

MEMORANDUM

To: Crypto Task Force Meeting Log
From: Crypto Task Force Staff
Re: Meeting with Representatives of CoinShares International Limited and Chapman & Cutler
LLP

On June 3, 2025, Crypto Task Force Staff met with representatives from CoinShares International Limited and Chapman & Cutler LLP.

The topic discussed was approaches to addressing issues related to regulation of crypto assets. CoinShares International Limited and Chapman & Cutler LLP representatives provided the attached documents, which were discussed during the meeting.

Proposed Agenda for Meeting of CoinShares International Ltd. With SEC Crypto Task Force

CoinShares Attendees:

- Jean-Marie Mognetti, Chief Executive Officer
- Townsend Lansing, Technical Advisor to the CEO
- Annemarie Tierney, CoinShares Capital LLC outsourced CEO (Liquid Advisors, Inc.)
- Morrison Warren, Partner, Chapman & Cutler

Agenda:

- 1) Introductions
- 2) Overview of CoinShares European Crypto Asset Exchange Traded Products Business
- 3) Overview of CoinShares U.S. Crypto Asset Exchange Traded Products Business
- 4) Discussion of Issues Critical to Development of Crypto Asset ETP in the United States:
 - How staking can fit within a digital asset ETP structure
 - The appropriate standard for reviewing applications for proposed rule changes relating to new digital asset ETPs
 - Crypto custody issues
 - In-kind vs cash creation and redemption
 - The extent to which digital assets (in particular digital asset ETPs) should be permissible investments for a registered investment company
- 5) Questions

Commissioner Hester M. Peirce, Chair of the Crypto Task Force
Crypto Task Force
U.S. Securities and Exchange Commission
100 F Street, NE Washington, DC 20549-0213
United States of America

29 April 2025

Dear Commissioner Peirce and Members of the SEC's Crypto Task Force,

I am writing on behalf of CoinShares International Limited ("CoinShares") to request a meeting to introduce CoinShares and provide an overview of our multiple regulated European and U.S. digital asset businesses. In addition, we applaud your recent statement "There Must Be Some Way Out of This" published on February 21, 2025, asking for input from the digital asset industry on a wide range of market issues, including the questions specifically focused on the exchange traded products ("ETP") industry,¹ and believe that, as described below, our unique experience around these products may be of value as you gather feedback on these questions.

In Europe, our subsidiaries include Europe's largest digital asset investment firm with over \$6.0 billion in assets under management and a primary focus on offering digital asset exposure through a wide variety of ETPs.² As pioneers in the crypto investment space, we have been at the forefront of innovation since launching Europe's first Bitcoin ETP in 2015. Through one of our European subsidiaries, we currently offer 20 publicly-listed ETPs providing exposure to over 13 different digital assets and three digital asset indices. These products are listed on a number of stock exchanges in Europe (i.e., Xetra and Deutsche Boerse in Frankfurt, SIX in Zurich, and Euronext Paris and Amsterdam) and are available to both retail and institutional investors. Our European product suite also includes some of the world's first fully collateralised digital asset ETPs that share staking rewards with investors.

¹ <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-rfi-022125>

² European digital asset ETPs are generally structured as undated, secured, limited recourse, non-interest bearing debt instruments that are fully collateralised and bankruptcy remote. We structure ETPs in this fashion as a response to the European regulations on collective investment schemes, which differ from the equivalent laws and regulations in the United States. In Europe, any investment structure that offers collective investment returns via equity or equity like units is generally considered a collective investment scheme and subject to either the rules governing the Undertaking for Collective Investment in Transferable Securities (frequently referred to as UCITS) or the Alternative Investment Fund Management Directive (generally referred to as the AIFMD). *See, inter alia, Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 Text with EEA relevance.* To avoid the restrictions associated with collective investment schemes, European issuers issue debt instruments that embed a trustee and securitisation structure, whereby the issuer assigns its rights in the underlying collateral to the trustee to hold in the interests of the investors.

In the United States, we acquired Valkyrie Investments Inc.'s ETP business in 2024, providing us the opportunity to expand our investment fund and ETP business into a new market. Valkyrie was an early participant in offering digital asset-related funds that were registered as investment companies pursuant to the Investment Company Act of 1940 ("1940 Act"). For example, Valkyrie launched one of the first wave of bitcoin futures-focused 1940 Act funds and each of the other 1940 Act funds they offered also involved digital assets. As a result of this acquisition, our U.S.-based CoinShares, Co. subsidiary is now an SEC registered investment advisor that offers three ETPs registered under the 1940 Act. It also offers the CoinShares Valkyrie Bitcoin Fund (BRRR), which is registered under the Securities Act of 1933 and was one of the initial eleven spot bitcoin ETPs approved for trading by the SEC in January 2024. Currently, we are seeking to register a new ETP that provides exposure to a range of digital assets by investing in digital asset ETPs listed on regulated exchanges in the United States and Europe.

Also, our U.S.-based CoinShares Capital, LLC subsidiary is a registered broker dealer that provides U.S. marketing support for our Jersey, Channel Islands-based Hedge Fund Solutions' digital asset hedge fund private placement activities.

We believe that sharing our extensive expertise in digital assets and exchange listed products could be helpful in supporting the work of the Crypto Task Force. For example, our experience in Europe as the first issuer to launch ETPs that share staking rewards with investors, combined with our growing presence in the United States, uniquely positions us to contribute valuable perspectives on balancing innovation with investor protection.

In addition to sharing our experience with European ETPs, we would very much appreciate an opportunity to discuss a few points that we believe to be critical to the ongoing development of digital asset ETPs in the United States. To that end, we would welcome the opportunity to discuss the following items with you:

- 1) *How Staking can fit within a Digital Asset ETP Structure.* We believe that, due to the inherently inflationary nature of proof of stake networks, access to staking rewards is essential for investors investing in spot Ethereum and other future proof of stake digital asset ETPs. As one of Europe's largest providers of digital asset ETPs, we have extensive experience with sharing staking rewards with the investors in our ETPs. We offer 11 ETPs that incorporate staking rewards, comprising eight single digital assets and three index products. We recognise there are several issues to consider around these activities, ranging from investor protection to the operational processes behind staking, as well as the extent to which certain types of staking implicate the U.S. securities laws. We would appreciate an opportunity to share our experience and our views on how best to move forward to allow staking in the context of U.S. listed digital asset ETPs.
- 2) *The Appropriate Standard for Reviewing Applications for Proposed Rule Changes relating to New Digital Asset ETPs.* We understand that the Commission is currently reviewing the appropriate standard to approve applications by various regulated exchanges for the listing of digital asset ETPs pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act") and Rule 19b-4 thereunder. The Commission's current requirement with respect to digital asset ETPs is that the stock exchange listing the product have in place a comprehensive surveillance sharing agreement with a regulated market of significant size relating to the underlying digital asset commodity to be held. This test is generally referred to as the "Winklevoss

Standard”.³ We also note that the Commission also allows an alternative path for listing exchanges to show that, in the absence of an appropriate surveillance agreement, there exist “other means to prevent fraudulent and manipulative acts and practices.”⁴

We would appreciate an opportunity to discuss the requirements of the “Winklevoss Standard” (with particular focus on the need for a “regulated market of sufficient size”), as well as other methods by which the U.S. digital asset markets provide robust monitoring for fraudulent or manipulative acts or practices.

- 3) Crypto Custody. CoinShares has managed client assets for investment in the digital asset markets for well over a decade. In addition to our investment fund and related asset management activities, we were founding investors (alongside Ledger, the leading provider of security solutions for digital assets, and Nomura, the Asia-headquartered financial services group) in Komainu (Jersey) Limited, a regulated digital asset custodian based in Jersey, Channel Islands. As a result, we also have extensive experience with the issues facing digital asset custodians and their clients, particularly their asset management clients. We also have a very good understanding of the custody requirements and solutions accepted by other global regulatory regimes and how those compare to the custody arrangements utilized by U.S. investment managers for ETPs. We would be pleased to help formulate a protective and flexible rule set for custody solutions for digital asset ETPs and would be happy to share our experience with digital asset custodians with the Commission to the extent that experience may be of interest.
- 4) In-kind vs Cash Creation and Redemption. Our European digital asset ETPs rely solely on in-kind creation and redemption. We believe that our authorised participants are better placed and have substantially more experience with the digital asset markets than our subsidiary issuers and as a result, are better suited to manage the risk of buying and selling digital assets. Furthermore, we feel that in-kind creations and redemptions reduce friction and costs for investors, both in terms of their impact on bid/ask spreads as well as the potential for “slippage.” We would be happy to share our perspectives on how the European market functions and the lessons it might bring for the U.S. market as the SEC contemplates permitting in-kind creation and redemption.
- 5) The Extent to which Digital Assets (in particular, Digital Asset ETPs) should be Permissible Investments for a Registered Investment Company. We believe that the

³ See Securities Exchange Act Release Nos. 78262 (July 8, 2016), 81 FR 78262 (July 14, 2016) (the “Winklevoss Proposal”). The Winklevoss Proposal was the first exchange rule filing proposing to list and trade shares of an ETP that would hold spot bitcoin (a “Spot Bitcoin ETP”). It was subsequently disapproved by the Commission. See Securities Exchange Act Release No. 83723 (July 26, 2018), 83 FR 37579 (August 1, 2018) (the “Winklevoss Order”); 99306 (January 10, 2024), 89 FR 3008 (January 17, 2024) (Self-Regulatory Organizations; NYSE Arca, Inc.; The Nasdaq Stock Market LLC; Cboe BZX Exchange, Inc.; Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, To List and Trade Bitcoin-Based Commodity-Based Trust Shares and Trust Units) (the “Spot Bitcoin ETP Approval Order”); 100224 (May 23, 2024), 89 FR 46937 (May 30, 2024) (Self-Regulatory Organizations; NYSE Arca, Inc.; The Nasdaq Stock Market LLC; Cboe BZX Exchange, Inc.; Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, To List and Trade Shares of Ether-Based Exchange-Traded Products) (the “Spot ETH ETP Approval Order”).

⁴ See Winklevoss Order, 83 FR at 37580; see Spot Bitcoin ETP Approval Order, 89 FR at 3009; see Spot ETH ETP Approval Order 89 FR at 46938.

ability of a registered investment advisor to invest in digital asset ETPs is still constrained due in large part to the 2018 open letter from Division of Investment Management Director Dalia Blass, which provided a framework of approximately 30 questions that a fund manager was required to consider before holding digital assets.⁵ Although Ms. Blass' letter raised a number of concerns that may have been valid in 2018, we believe that letter laid the foundation for the ongoing confusion (if not frustration) experienced by many registered investment fund managers who try to comply with an ever-shifting set of "rules" relating to their ability to access digital assets.⁶ While we have recently seen new digital asset-focused funds being approved and launched, the extent to which certain issues referenced in the Blass letter remain obstacles for the distribution of such products is still unknown. In particular, the Blass letter seems to place a burden on fund sponsors to weigh whether a proposed fund would be suitable for retail investors despite the fund satisfying the applicable registration requirements. The letter specifically asks if fund sponsors have discussed with broker-dealers who may distribute such funds how they would analyze the suitability of offering the funds to retail investors. We believe that suitability determinations are the responsibility of the investment advisers and brokers that are serving their customers and not the fund sponsors. This line of inquiry, as well as digital asset funds generally being regarded as "complex products" in guidance provided by both the SEC and FINRA, have significantly impacted the extent to which digital asset funds, including U.S. publicly registered products like our BRRR product, are offered and distributed to the investing public through RIAs and broker dealers. We would like to provide our perspective on whether these SEC registered funds should be made more easily accessible to investors. We would also like to request that the SEC specifically revoke the Blass letter and provide a more thoughtful assessment of which products deserve the limitations placed on complex products.

We stand ready to assist in any way to provide our uniquely global perspective to help shape a U.S. regulatory environment that fosters innovation while ensuring market integrity. Thank you for your consideration, and we look forward to the possibility of collaborating with you to advance the U.S. digital asset ecosystem.

Warm regards,

Jean-Marie Mognetti

Jean-Marie Mognetti
Chief Executive Officer
CoinShares International Limited

⁵ U.S. Sec. & Exch. Comm'n, Division of Investment Management, Staff Letter: Engaging on Fund Innovation and Crypto Currency-related Holdings (Jan. 18, 2018), available at <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-rfi-022125>

⁶ We are not alone in this belief. For a far more detailed analysis of this issue, see: The Digital Chamber, Beyond Merit: How the SEC's Division of Investment Management Blocked Permissible Investments in Digital Assets (February 2025), available at <https://digitalchamber.org/beyondmerit/>