate response is disclosure and sales-practice regulation, applied to how these products are described and sold rather than to whether they may be offered at all.

The relevant regulatory predicate is developing; the agency with jurisdiction has proposed a framework addressing certain listing questions. Event contracts within the CFTC's jurisdiction trade on designated contract markets, clear through derivatives clearing organizations, and, where retail participation is involved, must be traded on a designated contract market.[13] The CFTC's framework is proposed rather than final, and nothing here treats it as a final resolution; its analysis is nevertheless relevant to the Commission's own assessment. In June 2026, three weeks before the Request, the

[12] The Request identifies "event contracts" among the asset classes and strategies that characterize a Novel ETF. *See* Request, note 1 *supra*. The Request poses no question directed specifically to event contracts; the questions that bear on them are Questions 5, 6, 7, and 26.

[13] Event contracts within the Commodity Futures Trading Commission's (the "CFTC") jurisdiction are listed on designated contract markets and cleared through derivatives clearing organizations, and retail participation must occur on a designated contract market. *See* Commodity Exchange Act ("CEA") § 2(e), 7 U.S.C. § 2(e). The CFTC's authority to prohibit particular event contracts derives from CEA § 5c(c)(5)(C), 7 U.S.C. § 7a-2(c)(5)(C) (the "Special Rule"), implemented at 17 C.F.R. § 40.11.

CFTC published that proposal.[14] Trading volume across CFTC-registered prediction markets exceeded $25 billion in 2025, and the proposal describes prior litigation concerning election-related contracts as resolved.[15]

One feature of that proposal bears directly on Question 6. The CFTC stated preliminarily in the proposal that listing need not be conditioned on a demonstration that a contract serves an economic purpose. It explained that the economic-purpose test was removed from the Commodity Exchange Act in 2000, that Congress did not reinstate it, and that a contract's hedging or price-basing utility is a factor weighing in favor of listing, not a precondition to it.[16] The proposal therefore provides a relevant, but not final, comparison: the Commission should not adopt through fund regulation a screen that the CFTC has provisionally declined to adopt through derivatives regulation, and should not condition a fund's access to an instrument on a judgment about the nature of its subject matter.

Question 6 asks whether Rule 6c-11 should be amended to impose "minimum holdings in securities," to restrict particular strategies, or to exclude particular asset classes. Applied to event contracts, each of those would operate as a merit screen. A restriction permitting event contracts only as a secondary or ancillary sleeve would require a particularly strong justification: it would permit the instrument only in a limited role and would substitute a fixed numerical line for the risk analysis that Rule 18f-4 already requires. Whether a fund uses event contracts as a principal strategy or as an ancillary hedge is a portfolio-construction decision, and the risks that decision presents are differences of degree that existing rules already measure.

Those rules are not thin. For a registered fund, event contracts structured as swaps or futures are derivatives transactions for purposes of Rule 18f-4, so a fund holding them must maintain a derivatives risk management program, designate a derivatives risk manager, observe a value-at-risk limit on leverage risk, and report to its board and to the Commission. Liquidity is classified under Rule 22e-4, valuation is governed by Rule 2a-5, and Rule 6c-11's creation-and-redemption, basket-transparency, and arbitrage conditions apply unchanged.[17] Where standardized and traded on a regulated market, an

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[14] Prediction Markets; Public Interest Determinations, 91 Fed. Reg. 35806 (June 12, 2026) (RIN 3038-AF65) (proposing to revise 17 C.F.R. § 40.11) (the "CFTC Prediction Markets Proposal").

[15] CFTC Prediction Markets Proposal, note 14 *supra*, at 35807 ("[I]n 2025, the total trading volume across CFTC-registered prediction markets exceeded $25 billion. While growing, this is still a small share of the overall futures market regulated by the Commission, which had a notional value of around $31 trillion in 2025."). The proposal also describes prior litigation concerning election-related contracts as resolved. *See id.* at 35816–17 (discussing *KalshiEX LLC v. CFTC* (D.D.C. Sept. 2024), *appeal dismissed* (D.C. Cir. May 2025)).

[16] CFTC Prediction Markets Proposal, note 14 *supra*, at 35829–30 ("[T]he Commission preliminarily believes it is not necessary to demonstrate that event contracts have a reasonable potential for a hedging or pricing function to avoid a finding that the event contracts are contrary to the public interest."); *see also id. at* 35812 (noting that "no standard for finding that a futures contract does not serve an economic purpose has ever been applied to prohibit any futures contract" and that "Congress was aware of the history surrounding the economic purpose test but chose not to incorporate it into the text of the Special Rule"). The proposed public interest factors ask whether contracts "serve the public interest by providing meaningful hedging or price-basing utility…, yielding economically useful or otherwise meaningful information, or promoting responsible innovation and fair competition." *Id.* at 35859–60 (proposed 17 C.F.R. § 40.11(a)(5)(i)).

[17] Rule 18f-4, 17 C.F.R. § 270.18f-4, governs a registered fund's derivatives transactions, including swaps and futures contracts. To the extent an exchange-listed or bilateral event contract is a covered derivatives transaction, the rule requires a derivatives risk management program administered by a designated derivatives risk manager, imposes a value-at-risk-

event contract may be comparatively tractable to value: a binary contract generally settles at one of two stated values, its price may be published continuously subject to the contract's terms, and its terminal value is determined by an objective, publicly verifiable settlement event rather than necessarily by a modeled estimate. Multicoin is aware of no feature of these instruments that requires a new asset-class-specific rule rather than the faithful application of existing rules.

The affirmative case rests on hedging. The CFTC's proposal states that prediction markets "allow market participants to hedge exposure to a wide array of events for which no traditional financial instrument otherwise exists," including events concerning macroeconomics, politics, weather, and climate.[18] These are exposures that ordinary investors may bear and may not be able to hedge through conventional instruments: a household balance sheet is exposed to the path of inflation and short-term rates; a small business is exposed to weather and to policy outcomes that determine input costs; a concentrated equity position is exposed to sector-specific regulatory events. Institutions may address such risks through bespoke bilateral arrangements, while many retail investors may lack comparable access. The practical alternative to a registered fund may be direct, unmanaged exposure in a self-directed account or an offshore venue.[19] A registered fund can provide a regulated means of managing that exposure: it can supply professional management, daily net asset value, qualified custody, board oversight, the risk-management architecture of Rule 18f-4, and secondary-market liquidity. Denying the wrapper does not eliminate the underlying exposure; it may deny investors access to a regulated means of managing it.

Questions 7 and 26 ask how investors can better understand Novel ETFs and whether heightened disclosure is warranted. Multicoin supports targeted, instrument-specific disclosure rather than a generalized regime: that a binary event contract converges toward its maximum or minimum value and may expire worthless; the source and criteria that determine settlement; whether exposure is exchange-listed and centrally cleared or bilateral, and against whom; the basis risk assumed where contracts are held to hedge a related exposure; concentration in a single event or correlated events; and a plain statement that market-implied probabilities are not forecasts by the fund or its adviser. The Commission's Investor Advisory Committee took the same approach to single-stock and

based limit on leverage risk, and requires reporting to the fund's board and to the Commission. Liquidity classification is governed by Rule 22e-4, 17 C.F.R. § 270.22e-4; valuation by Investment Company Act § 2(a)(41)(B), 15 U.S.C. § 80a-2(a)(41)(B), and Rule 2a-5, 17 C.F.R. § 270.2a-5; and recordkeeping by Rule 31a-4, 17 C.F.R. § 270.31a-4. Rule 6c-11, 17 C.F.R. § 270.6c-11, governs the creation-and-redemption, basket-transparency, and arbitrage conditions. Diversification, where a fund so elects, is governed by Investment Company Act § 5(b)(1), 15 U.S.C. § 80a-5(b)(1).

[18] CFTC Prediction Markets Proposal, note 14 *supra*, at 35807–08 ("In addition to their information aggregation, price discovery, and price dissemination functions, prediction markets allow market participants to hedge exposure to a wide array of events for which no traditional financial instrument otherwise exists, ranging from events concerning macroeconomics, politics, weather, and climate conditions, to cultural trends . . . ."). Some contracts based on interest rates, exchange rates, inflation, and other macroeconomic indices may offer significant hedging utility while outside the Special Rule's enumerated-activity screen. *See id. at* 35820, 35828 (discussing CEA § 1a(19)(i) and listing economic and financial indicators among contracts outside the provision's scope).

[19] CFTC Prediction Markets Proposal, note 14 *supra*, at 35831 ("Particularly where demand for the event contract is strong, a determination barring its listing on a CFTC-registered prediction market is unlikely to eliminate the activity; rather, it may divert trading to offshore or otherwise less transparent and less supervised markets.").

leveraged ETFs, recommending disclosure, education, and sales-practice measures rather than prohibition, and the Request itself cites that recommendation.[20]

Disclosure is only half of the answer, and Multicoin does not offer it as a complete one. A central investor-protection concern with event-contract products is not merely that they may be misunderstood on the page but that they may be marketed as entertainment or as a view on the news. That concern is appropriately addressed through sales-practice requirements, which the existing framework already reaches. For registered funds, Rule 482 governs fund advertising, Financial Industry Regulatory Authority ("FINRA") Rules 2210 and 2111 govern member communications and recommendations, Regulation Best Interest governs retail recommendations, the marketing rule and an adviser's fiduciary duty govern advisers, and the antifraud provisions apply throughout.[21] The CFTC's proposal identifies analogous retail concerns and discusses conduct- and platform-level measures rather than instrument-level prohibition.[22] Multicoin would support the Commission stating expressly that these authorities apply with particular force to event-contract funds, including that it is misleading to present contract prices as the fund's forecast or expected return, or to market such a fund by reference to the entertainment value of the underlying event. A standard of that kind regulates how a product is sold. It does not decide whether the product may exist.

The Commission should also consider settlement risk for event contracts that, depending on their structure, could materially affect the value of a fund's holdings, and should address that risk through appropriate use and marketing requirements. The concern is one of instrument mechanics rather than subject matter. A binary event contract converges toward one of two terminal values as its resolution date approaches, so its price path and behavior at settlement differ materially from those of a linear instrument, and a fund's exposure may change abruptly on resolution depending on how contracts are structured, sized, and rolled. The Commission has addressed a structurally analogous problem before. Leveraged and inverse funds reset daily, and the effect of compounding causes their returns over periods longer than a single day to diverge, sometimes substantially, from the stated multiple of

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[20] *See* Investor Advisory Committee, U.S. Securities and Exchange Commission, Recommendation of the Investor Advisory Committee on Single Stock ETFs and Leveraged ETFs (June 22, 2023), cited in the Request, note 1 *supra*. The Committee's recommendations centered on disclosure, investor education, and sales-practice measures rather than on prohibiting the products.

[21] Rule 482, 17 C.F.R. § 230.482, governs investment company advertisements and sales literature; the Request itself identifies Rule 482 advertisements as a potential subject of Commission action. *See* Request, note 1 *supra* (Question 25). Intermediary conduct is governed by FINRA Rule 2210 (communications with the public) and FINRA Rule 2111 (suitability), and retail recommendations by Regulation Best Interest, Exchange Act Rule 15l-1, 17 C.F.R. § 240.15l-1. Advisers are subject to Advisers Act Rule 206(4)-1, 17 C.F.R. § 275.206(4)-1, and to their fiduciary duty. These authorities address advertising, communications, sales practices, and retail recommendations; they are not ETF listing-eligibility criteria. The antifraud provisions apply in all events. *See* Securities Act § 17(a), 15 U.S.C. § 77q(a); Exchange Act § 10(b), 15 U.S.C. § 78j(b); Rule 10b-5, 17 C.F.R. § 240.10b-5.

[22] CFTC Prediction Markets Proposal, note 14 *supra*, at 35857–58 (observing that certain trading characteristics are "generally associated with addictive potential," that "systematic overpricing of very low-probability outcomes and underpricing of near-certain ones can draw traders into positions with negative expected values," and that "[p]rotective measures, such as position limits, cooling off periods, notification restrictions, or self-exclusion mechanisms might preserve legitimate market functions while mitigating harm to retail traders"). The proposal discusses those as possible conduct- and platform-level measures directed at how an instrument is sold and used, not determinations that the instrument may not exist.

the reference index's return over the same period.[23] Notably, the Commission proposed, but declined to adopt, rules that would have required broker-dealers and investment advisers to exercise due diligence before approving a retail account to transact in leveraged or inverse investment vehicles, concluding that existing conduct obligations addressed the concern.[24] Multicoin submits that the same calibration is appropriate here: settlement mechanics warrant specific disclosure and marketing discipline, not a categorical bar.

Two further points warrant the Commission's attention. First, not every event contract is listed on a designated contract market, and a rule admitting only exchange-listed contracts would disadvantage precisely the bespoke, closely tailored hedges most useful to a fund. A bilateral event contract held by a registered fund is, to the extent covered by those rules, subject to Rule 18f-4's counterparty and leverage-risk requirements, Rule 22e-4's liquidity classification, Rule 2a-5's fair-value determination, and the custody requirements applicable to fund assets. Multicoin urges the Commission to treat exchange-listed and bilateral event contracts alike, subject to those existing frameworks, rather than by categorical preference. Second, where an event contract is a security-based swap rather than a swap or future, it falls within this Commission's jurisdiction, and the applicable requirements should be confirmed rather than left to be worked out product by product.[25]

Finally, a CFTC-regulated event contract that is not a security would not, solely by virtue of that status, constitute an investment security for purposes of the Objective Test (defined below), and the analysis set out in the following section applies with equal force. The CFTC's proposal does not address registered funds. Multicoin accordingly urges the Commission to coordinate with the CFTC so that a contract lawfully listed and traded on a designated contract market is not rendered practically unavailable to a registered fund through fund-level rules adopted without reference to the derivatives framework that already governs it.

VI. Structural Parity and Investment Company Status (Questions 1–4)

Section 3 of the Investment Company Act defines an investment company through the subjective test in Section 3(a)(1)(A) (the "Subjective Test")—whether an issuer is, or holds itself out as, engaged primarily in the business of investing in securities—and the objective asset test in Section 3(a)(1)(C)

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[23] *See* Rule 6c-11(c)(4), 17 C.F.R. § 270.6c-11(c)(4) (requiring an ETF that seeks leveraged or inverse investment returns over a predetermined period to comply with Rule 18f-4); Use of Derivatives by Registered Investment Companies and Business Development Companies, Investment Company Act Release No. IC-34084 (Oct. 28, 2020), 85 Fed. Reg. 83162 (Dec. 21, 2020); SEC Office of Investor Education and Advocacy & FINRA, Investor Alert, Leveraged and Inverse ETFs: Specialized Products with Extra Risks for Buy-and-Hold Investors (Aug. 18, 2009); FINRA Regulatory Notice 09-31 (June 2009) (sales-practice obligations for leveraged and inverse exchange-traded products).

[24] *See* Use of Derivatives by Registered Investment Companies and Business Development Companies; Required Due Diligence by Broker-Dealers and Registered Investment Advisers Regarding Retail Customers' Transactions in Certain Leveraged/Inverse Investment Vehicles, Exchange Act Release No. 34-87607 (Nov. 25, 2019), 85 Fed. Reg. 4446 (Jan. 24, 2020).

[25] The CFTC has acknowledged the jurisdictional boundary expressly. *See* CFTC Prediction Markets Proposal, note 14 *supra*, at 35809 ("Depending on their underlying events, other event contracts may be security-based swaps or other instruments subject to the jurisdiction of the SEC."); *id. at* 35808 n.13 (the CFTC's "exclusive jurisdiction does not extend to security-based swaps or other securities"). The CFTC Prediction Markets Proposal does not address registered funds, which is a gap this letter asks the Commission to close.

(the "Objective Test"), which is keyed to ownership of investment securities exceeding forty percent of total assets, excluding government securities and cash items.[26] A Novel ETF whose principal strategy is exposure to a non-security digital commodity (or to that commodity's SRT) would not necessarily satisfy either test; the result depends on the issuer's full facts and circumstances and the assets it holds.[27] Under the conditions described in the Interpretation, covered Protocol Staking Activities do not involve securities transactions, and an offer or sale of a qualifying SRT as described there does not involve the offer or sale of a security, for purposes of the Securities Act and the Exchange Act. The Interpretation does not address the definition under Section 2(a)(36) of the Investment Company Act, which supplies the Act's definition of "security" and therefore frames the separate question whether a qualifying SRT is an "investment security" under the Objective Test. On the facts described here, a qualifying SRT should not be treated as an "investment security" solely because it is a receipt for a non-security digital commodity or is held through an exchange-traded wrapper. Separately, the Subjective Test asks whether the issuer is, or holds itself out as, engaged primarily in the business of investing in securities; holding a qualifying SRT does not, without more, cause a fund to hold itself out as engaged in a securities business.

Multicoin therefore urges the Commission to confirm (Question 1) that neither the colloquial description of a product as an "ETF" nor the holding of a qualifying SRT, standing alone, constitutes holding oneself out as an investment company. The registration statement is highly relevant, but status should be assessed under the issuer's full facts and circumstances, including the *Tonopah* factors (*i.e.*, the nature of the issuer's present assets, its sources of present income, the activities of its employees, its history, and its public representations concerning its business). In applying those factors (Question 3), the nature of the issuer's assets and sources of income should be analyzed by reference to the economic substance of the underlying non-security digital commodity, whether held directly or through a qualifying SRT.[28]

Where a fund invests through a wholly owned subsidiary (Question 4), the statute provides an important part of the answer directly: Section 3(a)(2) of the Investment Company Act excludes, subject to its conditions, securities issued by a majority-owned subsidiary that is not itself an investment company, so a subsidiary holding non-security digital commodities or qualifying SRTs does not, by itself, generate investment securities for purposes of the Objective Test. Consistent with that treatment, Multicoin supports preserving the structural flexibility reflected in the *Peavey* staff no-

[26] Investment Company Act §§ 2(a)(36), 3(a)(1)(A), (C), 15 U.S.C. §§ 80a-2(a)(36), 80a-3(a)(1)(A), (C). Government securities and cash items are excluded from the Objective Test computation.

[27] *See*, *e.g.*, *Peavey Commodity Futures Fund I, II & III*, SEC Staff No-Action Letter (pub. avail. June 2, 1983), 1983 SEC NoAct. LEXIS 2576 ("*Peavey*") (a staff position supporting a facts-and-circumstances analysis of a fund's primary engagement under the Investment Company Act). *See also Tonopah Mining Co. of Nevada*, 26 S.E.C. 426 (1947) ("*Tonopah*") (adopting a five-factor analysis for determining an issuer's primary business for purposes of assessing the issuer's status under the Investment Company Act).

[28] *Tonopah*; *see also* Investment Company Act § 3(b)(1), 15 U.S.C. § 80a-3(b)(1) (excepting from the definition of investment company an issuer primarily engaged, directly or through wholly owned subsidiaries, in a business other than that of investing in securities); note 7 *supra* (objective standards rather than merit review).

action letter and its progeny, while recognizing that it is not binding Commission rulemaking.[29] As to why an issuer would elect one wrapper over another (Question 2), Multicoin seeks functional parity in the availability of qualifying crypto and SRT exposure through Rule 6c-11 funds and non-investment-company ETPs, while recognizing that the wrappers are legally and tax-structurally distinct. Direct crypto income, for example, is not clearly qualifying income for a regulated investment company, which is why registered funds may obtain exposure through subsidiaries or derivatives. The Commission can mitigate, but cannot itself eliminate, that tax asymmetry through coordination with Treasury and the IRS, as discussed in Section VIII.[30]

VII. Liquidity, the Fifteen-Percent Line, and Concentration (Questions 5, 6, and 9)

The assets and strategies at issue need not impair the arbitrage mechanism addressed in Question 5. As the Coalition SRT Letter explains, a qualifying SRT may strengthen that mechanism by providing secondary-market liquidity during the underlying unbonding period, subject to the SRT's market depth, redemption mechanics, transaction costs, and operational risks. Manipulation concerns should be addressed through the applicable surveillance, correlation, eligibility, and disclosure requirements. Multicoin therefore recommends objective qualification and disclosure rather than new categorical portfolio restrictions.

For a registered investment company, Rule 22e-4 generally prohibits acquiring an illiquid investment if, immediately after the acquisition, more than fifteen percent of net assets would be illiquid.[31] An SRT's unbonding period and direct-redemption feature are relevant but not dispositive. The required classification should also consider secondary-market depth, settlement timing, transaction costs, the reliability and capacity of protocol redemption, valuation inputs, and reasonably foreseeable stressed conditions. A qualifying SRT with an active market and a short, predictable withdrawal process may be classified as liquid on the relevant facts, but the framework should not necessarily treat every SRT as automatically liquid.[32]

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[29] Investment Company Act § 3(a)(2), 15 U.S.C. § 80a-3(a)(2) (defining "investment securities" to exclude, among other things, securities issued by majority-owned subsidiaries of the owner that are not themselves investment companies and are not relying on specified exceptions); *see also* Investment Company Act § 3(b)(1), 15 U.S.C. § 80a-3(b)(1); *Peavey Commodity Futures Fund I, II & III*, note 27 *supra*.

[30] *See* Internal Revenue Code § 851(b)(2), 26 U.S.C. § 851(b)(2) (income qualification for regulated investment companies). The Securities Act grantor-trust structure is not subject to the regulated-investment-company qualification tests.

[31] 17 C.F.R. § 270.22e-4. In-Kind ETFs are relieved of certain obligations under the rule but remain subject to the fifteen-percent limitation.

[32] While some SRTs may not guarantee the ability to withdraw assets within seven calendar days (*i.e.*, consistent with the rule's liquidity requirements), a qualifying SRT may satisfy that benchmark where its applicable unbonding period is materially shorter and it is separately transferable in secondary markets. The Coalition SRT Letter describes Solana's approximate forty-eight-hour unbonding period and identifies JitoSOL as an example; the Nasdaq notice cited at the end of this note discusses the relevant VanEck JitoSOL ETF filing. Valuation is likewise potentially tractable. A registered fund values holdings at market value where market quotations are readily available and otherwise at fair value determined in good faith. *See* Investment Company Act § 2(a)(41)(B), 15 U.S.C. § 80a-2(a)(41)(B); Rule 2a-5, 17 C.F.R. § 270.2a-5. A qualifying SRT will ordinarily have readily available quotations, and where it does not, its value may be determined on two observable inputs (*i.e.*, an on-chain redemption ratio published in real time and the exchange-traded price of the underlying commodity) rather than on modeled or unobservable estimates. That can provide a more auditable basis than off-chain reward accruals that a directly staked position generates between distribution dates. Nothing in Multicoin's

The references to fifteen percent arise in distinct regulatory contexts. Rule 22e-4 limits a registered fund's aggregate illiquid investments. The CBTS Standards require liquidity-risk policies addressing whether at least eighty-five percent of a trust's assets are readily available to meet redemptions within one business day. Revenue Procedure 2025-31 separately addresses exchange disclosure, including disclosure when staked assets exceed fifteen percent of a trust's assets.[33] Because these provisions govern different entities, calculations, and risks, Multicoin urges coordination and clear disclosure rather than treating them as a single legal test.

The Commission and the exchanges have since added a fifteen-percent measure of a different kind. The amended CBTS Standards permit up to fifteen percent of a trust's net assets to consist of digital commodities (or securities) that do not independently satisfy the eligibility criteria.[34] Nasdaq Rule 5711(d)(iii)(C) addresses "commodity-based assets" by reference to the underlying commodity, Rule 5711(d)(iii)(D) defines "digital commodity," and Rule 5711(d)(iv)(A) sets the applicable eligibility criteria. That structure supports the look-through approach, but the composition buffer alone is not a solution for a product whose principal holding is an SRT. A fully staked, SRT-only product cannot fit a one-hundred-percent holding into a fifteen-percent buffer, which is why Multicoin asks the Commission to recognize qualifying SRTs as eligible primary holdings through the look-through described in the Coalition SRT Letter.

Recent staff action on industry concentration illustrates a related principle. In a staff letter to the Investment Company Institute, the Division of Investment Management addressed passive industry-concentration exceedances caused by market-value movements in certain creation-basket scenarios.[35]

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recommendations would alter a fund's obligations under Rule 2a-5 or Rule 31a-4, 17 C.F.R. § 270.31a-4. Furthermore, the existence of an observable look-through valuation incentivizes market participants to arbitrage available direct liquidity and prices with the demonstrable underlying value based on these observable inputs; this mechanism mirrors the economic drivers for ETF secondary-market pricing in light of Rule 22c-1 under the Investment Company Act, 17 C.F.R. § 270.22c-1. *See* Austin Campbell, Price Stability for Liquid Staking Tokens: Is JitoSOL an Equivalent to SOL? 12 (Sept. 24, 2025) (third-party analysis reporting hourly JitoSOL/SOL price correlations of approximately 0.9979 on OKX and 0.9985 on Coinbase and a small, non-directional basis between price changes; its analysis emphasizes redeemability and mint-and-redeem arbitrage); *see also* Exchange Act Release No. 34-105030 (Mar. 17, 2026), 91 Fed. Reg. 13661 (Mar. 20, 2026) (SR-NASDAQ-2026-016), at 17–19, 25–29; *see also* Exchange Act Release No. 34-105339 (May 1, 2026), 91 Fed. Reg. 24625 (May 6, 2026) (designating a longer period; SR-NASDAQ-2026-016); and Exchange Act Release No. 34-105723 (June 17, 2026), 91 Fed. Reg. 37487 (June 23, 2026) (Order Instituting Proceedings under Exchange Act § 19(b)(2)(B); SR-NASDAQ-2026-016).

[33] Rev. Proc. 2025-31, 2025-48 I.R.B. 743 (Nov. 24, 2025), § 4.04 (describing the applicable regulatory rules and exchange liquidity standards, including disclosure when staked assets exceed fifteen percent of a trust's assets); Nasdaq Rule 5711(d)(iv)(A) (the "Eligibility Criteria" subsection, including the 85%-of-net-asset-value requirement). The fifteen-percent line thus appears, in distinct contexts, in Rule 22e-4, the CBTS Standards, and federal tax guidance.

[34] Nasdaq Rule 5711(d)(iii)(C) (commodity-based assets); Nasdaq Rule 5711(d)(iii)(D) (digital commodity); and Nasdaq Rule 5711(d)(iv)(A) (eligibility criteria); *see* Exchange Act Release No. 34-105995 (July 27, 2026), 91 Fed. Reg. 48204 (July 30, 2026) (SR-NASDAQ-2026-032) (Nasdaq); Exchange Act Release No. 34-106001 (July 28, 2026), 91 Fed. Reg. 48462 (July 31, 2026) (SR-NYSEARCA-2026-42) (NYSE Arca); and Exchange Act Release No. 34-106011 (July 29, 2026), 91 Fed. Reg. 48957 (Aug. 3, 2026) (SR-CboeBZX-2026-061) (Cboe BZX). The cited amendments permit up to fifteen percent of a trust's net assets to consist of digital commodities or securities that do not independently satisfy the eligibility criteria; *see also* the Coalition SRT Letter, note 2 *supra*.

[35] Investment Company Institute, SEC Staff No-Action Letter (pub. avail. July 27, 2026) (staff position concerning Investment Company Act §§ 13(a)(3), 34(b)). The letter addresses defined creation-basket scenarios involving passive industry-concentration exceedances caused by market-value movements. It reflects a narrow, staff-level position of the

That position is narrow and staff-level, and it addresses creation-basket mechanics rather than the frequency with which a portfolio condition is tested. The principle it reflects, however, bears directly on the framework at issue here: where a fund's composition changes through market movement or through the mechanical operation of the creation-and-redemption process, rather than through a discretionary investment decision, that change should not be treated as a breach of a portfolio condition.

That principle should inform any portfolio framework the Commission adopts for Novel ETFs. If the Commission concludes that such a framework is warranted, Multicoin recommends a construct under which at least eighty-five percent of assets are "qualifying," tested at acquisition and at each quarter-end, with a fifteen-percent sleeve for non-qualifying, transitional, or less-liquid holdings, and with an express tolerance for passive drift and a defined cure period. Multicoin would not support a "minimum holdings in securities" requirement, which would condition eligibility on the character of the wrapper rather than on any identified investor-protection or market-integrity risk. Any amendment to Rule 6c-11 should be coordinated with the CBTS Standards so that qualifying SRTs receive consistent eligibility treatment under both frameworks.[36]

A further consideration counsels against resolving eligibility questions product-by-product. When the Commission reviews a proposed rule change, it must find the exchange's rules consistent with the Exchange Act, including the requirement of Section 6(b)(8) that they not impose any burden on competition that is not necessary or appropriate in furtherance of the Exchange Act's purposes.[37] The Coalition SRT Letter, note 2 *supra*, develops that point in the SRT context, and Multicoin does not repeat it here. The principle is general: a regime in which economically equivalent products reach the market only through separate, contested proceedings imposes costs that fall unevenly on later filers and on sponsors of structurally novel, though not necessarily riskier, products. Should the Commission depart from the objective-standards approach it has recently and deliberately adopted, that departure would call for a reasoned explanation of the change and of the alternatives considered.[38]

VIII. Tax Alignment: The Grantor-Trust Staking Safe Harbor

Revenue Procedure 2025-31 provides a federal income-tax safe harbor under which a state-law trust that otherwise qualifies as an investment trust and grantor trust may stake digital assets without losing

Division of Investment Management; it is not a rule, regulation, or statement of the Commission and binds no person. Multicoin cites it only for that narrow creation-basket principle, not as primary authority for CBTS listing eligibility.

[36] This construct is informed by the approach Multicoin proposed for multi-asset products in the Multicoin CBTS Comment, note 7 *supra*, but the Commission should separately determine the appropriate testing frequency, treatment of drift, cure period, monitoring, and disclosure.

[37] Exchange Act § 6(b)(8), 15 U.S.C. § 78f(b)(8). *See also* Exchange Act § 6(b)(5), 15 U.S.C. § 78f(b)(5) (requiring that an exchange's rules be designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest, and providing that such rules may not be designed to permit unfair discrimination between issuers).

[38] *See Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 42–43 (1983); *FCC v. Fox Television Stations, Inc.*, 556 U.S. 502, 515 (2009).

that status, provided the revenue procedure's conditions are satisfied.[39] The safe harbor addresses a significant uncertainty identified by practitioners: whether staking could constitute a power to vary the investment and cause the trust to be classified as an association taxable as a corporation. It does not resolve every federal tax issue associated with staking or SRTs. The relief is deliberately narrow and, among other things, conditions eligibility on a single-asset portfolio, custodial control of keys, arm's-length and unrelated staking providers, indemnification against slashing, and reward distributions no less frequently than quarterly.

Two implications bear on the Request. First, the safe harbor provides conditional federal income-tax certainty for direct staking by a qualifying Securities Act trust. Second, the safe harbor is framed around a trust that itself stakes a single digital asset and does not expressly address a trust that instead holds an SRT. Although such a trust may not itself engage in protocol staking, questions may remain concerning grantor-trust classification, the power to vary investments, income character, redemptions or exchanges, forks, airdrops, and other matters the revenue procedure does not resolve. It also directs that no inference be drawn regarding transactions outside its scope. Multicoin therefore asks the Commission to coordinate with Treasury and the IRS to provide comparable, appropriately conditioned guidance for SRT-based structures.[40]

IX. Naming and Investor Clarity (Question 8)

Multicoin takes a neutral position on nomenclature, and begins with the governing framework. Section 35(d) of the Investment Company Act makes it unlawful for a registered investment company to adopt a name that the Commission finds materially deceptive or misleading and supplies the statutory authority for Rule 35d-1. Rule 35d-1 (the "Names Rule") implements that authority by requiring a fund whose name suggests a focus on a particular type of investment, industry, or geographic region (or, following the 2023 amendments, particular characteristics of its investments) to adopt a policy of investing at least eighty percent of its assets accordingly.[41] Two features of that framework bear directly on Question 8. First, its reach is limited to registered investment companies; a Securities Act trust listed under the CBTS Standards is not subject to Section 35(d) or Rule 35d-1 at all. Second, the

[39] Rev. Proc. 2025-31, 2025-48 I.R.B. 743 (Nov. 24, 2025) (providing a federal income-tax safe harbor for certain trusts that directly stake digital assets and otherwise qualify as investment trusts and grantor trusts, subject to the revenue procedure's conditions; effective for tax years ending on or after Nov. 10, 2025); *see* Treas. Reg. § 301.7701-4(c) (investment trusts); Internal Revenue Code §§ 671, 677 (grantor trusts). The "power to vary the investment" concern derives from *Comm'r v. North American Bond Trust*, 122 F.2d 545 (2d Cir. 1941), cert. denied, 314 U.S. 701 (1942).

[40] The revenue procedure's amendment window for existing trusts had closed on or about August 10, 2026, before this letter's filing. That closure underscores the need for coordinated Commission and Treasury/IRS action so that SRT-based structures are not left without comparable guidance after the window has closed. The revenue procedure also expressly draws no inference regarding effectively-connected income, unrelated business taxable income, or the treatment of forks and airdrops.

[41] Investment Company Act § 35(d), 15 U.S.C. § 80a-34(d); Rule 35d-1, 17 C.F.R. § 270.35d-1. *See* Investment Company Names, Release Nos. 33-11238; 34-98438; IC-35000, File No. S7-16-22, 88 Fed. Reg. 70436 (Oct. 11, 2023) (expanding the rule to names suggesting particular investment characteristics, requiring quarterly assessment of portfolio compliance and a ninety-day period to return to compliance, and adding related disclosure and recordkeeping requirements); *see also* Investment Company Names; Correction, Release Nos. 33-11238A; 34-98438A; IC-35000A, 88 Fed. Reg. 73755 (Oct. 27, 2023).

framework polices names that make claims about what a fund invests in, not names that describe the structural form in which it is offered.

"ETF" can describe an exchange-traded, creation-and-redemption form factor: shares that list and trade on an exchange, are issued and redeemed in baskets by authorized participants, and are kept near net asset value through arbitrage. Rule 6c-11 defines "exchange-traded fund" expressly "for purposes of this section," which supports Multicoin's position that the term is not reserved by that rule alone. The Commission may nevertheless consider misleading nomenclature under other applicable statutory or antifraud authorities; the relevant question is whether investors receive clear disclosure about the product's wrapper and protections.[42]

Because "ETF" describes form rather than portfolio, the ordinary Names Rule concern (*i.e.*, that a name will lead an investor to expect exposure the fund does not provide) would not ordinarily be implicated. An investor who understands "ETF" to describe an exchange-listed, creation-and-redemption product should be told which of those features a Securities Act crypto trust offers. What differs between the wrappers is the regulatory regime, and that difference should be disclosed prominently and repeatedly. Registration statements for non-investment-company ETPs often include prominent statements that the issuer is not registered under the Investment Company Act and that investors do not receive Investment Company Act protections.[43] Multicoin accordingly does not urge the Commission to restrict the term.

Further, Multicoin sees no regulatory gap that a naming restriction would fill. Misleading marketing of non-registered ETPs is already addressed by the antifraud provisions applicable to every issuer and every offering (*e.g.*, Section 17(a) of the Securities Act and Section 10(b) and Rule 10b-5 under the Exchange Act) and by the conduct rules governing the intermediaries through which retail investors actually encounter these products. FINRA Rule 2210 requires member communications with the public to be fair, balanced, and not misleading, and FINRA has issued related guidance concerning complex and non-conventional products. These are sales-practice and communications authorities, not ETF listing-eligibility criteria. Investment advisers recommending such products are separately subject to the Investment Advisers Act of 1940 ("Advisers Act") marketing rule and to their fiduciary duty.[44] If a particular communication were to suggest that a Securities Act trust carries Investment

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[42] Rule 6c-11(a)(1), 17 C.F.R. § 270.6c-11(a)(1) (defining "exchange-traded fund" "[f]or purposes of this section"). *See also* 6c-11 Adopting Release, note 7 *supra* (describing the arbitrage and transparency conditions associated with the form factor). The exchanges' generic listing standards likewise use structural terminology for various listed forms.

[43] Such disclaimers are commonly included to explain the wrapper and the absence of Investment Company Act protections. Any assertion that they are legally required should identify the specific form, rule, order, or other authority; misleading disclosure remains subject to the antifraud provisions cited in the following note.

[44] Securities Act § 17(a), 15 U.S.C. § 77q(a); Exchange Act § 10(b), 15 U.S.C. § 78j(b); Rule 10b-5, 17 C.F.R. § 240.10b-5; FINRA Rule 2210 (communications with the public); FINRA Rule 2111 (suitability); *see also* FINRA Regulatory Notice 22-08 (complex products and options); FINRA Regulatory Notice 12-03 (complex products); FINRA Notice to Members 03-71 (non-conventional investments). Retail recommendations are separately governed by Regulation Best Interest, Exchange Act Rule 15l-1, 17 C.F.R. § 240.15l-1. As to advisers, *see* Advisers Act Rule 206(4)-1, 17 C.F.R. § 275.206(4)-1 (marketing rule), and the adviser's fiduciary duty.

Company Act protections it does not have, those authorities already reach it—precisely and case-by-case, without reordering market-wide vocabulary.

To the extent the Commission nonetheless determines that only registered investment companies may use the "ETF" nomenclature, any such requirement should be phased in over a period of not less than one year. Compliance is not simply a matter of changing marketing copy. Issuers would need to effect name changes at the entity or series level, obtain any required board and, where applicable, shareholder or beneficial-holder action, amend registration statements and prospectuses, revise sales literature and website disclosure, coordinate with listing exchanges and index providers, and address ticker, symbol, and vendor-data implications. The Commission's own experience confirms that a meaningful transition is warranted. When it amended Rule 35d-1 in 2023, it provided compliance periods measured in years rather than months and then extended them in 2025. The resulting compliance dates were June 11, 2026, for fund groups with net assets of $1 billion or more and December 11, 2026, for groups with less than $1 billion in net assets. The tiered schedule gave smaller groups the longer runway, confirming that the Commission calibrated compliance timing to operational burden.[45] Measured against that precedent, a one-year phase-in is a modest request, and Multicoin would not object to a longer or tiered period of the kind the Commission adopted there.

Whatever the Commission decides, a fund's use of an SRT for some or all of its staking exposure should be described clearly and consistently regardless of the ETP's registration type.

X. Registration Process and Early Engagement (Questions 10–25)

Multicoin's process recommendations follow from the same principle of objective, disclosure-based regulation. The Commission should establish a coordinated pre-filing consultation process for Novel ETFs and consider confidential draft submissions where authorized (Question 15). The process should distinguish among registered-fund filings governed by Rule 485, Securities Act registration statements for non-investment-company trusts, and exchange rule-change proceedings under Exchange Act Rule 19b-4 and Section 19(b)(2)(B). Early coordination among the relevant divisions and the listing exchange could resolve novel-mechanism questions before public filing deadlines begin to run.[46]

As to timing (Questions 10–14), Multicoin favors bounded, objective periods and is wary of open-ended extensions, of Commission-initiated discretionary delay (Question 12), and of expanded

[45] *See* Investment Company Names, note 41 *supra* (adopting tiered compliance periods keyed to fund-group asset size); *see also* Investment Company Names; Extension of Compliance Date, Release Nos. 33-11368; 34-102680; IC-35500, 90 Fed. Reg. 13076 (Mar. 20, 2025) (extending those compliance dates). The Names Rule transition involved conforming portfolios and policies to a new standard, whereas a nomenclature restriction would involve renaming existing products and related operational changes.

[46] *See* 17 C.F.R. § 230.485. The Division of Corporation Finance has long made nonpublic review available to other issuers, and the Commission recently permitted in-kind creations and redemptions for crypto ETPs, Exchange Act Release No. 34-103571, 90 Fed. Reg. 36248 (Aug. 1, 2025), and addressed custody by treating certain state-chartered trust companies as "banks," Simpson Thacher & Bartlett LLP, SEC Staff No-Action Letter (Div. of Inv. Mgmt., Sept. 30, 2025). The Simpson Thacher letter reflects staff no-action treatment on custody; it is not Commission-level rulemaking. Each action represents a constructive, objective accommodation of the kind Multicoin favors.

suspension authority (Question 25), each of which would reintroduce the discretion that objective standards are meant to replace. Multicoin supports targeted measures addressing potential abuse—requiring a fund's board to identify each new series (Question 19), and preventing material pre-launch changes made through a sticker amendment from evading the Rule 485(a) review period (Questions 23–24)—calibrated so as not to chill legitimate speed-to-market for fully developed products. Multicoin is neutral on whether sponsors should be required to deregister funds that never launch (Question 21), but any deregistration trigger should allow sponsors meaningful discretion to assess market conditions before launch (*e.g.*, by providing a period of not less than five years).[47]

Multicoin also recommends a targeted, administrative reform to reduce the process risk and cost that outstanding staff comments impose on Novel ETF filers. In practice, a filer whose registration statement or post-effective amendment is subject to unresolved staff comments may need to postpone automatic effectiveness repeatedly, by filing successive delaying amendments, or successive post-effective amendments designating a new effective date (the "BXT" filing under Rule 485(b)(1)(iii) and Rule 473), each time the prescribed period is about to run. Every such filing is a cost, and a missed deadline risks either premature effectiveness with comments unresolved or an inadvertent lapse. The Commission should instead permit a single "BXT"-type filing that keeps the effective date extended (*i.e.*, either indefinitely or to a date certain selected by the filer) until the filer affirmatively removes the extension (by filing to go effective) or the Commission declares the amendment effective by order. A one-filing, open-ended extension would reduce burden on both sponsors and staff, and allow them to resolve novel-mechanism questions without a recurring clock. Such an option would complement both the pre-filing consultation Multicoin endorses (Question 15) and any tolling mechanism the Commission adopts for unresolved comments (Question 11). Before adopting an indefinite extension, the Commission should confirm the legal basis, identify any outside date or status-reporting requirement, and specify how the extension would terminate. A properly designed mechanism could reduce recurring filings while preserving Commission review and investor disclosure.

With respect to Question 13, Multicoin submits that a Novel ETF's registration statement should not become effective until the fund can implement its principal stated strategy. The standard should turn on objective launch readiness, not on a discretionary judgment about whether the Commission considers the underlying market sufficiently attractive or liquid. A filing may identify contingent future investments if the fund can operate its principal strategy at launch and clearly discloses the conditions for adding those investments. The Commission should define the evidence required to establish

[47] We note with caution that industry practice, particularly for investment companies, is to batch fund registrations under a singular filing with separate summary prospectuses, a single statutory prospectus and a single statement of additional information. Prior to requiring a mandatory deregistration process, the Commission should weigh the costs on both sponsors and the market of procedural and market confusion aspects if sponsors deregister some, but not all, series in an effective registration statement. As a result, to the extent that any such deregistration requirement is implemented, a compliance period of not less than one year to effectuate a deregistration would allow sponsors to align such action with their annual update.

whether the principal strategy can be implemented at launch, the party responsible for the determination, and the procedure for resolving the issue without open-ended delay.[48]

Multicoin also shares the concern underlying Question 17 that competitive pressure can incentivize sponsors to submit filings quickly and in rapid succession, and that lower-cost drafting tools, including artificial-intelligence tools, may increase the risk of imitative filings that are not backed by fully developed launch plans. The appropriate response is objective and structural, rewarding genuine product development over imitation through the board-identification and anti-sticker measures noted above. The effectiveness limitation described immediately above and the confidentiality window discussed below are sound policy, and preferable to discretionary, merit-oriented screening.

For the same reason, Multicoin supports a limited nonpublic review period for Rule 485(a)(2) post-effective amendments, followed by public filing sufficiently before effectiveness to preserve investor access to the same disclosure (Question 18).[49] Congress's confidential-review framework for emerging growth companies and the Commission's rulemaking, exemptive, and staff-review authorities provide possible models, but the Commission should identify the legally appropriate mechanism for investment-company post-effective amendments. A defined confidentiality period and objective public-filing trigger could reduce premature copying without changing the substantive review period or the disclosure available before investors transact.

XI. Conclusion

The Request asks how the Commission can facilitate innovation in Novel ETFs while protecting investors and maintaining fair, orderly, and efficient markets. Multicoin's central recommendation is to apply the existing structural rules neutrally, confirm that qualifying products satisfy them through objective criteria, and resolve novel questions once and generally rather than one product at a time. That answer follows from the two features of the Commission's statutory mandate developed in Section III—that the Commission is a disclosure regulator rather than a merit regulator, and that it must weigh efficiency, competition, and capital formation alongside investor protection.

Applied to the questions the Request raises, that method yields the recommendations set out above. Staking through a qualifying SRT should be governed by the objective eligibility, liquidity, custody, valuation, disclosure, and operational criteria described in the Coalition SRT Letter, including look-through treatment permitting a qualifying SRT to serve as a primary holding under the amended CBTS

[48] Such a delay would not prevent the filing of registration statements or pre-filing conferences with the Commission, particularly where the Commission adopts procedures to allow for confidential filings. Nor should such a stance prevent the Commission from engaging with proposed filers on prospective products before the ripeness of effectiveness.

[49] Congress has already authorized confidential staff review followed by mandatory public filing before investors may transact. *See* Securities Act § 6(e), 15 U.S.C. § 77f(e) (emerging growth company draft registration statements). The Commission could implement a comparable window for Rule 485(a)(2) amendments by rulemaking (*see* Securities Act § 19(a), 15 U.S.C. § 77s(a); Investment Company Act § 38(a), 15 U.S.C. § 80a-37(a)), by exercising its exemptive authority (*see* Securities Act § 28, 15 U.S.C. § 77z-3), or by extending the Division of Corporation Finance's existing nonpublic review practice to ETF post-effective amendments. The seventy-five-day review period would run unchanged; Multicoin recommends that the amendment and all related correspondence be publicly filed no later than thirty days before the automatic effective date, so that investors receive the same disclosure, at the same time, that they receive today.

Standards, without regard to the staking configuration a sponsor selects (*see* Sections IV and VII). Event contracts should be reached through the derivatives, liquidity, valuation, disclosure, and sales-practice frameworks that already apply to them, rather than through minimum-securities-holdings requirements or categorical asset-class exclusions that would operate as merit screens (*see* Section V). Holding a non-security digital commodity, or a qualifying SRT related to such a commodity, should not without more determine investment-company status, and the Rule 6c-11 and Securities Act pathways should remain functionally comparable (*see* Section VI). The separate fifteen-percent thresholds under Rule 22e-4, the CBTS Standards, and Revenue Procedure 2025-31 should be distinguished and coordinated rather than collapsed into a single test, with portfolio composition addressed through objective eligibility standards and disclosure (*see* Section VII). The Commission should coordinate with Treasury and the IRS to seek comparable, appropriately conditioned tax guidance for SRT-based structures (*see* Section VIII). The colloquial term "ETF" should be left undisturbed, or any restriction on it phased in over a period of not less than one year (*see* Section IX). And the registration process should run on bounded, objective timelines, supported by pre-filing consultation and a single, open-ended extension of the effective date while staff comments remain outstanding (*see* Section X).

The record on the leading example is already substantial. Under the conditions it describes, the Interpretation supplies Securities Act and Exchange Act securities-law analysis for qualifying arrangements; it does not resolve the separate Investment Company Act, listing, liquidity, custody, or valuation questions addressed above. The Coalition SRT Letter contains the supporting economic analysis, including the role of redeemability, arbitrage, and basis, and federal tax guidance addresses trusts that stake directly but does not expressly address trusts that obtain staking exposure by holding SRTs. What remains is to translate that record into clear, generally applicable fund- and exchange-regulatory rules—before, not after, the next contested proceeding. Multicoin respectfully urges the Commission to adopt the recommendations set out above and to expedite its review of pending SRT-based filings. In doing so, the Commission would act well within its traditional role (*i.e.*, regulating structure and disclosure through objective, technology- and asset-neutral standards that respect the existing rules, including Rule 6c-11) while advancing the efficiency, competition, and capital formation Congress directed it to weigh alongside investor protection, and leaving the merit of any particular asset, as the securities laws intend, to investors.

We appreciate the opportunity to comment and welcome the opportunity to discuss any of the foregoing with the Commission and its staff. Should you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted,

MULTICOIN CAPITAL MANAGEMENT, LLC

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Appendix — Responses to Selected Questions in the Request

The discussion above addresses the questions in the Request that bear most directly on staking mechanisms, SRTs, and the structural and liquidity questions Multicoin is positioned to address. Our responses are summarized below; questions not specific to these topics are addressed collectively.

Questions 1, 3, and 4 (investment-company status). Holding a non-security digital commodity, including a qualifying SRT related to an underlying digital commodity, does not by itself cause an issuer to hold itself out as engaged in a securities business. Status should be assessed under the issuer's complete facts and circumstances, including the *Tonopah* factors, and subsidiary treatment remains subject to the conditions of Section 3(a)(2) and the non-binding *Peavey* staff analysis. *See* Section VI.

Question 2 (choice of wrapper). Support parity between the Rule 6c-11 and CBTS Standards pathways, with the tax asymmetry addressed through interagency coordination. *See* Sections VI and VIII.

Question 5 (arbitrage, investor protection, surveillance). A qualifying SRT may strengthen the arbitrage mechanism by reducing reliance on an unstaked liquidity buffer or financing during the underlying unbonding period, subject to market depth, redemption mechanics, transaction costs, and operational risks. Surveillance and correlation should be evaluated under objective criteria tied to the underlying commodity. *See* the Coalition SRT Letter and Section VII. Event contracts should be assessed under the same objective, risk-based approach. *See* Section V.

Questions 6 and 9 (portfolio conditions; interplay with listing standards). Adopt objective SRT and asset-level eligibility criteria and disclosure rather than categorical restrictions; distinguish and coordinate the separate fifteen-percent thresholds under Rule 22e-4, the listing standards, and Revenue Procedure 2025-31; and coordinate any amendment to Rule 6c-11 with the CBTS Standards. If the Commission adopts an 85/15 framework, it should define measurement frequency, intraperiod drift, cure periods, monitoring, and disclosure. A qualifying SRT should receive look-through treatment when it satisfies the objective criteria described in the Coalition SRT Letter. *See* the Coalition SRT Letter and Section VII. Multicoin opposes minimum-securities-holdings requirements or categorical asset-class exclusions, including as applied to event contracts. *See* Section V.

Question 7 (investor understanding). Support plain-language disclosure of staking, unbonding, secondary-market trading, the SRT's conversion or redemption ratio, valuation, governance, smart-contract, custody, slashing, depeg, liquidity, tax, and operational risks. Comparative disclosure should explain the differences between direct staking and SRT-based staking without presuming that either structure is categorically safer. For event contracts, support targeted disclosure of binary payoff, settlement source, clearing status, basis risk, and concentration. *See* Sections IV and V.

Question 8 (naming). Neutral: "ETF" can describe an exchange-traded form factor rather than a portfolio or registration status; if the Commission restricts it, phase in over not less than one year. *See* Section IX.

Question 13 (effectiveness before the asset is available). A Novel ETF's registration statement should not become effective until the fund can implement its principal stated strategy, while permitting clearly

disclosed contingent future investments (*i.e.*, until the assets or instruments needed for that strategy are available to be held); effectiveness should be withheld or delayed until then. *See* Section X.

Question 15 (early engagement). Support a pre-filing consultation process and confidential draft registration statements. *See* Section X.

Question 17 (competitive pressure and imitative filings). Competitive pressure, potentially amplified by lower-cost drafting tools, including artificial-intelligence tools, may increase the risk of imitative filings that are not backed by fully developed launch plans; the response should be objective and structural, not discretionary screening. *See* Section X.

Question 18 (nonpublic 485(a)(2) window). Support a limited nonpublic review period for Rule 485(a)(2) filings, followed by an objective public-filing trigger sufficiently before effectiveness. The Commission should identify the legally appropriate mechanism under its rulemaking, exemptive, or staff-review authority. *See* Section X and note 49 *supra*.

Questions 10–12, 14, 16, and 19–25 (process). Favor bounded, objective timelines; support targeted anti-gaming measures (board identification of each series, anti-sticker discipline); remain neutral on mandatory deregistration of never-launched funds while preserving sponsor discretion (Question 21); and resist discretionary delay or suspension authority. *See* Section X. Multicoin also urges the Commission to adopt a single "BXT"-type filing that keeps the effective date extended—to a date certain, or until the filer removes the extension or the Commission orders effectiveness—so that filers need not repeatedly file delaying amendments while staff comments are outstanding.

Question 26 (disclosure regime). Support targeted, staking-specific disclosure rather than a generalized heightened-disclosure regime for all Novel ETFs. For event contracts, support instrument-specific disclosure paired with existing advertising and sales-practice rules rather than a generalized regime. *See* Section V.

Question 27 (additional reforms). A significant reform would be a generic, technology- and asset-neutral SRT eligibility framework adopted once across Rule 6c-11 and the generic listing standards—consistent with, and without displacing, Rule 6c-11's existing conditions—so that pending and future SRT-based filings need not each re-establish the same record in a separate, contested proceeding.