

Finance & Capital Markets

QUARTERLY REPORT

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Market Trends

- U.S. financing volumes generally increased in Q3 2025 compared to Q2 2025. Activity for high-yield bonds, IPOs, follow-on equity offerings and syndicated leveraged loans all increased compared to Q2 2025. Activity for investment-grade bonds remained strong and was generally in line with activity during Q2 2025.
- On a year-over-year basis for Q3 2025 relative to Q3 2024, activity increased for high-yield bonds, IPOs and syndicated leveraged loans, but decreased for investment-grade bonds and follow-on equity offerings.
- In particular, there was a strong increase in activity in the high-yield bond and loan markets and the IPO market, both compared to Q2 2025 and compared to Q3 2024.

Other Developments

- Amidst the Federal government shutdown, the SEC issued guidance on operational limitations during the shutdown. The EDGAR filing system remains operational but most staff functions were suspended, effectively pausing most IPOs and other registered offerings subject to SEC review, pending the resumption of normal operations.
- The SEC announced that mandatory arbitration clauses set forth in issuer organizational documents covering securities law claims would no longer, by themselves, prevent registration statements from being declared effective, shifting the focus to disclosure adequacy and marking a notable procedural change in review practices.
- Digital asset regulation continued to evolve in Q3 2025, as the SEC and CFTC advanced efforts to align oversight frameworks and the SEC launched “Project Crypto” to integrate blockchain technologies and innovation exemptions into the U.S. regulatory regime.

Market Trends—Overview

Capital Markets

	Activity	
	VS. Q3 2024	VS. Q2 2025
INVESTMENT GRADE BONDS (PROCEEDS)	(6.3)%	(1.0)%
HIGH-YIELD BONDS (PROCEEDS)	+46.1%	+41.4%
IPOS (NUMBER / PROCEEDS)	+64.1% / +78.8%	+48.8% / +113.8%
EQUITY FOLLOW-ONS (NUMBER / PROCEEDS)	+3.6% / (7.5)%	0.0% / +48.4%

	Activity ¹	
	VS. Q3 2024	VS. Q2 2025
INVESTMENT-GRADE BONDS (A- TO AAA / BBB- TO BBB+)	(14.2)% / (21.5)%	(13.0)% / (13.7)%
HIGH-YIELD BONDS (BB- TO BB+ / B- TO B+)	(2.7)% / (5.2)%	(9.0)% / (8.6)%
5-YEAR TREASURY	+4.47%	(1.32)%
10-YEAR TREASURY	+9.19%	(1.89)%

¹Based on average spread over treasuries for investment grade bonds, average initial yield for high-yield bonds and average yield for treasuries.

Banking

	Activity	
	VS. Q3 2024	VS. Q2 2025
SYNDICATED LEVERAGED LOAN ISSUANCE VOLUME (TOTAL / PRO RATA / INSTITUTIONAL)	+21.4% / +11.8% / +25.8%	+29.0% / (22.4)% / +76.2%

	Avg. Pricing	
	VS. Q3 2024	VS. Q2 2025
SYNDICATED LEVERAGED LOANS INITIAL YIELD	(1.68)%	(0.85)%

Restructuring

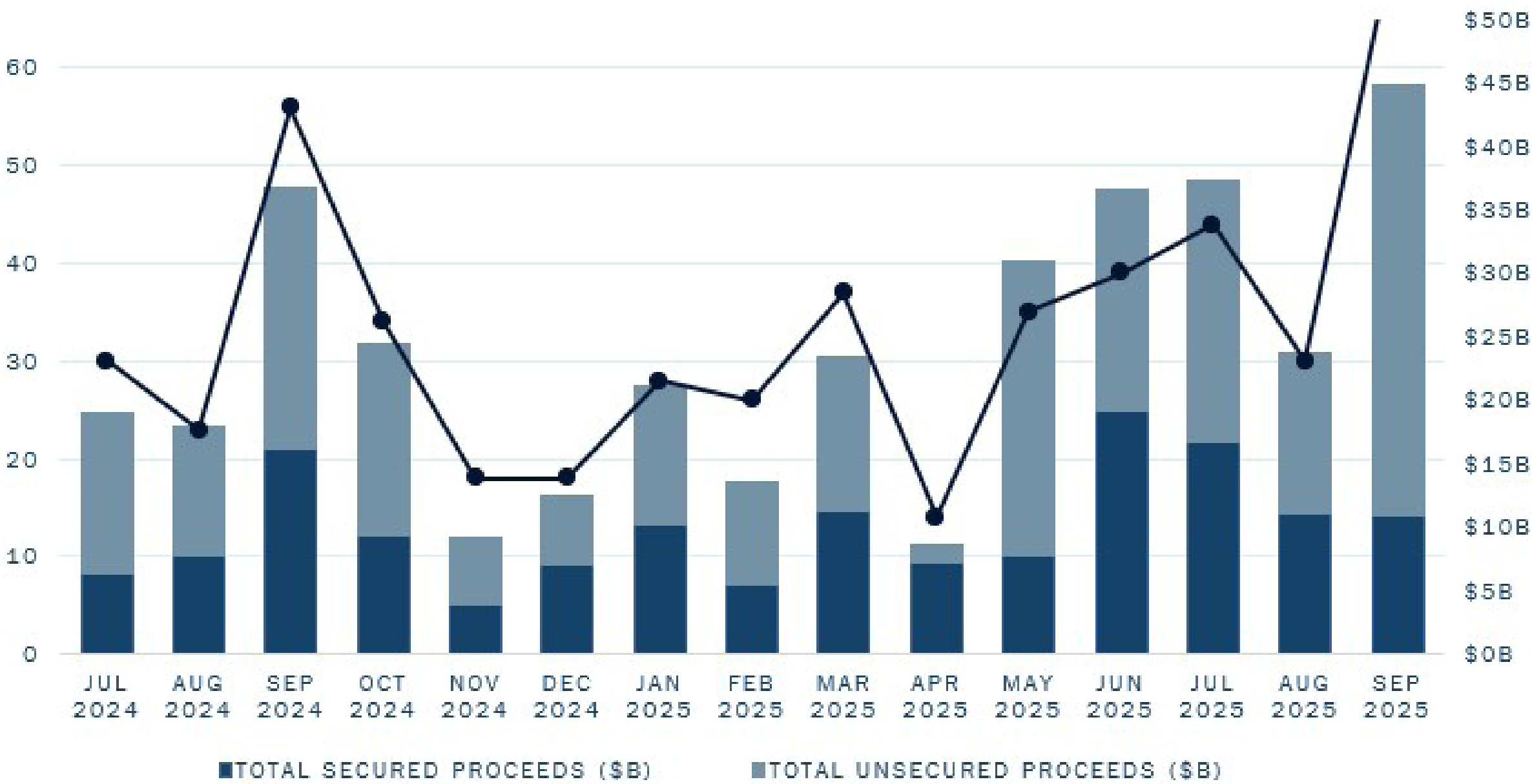
	Activity	
	VS. Q3 2024	VS. Q2 2025
LEVERAGED LOAN DEFAULT RATE (LTM BY AMOUNT / LTM BY ISSUER COUNT)	+0.4% / 0.0%	+0.4% / +0.1%
BANKRUPTCY FILINGS (NUMBER)	+22.6%	+9.6%

Market Trends

BONDS

Total proceeds from U.S. high-yield bond issuances were \$107.8B in the third quarter of 2025, up 41.4% as compared to the second quarter of 2025 (\$76.2B) and up 46.1% as compared to the third quarter of 2024 (\$73.8B). Total proceeds from unsecured high-yield bond issuances were \$67.0B in the third quarter of 2025, up 59.6% as compared to \$42.0B in the second quarter of 2025 and up 54.7% as compared to \$43.3B in the third quarter of 2024. Total proceeds from secured high-yield bond issuances were \$38.8B in the third quarter of 2025, up 13.3% as compared to \$34.2B in the second quarter of 2025 and up 27.3% as compared to \$30.4B in the third quarter of 2024.

U.S. High-Yield Bond Issuance Volume



Data Source: Leveraged Commentary & Data (LCD)

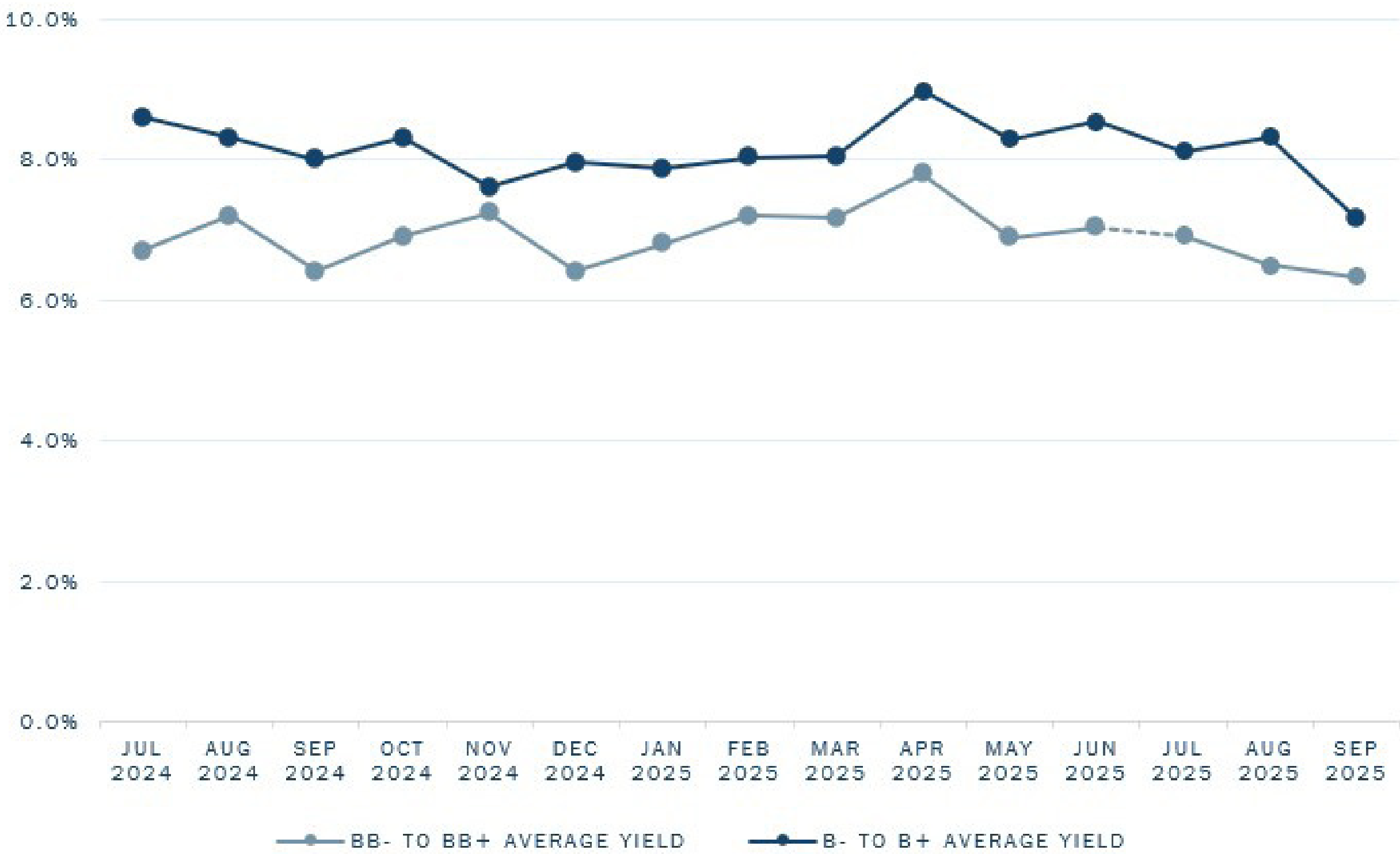
Market Trends

BONDS

The average initial yield on high-yield notes rated BB- to BB+ issued in the third quarter of 2025 was 6.6%, as compared to 7.2% in the second quarter of 2025 and 6.8% in the third quarter of 2024.

The average initial yield on high-yield notes rated B- to B+ issued in the third quarter of 2025 was 7.9%, as compared to 8.6% in the second quarter of 2025 and 8.3% in the third quarter of 2024.

U.S. High-Yield Bond Issuance (average initial yield)



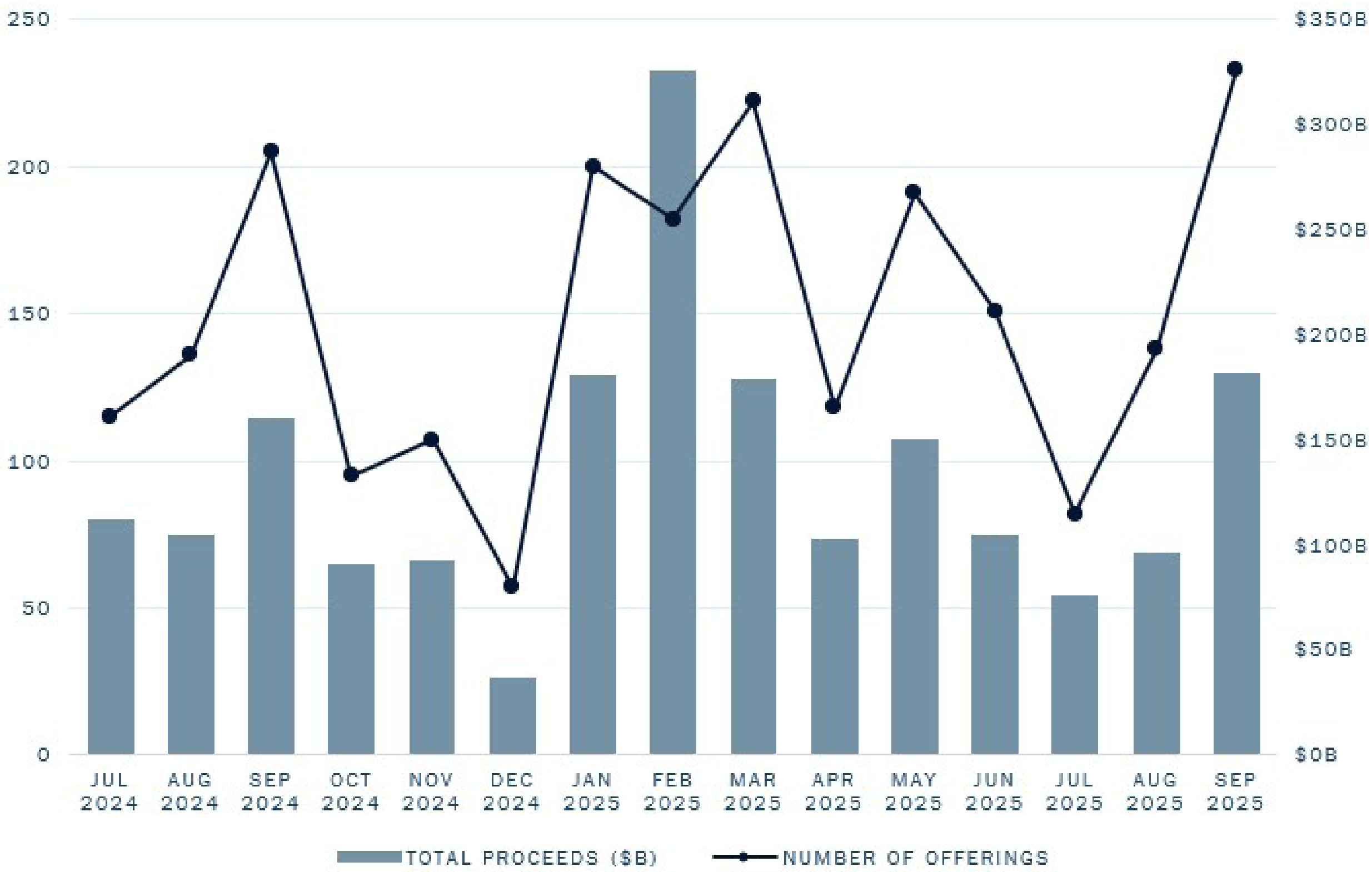
Data Source: Leveraged Commentary & Data (LCD)

Market Trends

BONDS

Total proceeds from U.S. investment-grade issuances were \$352.2B in the third quarter of 2025, down 1.0% from \$355.8B in the second quarter of 2025 and down 6.3% from \$375.7B in the third quarter of 2024.

U.S. Investment-Grade Bond Issuance Volume



Data Source: Leveraged Commentary & Data (LCD)

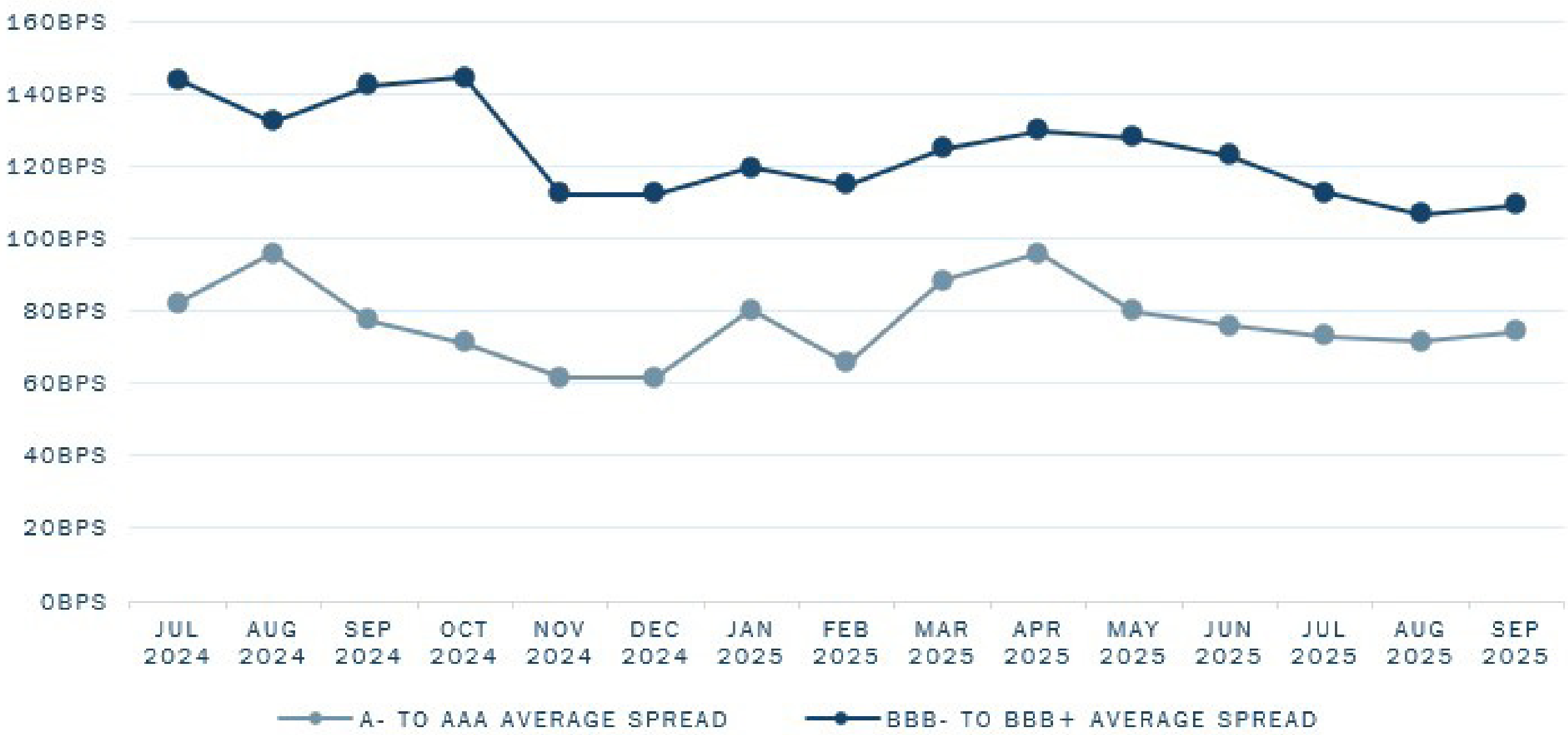
Market Trends

BONDS

The average pricing spread (measured over the comparable Treasury) on U.S. issuances of investment-grade notes rated A- to AAA in the third quarter of 2025 decreased 13.0% as compared to the average pricing spread for the second quarter of 2025 and decreased 14.2% as compared to the average pricing spread for the third quarter of 2024.

The average pricing spread (measured over the comparable Treasury) on U.S. issuances of investment-grade notes rated BBB- to BBB+ in the third quarter of 2025 decreased 13.7% as compared to the average pricing spread for the second quarter of 2025 and decreased 21.5% as compared to the average pricing spread for the third quarter of 2024.

U.S. Investment-Grade Bond Issuance Pricing
(spread over comparable Treasury)



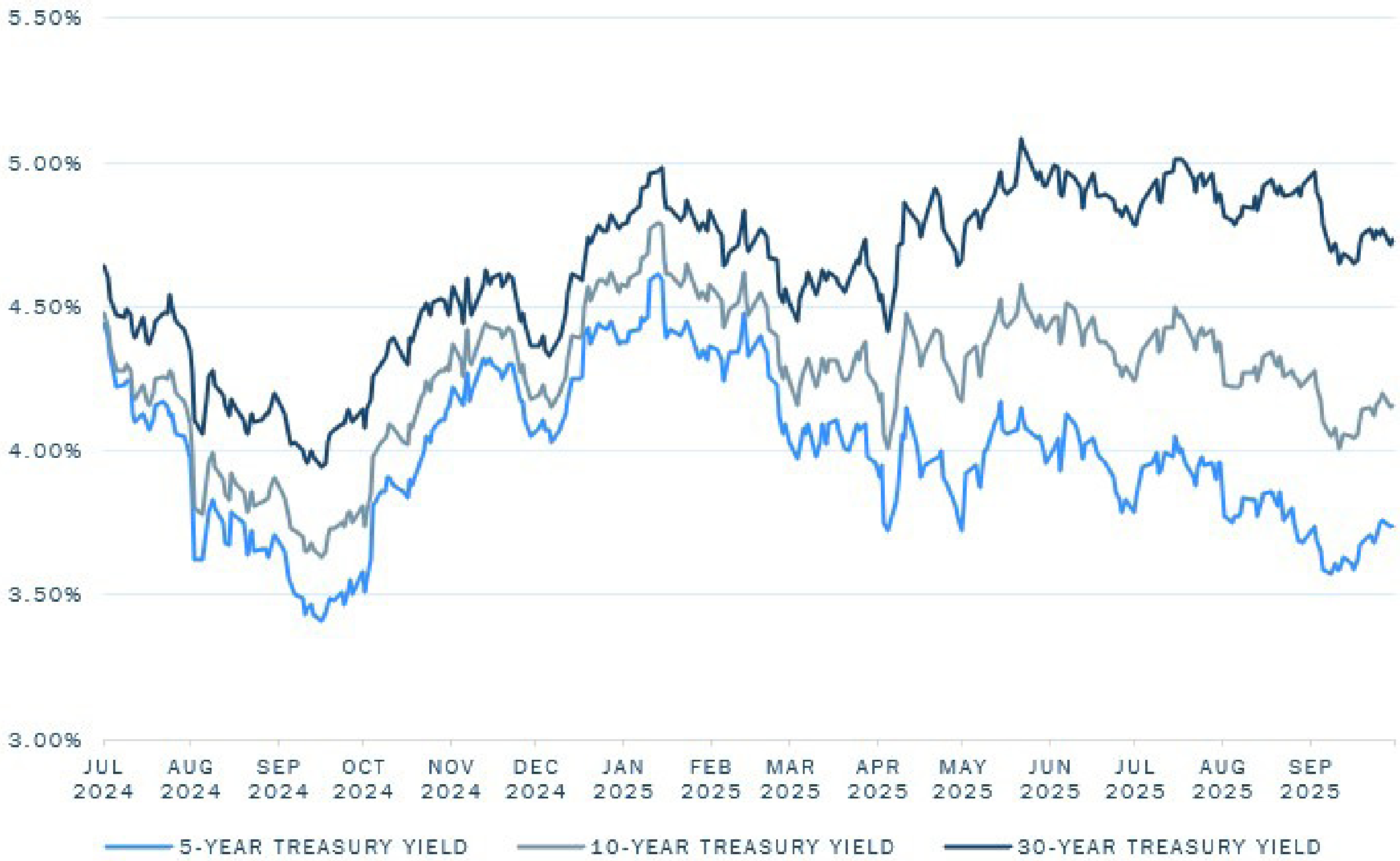
Data Source: Leveraged Commentary & Data (LCD)

Market Trends

YIELDS

U.S. Treasury 5-year yields decreased to 3.74% at the end of the third quarter of 2025, down 5 bps as compared to the end of the second quarter of 2025 and up 16 bps as compared to the end of the third quarter of 2024. U.S. Treasury 10-year yields decreased to 4.16% at the end of the third quarter of 2025, down 8 bps as compared to the end of the second quarter of 2025 and up 35 bps as compared to the end of the third quarter of 2024. U.S. Treasury 30-year yields decreased to 4.73% at the end of the third quarter of 2025, down 5 bps as compared to the end of the second quarter of 2025 and up 59 bps as compared to the end of the third quarter of 2024.

U.S. Treasury Yields



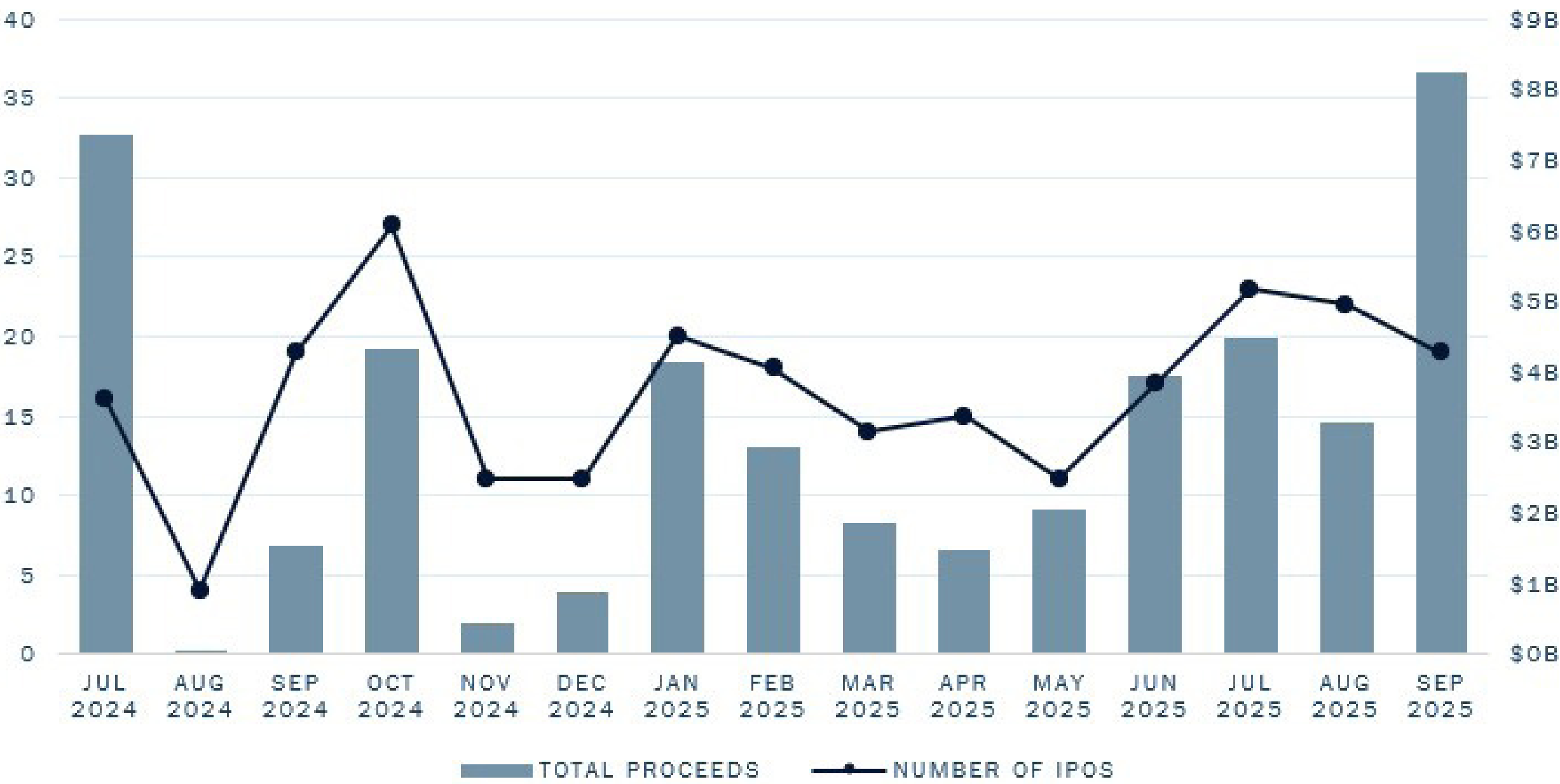
Data Source: Leveraged Commentary & Data (LCD)

Market Trends

IPOS

The \$16.01B in total proceeds from U.S. IPOs (not including SPACs) in the third quarter of 2025 was up 113.8% as compared to \$7.49B in total proceeds in the second quarter of 2025 and up 78.8% as compared to \$8.96B in total proceeds in the third quarter of 2024.

U.S. IPOs (not including SPACs)



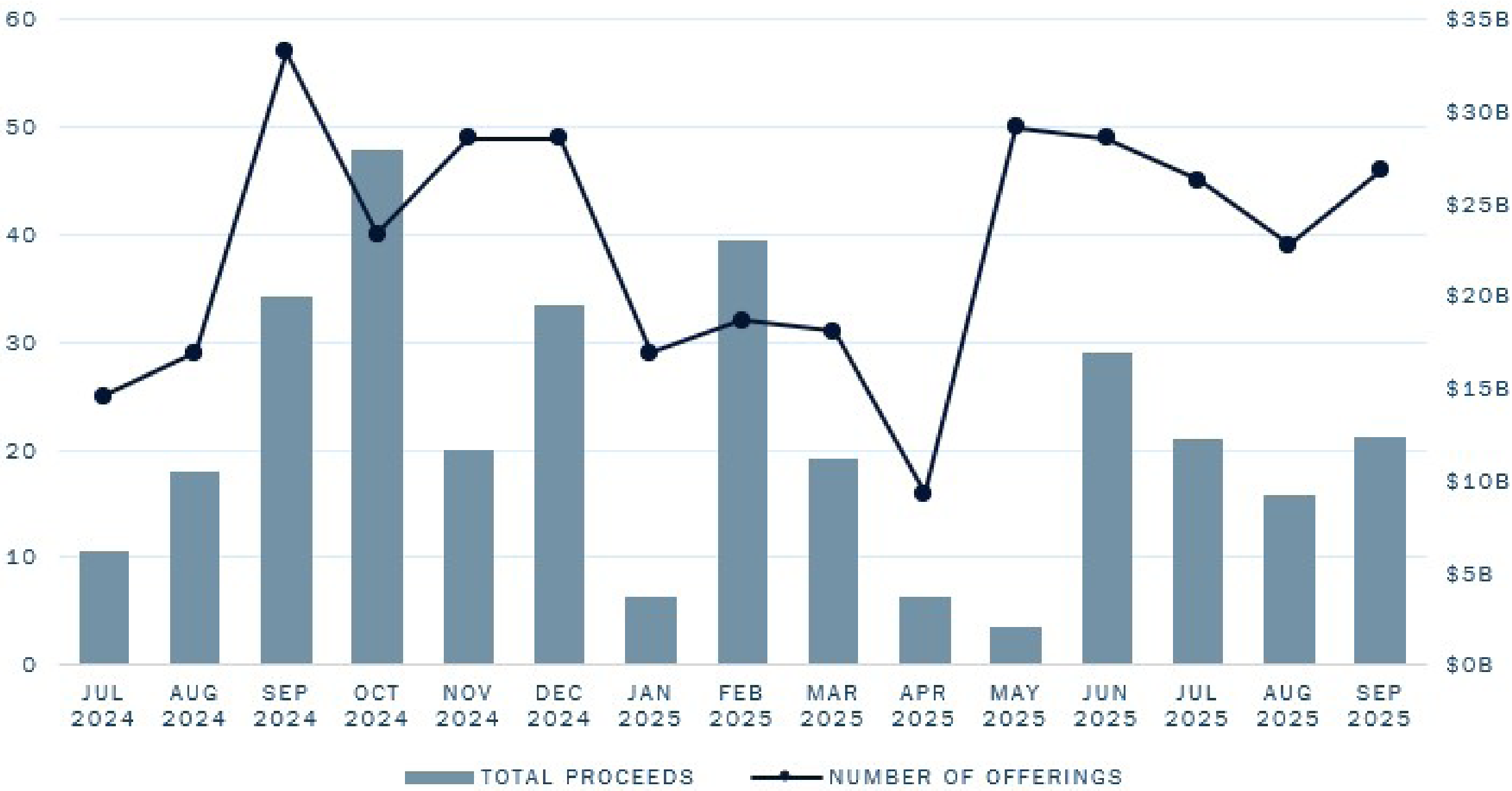
Data Source: Leveraged Commentary & Data (LCD)

Market Trends

EQUITY OFFERINGS

The \$33.9B in total proceeds from U.S. follow-on equity offerings in the third quarter of 2025 was up 48.4% as compared to \$22.9B in total proceeds in the second quarter of 2025 and down 7.5% as compared to \$36.6B in total proceeds in the third quarter of 2024.

U.S. Follow-On Equity Offerings



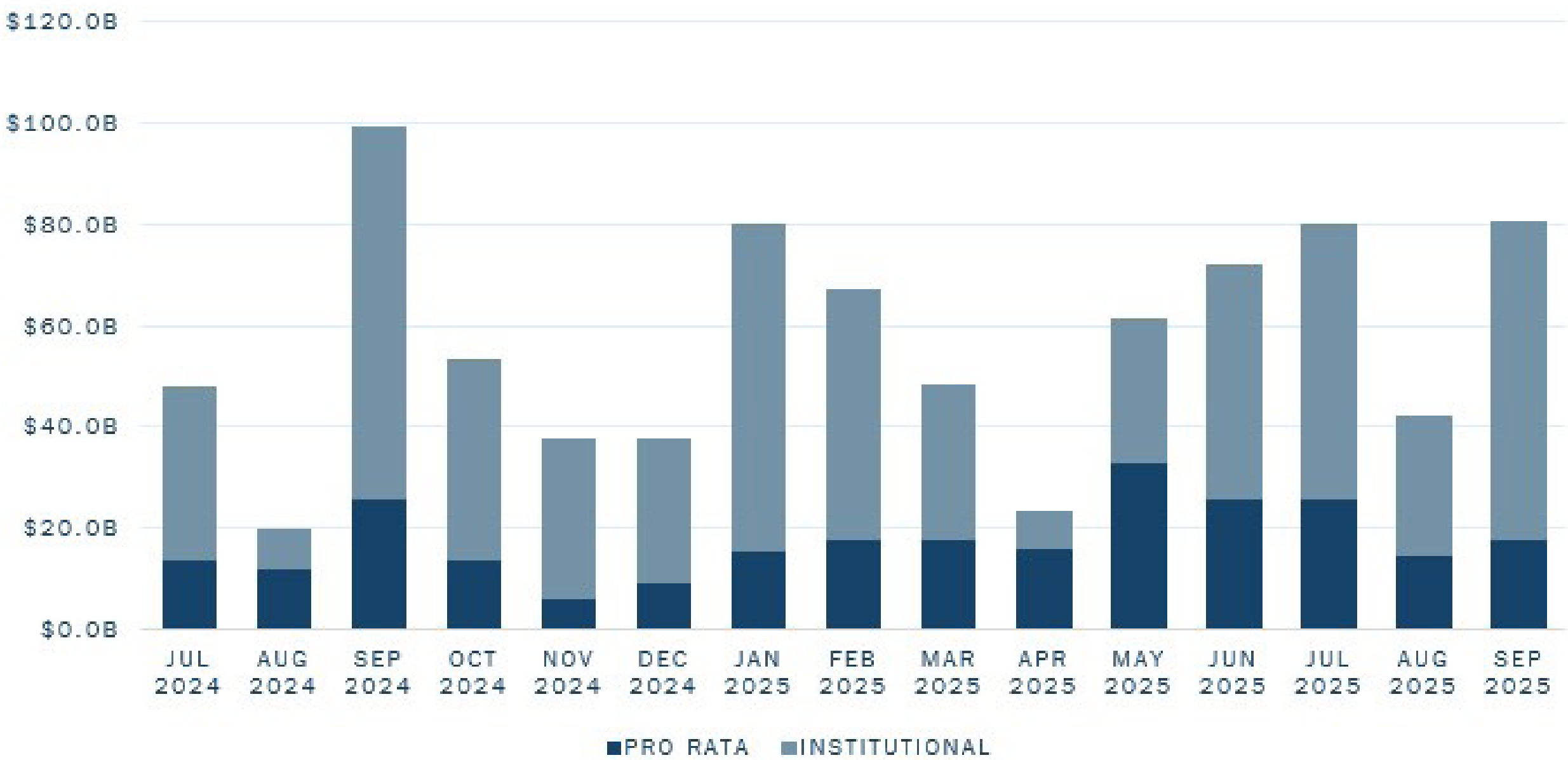
Data Source: Leveraged Commentary & Data (LCD)

Market Trends

LOAN ISSUANCES

Activity in the U.S. syndicated leveraged loan market increased in the third quarter of 2025, with total volume of \$202.0B, up 29.0% as compared to the second quarter of 2025 (\$156.6B). This increase was driven by institutional loan volume, which was \$143.7B in the third quarter of 2025, up 76.2% as compared to the second quarter of 2025 (\$81.5B), whereas pro rata loan volume decreased by 22.4% from the second quarter of 2025 (\$75.1B) to \$58.3B in the third quarter of 2025. Total volume also increased by 21.4% as compared to the third quarter of 2024, driven by both institutional loan volume, which was up 25.8% as compared to the third quarter of 2024 (\$114.3B), and pro rata loan volume, which increased by 11.8% from the third quarter of 2024 (\$52.1B).

U.S. Syndicated Leveraged Loan Issuance Volume



Data Source: Leveraged Commentary & Data (LCD)

Market Trends

SOFR

Term SOFR ended the third quarter of 2025 at 4.13%, 3.98% and 3.85% for the one-month, three-month and six-month tenors, respectively. Term SOFR for the one-month, three-month and six-month tenors decreased by 19.31 bps, decreased by 31.59 bps and decreased by 30.07 bps, respectively, as compared to the end of the second quarter of 2025. The yield curve inversion that began on November 30, 2023 persisted throughout the third quarter of 2025, and was more pronounced than in the second quarter of 2025. During the quarter, Term SOFR for the six-month tenor was on average 15 bps lower than the three-month tenor and 24 bps lower than the one-month tenor, as compared to 11 bps lower than the three-month tenor and 14 bps lower than the one-month tenor in the second quarter of 2025.

Term SOFR



Data Source: Leveraged Commentary & Data (LCD)

Market Trends

PRIMARY MARKET SYNDICATED
INSTITUTIONAL FIRST-LIEN LOAN YIELDS

Yields on new-issue syndicated institutional first-lien term loans, inclusive of original issue discount, decreased in the third quarter of 2025. The average initial yield of 7.51% in the third quarter of 2025 represented a decrease of 84.8 bps as compared to the average initial yield of 8.36% in the second quarter of 2025 and a decrease of 168 bps as compared to the average initial yield of 9.20% in the third quarter of 2024.

U.S. Syndicated Leveraged Loans – Initial Yield



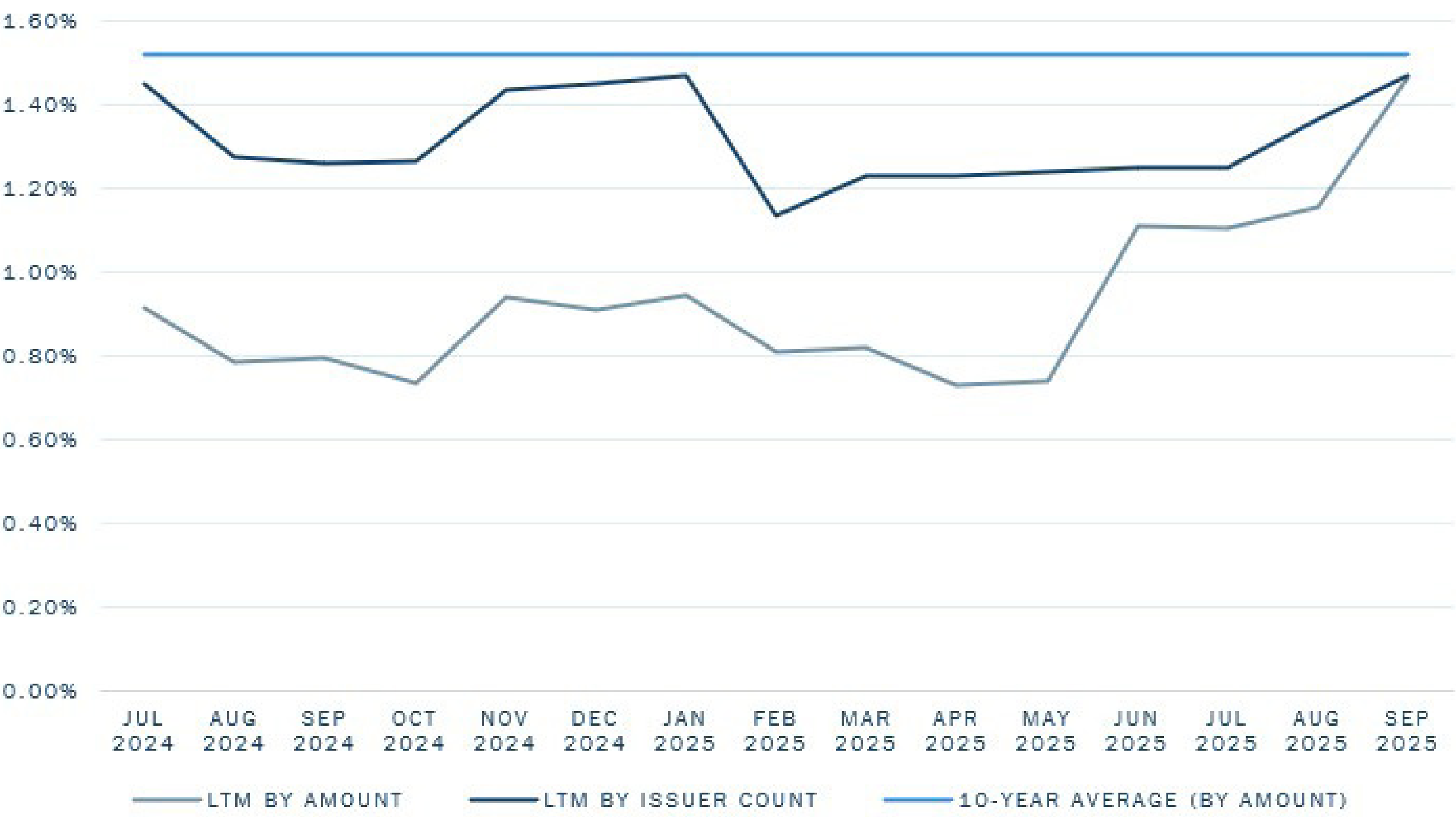
Data Source: Leveraged Commentary & Data (LCD)

Market Trends

U.S. LEVERAGED LOAN DEFAULT RATE

The default rate for U.S. leveraged loans increased in the third quarter of 2025. The default rate of the Morningstar LSTA U.S. Leveraged Loan Index was 1.47% by amount and 1.47% by issuer count for the LTM period ending September 30, 2025, compared to 1.11% by amount and 1.25% by issuer count for the LTM period ending June 30, 2025. The default rate by amount remained below the 10-year average default rate of 1.52%.

U.S. Leveraged Loan Default Rate



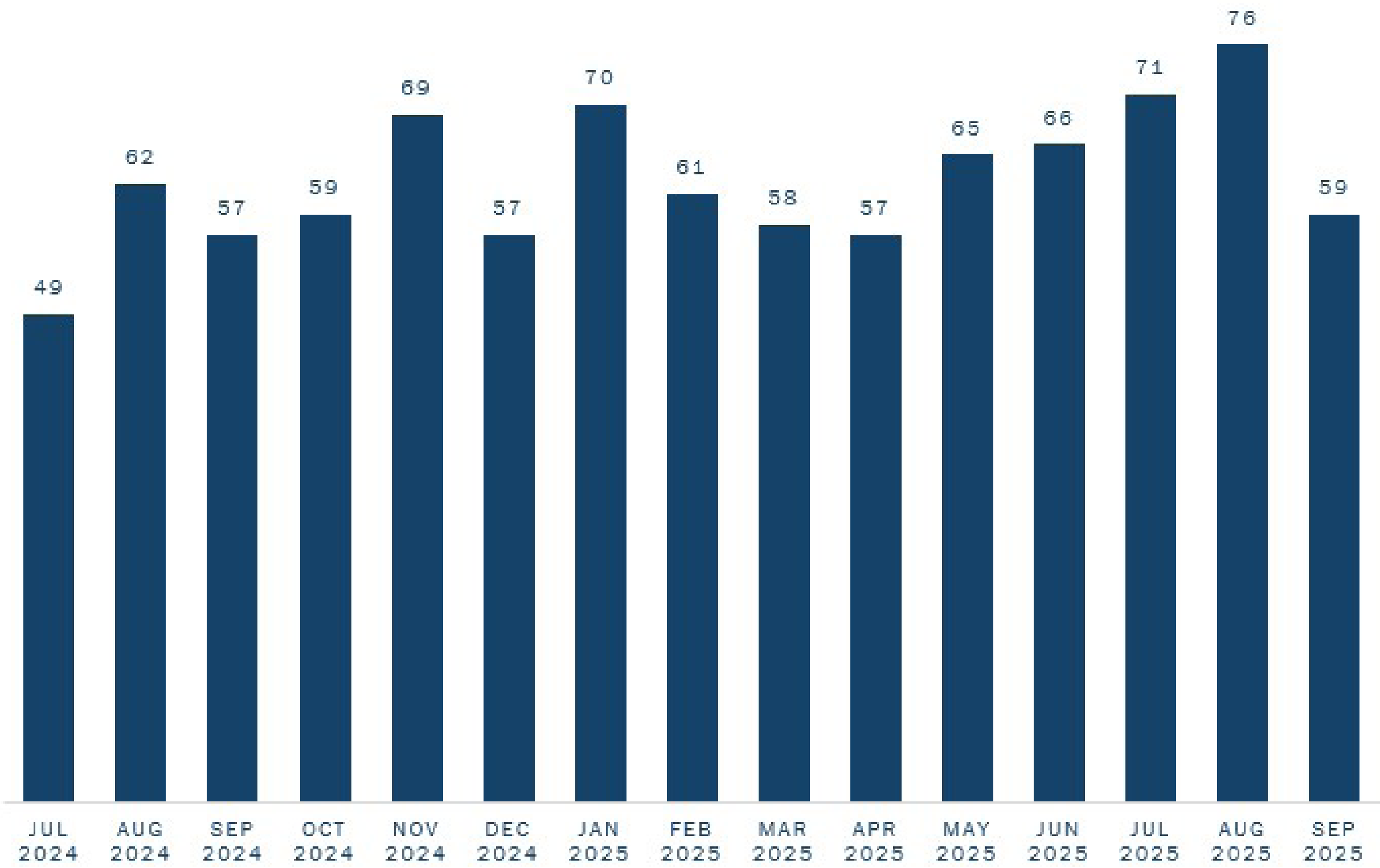
Data Source: PitchBook | Leveraged Commentary & Data (LCD); Morningstar LSTA U.S. Leveraged Loan Index

Market Trends

U.S. Bankruptcy Filings by Month

U.S. BANKRUPTCY FILINGS

U.S. bankruptcy filings remained high in the third quarter of 2025, with a total of 206 bankruptcy petitions filed by U.S. companies in the third quarter of 2025, leading to 2025 being on track to be among the busiest years since 2010. After peaking in August, filings fell in September for the first time since April of this year. The industrials, consumer discretionary and healthcare sectors continue to set the pace for bankruptcies in 2025, with 83 bankruptcy filings for industrial companies, 67 filings for consumer discretionary companies and 37 filings for healthcare companies.



Data Source: S&P Global Market Intelligence (as of October 1, 2025)
Note: Bankruptcy filing data limited to public companies or private companies with public debt where either assets or liabilities at the time of the bankruptcy filing are greater than or equal to \$2 million, or private companies where either assets or liabilities at the time of the bankruptcy filing are greater than or equal to \$10 million.

Regulatory Updates

INITIAL IMPACTS OF THE GOVERNMENT SHUTDOWN

On September 30, 2025, the Division of Corporate Finance at the U.S. Securities and Exchange Commission (“SEC”) issued guidance on its operations during a government shutdown. During a shutdown, the SEC’s electronic filing system (“EDGAR”) continues to operate, but most staff functions are suspended. The agency halts review and comment activities on registration statements, stops processing acceleration requests, and suspends responses to interpretive or no-action requests. Only a limited number of staff remain available to handle essential or emergency matters, such as EDGAR access or fee payment issues.

As a result, capital markets activity requiring SEC review—particularly IPOs and other registered offerings—is largely paused until normal operations

resume. Filers relying on automatic effectiveness provisions, such as well-known seasoned issuers, may continue certain transactions, but new registrations statements or offerings requiring staff action face delays, as the SEC staff will not be available to declare registration statements and post-effective amendments effective.

On October 8, 2025, the SEC staff updated its guidance to say that it will not recommend enforcement action against companies that let their registration statements become effective automatically under Section 8(a) while omitting pricing information under Rule 430A—allowing issuers to launch IPOs with a price range and later add the final price to the prospectus once priced. Only a limited number of companies appear to have used this approach, as most issuers continue to wait for normal SEC operations to resume.

SEC CHANGES COURSE ON MANDATORY ARBITRATION CLAUSES

On September 17, 2025, the SEC issued a policy statement announcing that the inclusion of a mandatory arbitration provision in an issuer’s organizational documents covering claims asserted under federal securities laws will no longer, by itself, prevent staff from granting acceleration of a registration statement’s effectiveness. The SEC stated that its review will instead focus on the adequacy of disclosure related to such provisions.

SEC TIGHTENS GRIP ON CROSS-BORDER FRAUD CONTROL

On September 5, 2025, the SEC established a Cross-Border Task Force within its Division of Enforcement to strengthen oversight and enforcement of transnational securities fraud. The

Task Force is charged with investigating foreign-based issuers and related market participants engaged in misconduct affecting U.S. investors, including market manipulation schemes such as “pump-and-dump” and “ramp-and-dump” operations. The agency noted that it will coordinate across divisions to consider additional disclosure and regulatory measures aimed at improving cross-border fraud detection and enforcement.

SEC APPROVES NEW RETAIL SHAREHOLDER VOTING PROGRAM

On September 15, 2025, the SEC’s Division of Corporation Finance issued a no-action letter to ExxonMobil approving the company’s Retail Voting Program, which allows retail shareholders to provide standing voting instructions directing their shares to be voted in line with the board’s recommendations

Regulatory Updates

for future shareholder meetings. Participants may opt in or out at any time, override their standing instructions for specific meetings or proposals, and continue to receive all proxy materials. The SEC’s approval requires several investor protection measures, including annual reminders of participation status and opt-out rights, as well as clear disclosure of the program in the company’s proxy statements and on the company’s website.

This is the first instance of SEC staff authorizing a mechanism for standing voting instructions by retail shareholders, signaling a shift in the regulatory approach to shareholder engagement. The program is designed to increase retail investor participation in matters to be voted on by shareholders, particularly for companies with a large numbers of retail shareholders and historically low voting turnout. Companies adopting similar programs must

ensure compliance with federal proxy regulations, state corporate law, and investor protection principles outlined in the SEC’s guidance. Notably, companies implementing the same or a substantially similar program to ExxonMobil can rely on the reasoning in the ExxonMobil no-action letter without having to request one of their own.

SEC ENFORCEMENT MID-YEAR UPDATES AND SPRING AGENDA

In the first half of 2025, the SEC concentrated enforcement efforts on traditional fraud areas, including offering frauds, accounting and disclosure violations, market manipulation, and insider trading. Several non-fraud cases were dismissed, including three lawsuits alleging that certain firms failed to register as dealers with the SEC, as well as actions against several crypto firms, reflecting a shift in

enforcement priorities under new leadership and organizational changes within the Division of Enforcement. Whistleblower activity remained robust, with multiple large awards issued, including a \$6 million award to joint whistleblowers in April 2025.

The SEC’s Spring 2025 Regulatory Agenda emphasized proposed rulemaking on crypto-assets and potential amendments to Rule 144 to expand the availability of the safe harbor provided by such rule. It also outlined initiatives to simplify disclosure requirements, modernize exempt offering pathways, and facilitate capital formation. The agenda also withdrew or postponed certain rulemakings from prior administrations.

SEC RETURNS TO CONCURRENT CONSIDERATION OF ENFORCEMENT AND WAIVER POLICIES

On September 26, 2025, SEC Chairman Paul S. Atkins announced that the SEC would revert to reviewing enforcement settlements and related waiver applications simultaneously. This procedural adjustment reinstates an approach first introduced under Chairman Jay Clayton in 2019 and later reversed in 2021 during Acting Chair Allison Herren Lee’s tenure. The earlier process required respondents to agree to enforcement resolutions without knowing whether waiver relief from regulatory disqualifications would be approved. Under the renewed system, both the proposed settlement and the accompanying waiver request will be presented together for the SEC’s consideration.

Regulatory Updates

SEC REQUESTS INPUT ON RULES RELATING TO RMBS AND ABS

On September 26, 2025, the SEC published a concept release and accompanying statements seeking public input on reforms to the rules governing residential mortgage-backed securities (“RMBS”) and other asset-backed securities (“ABS”). The SEC is evaluating whether asset-level disclosure requirements for registered RMBS are overly burdensome, costly or impractical, and whether these requirements have contributed to the absence of public offerings of RMBS since 2013. The SEC is also considering how to balance RMBS investors’ need for detailed borrower and property information, including credit scores, income and ZIP codes, against the privacy and re-identification risks created by the public disclosure of such information. The SEC is exploring alternatives to public disclosure of asset-level data, including

the use of issuer-sponsored, access-controlled websites, similar to current practices in the Rule 144A RMBS market.

The SEC is also reassessing the definition of ABS under Regulation AB, considering whether it should be aligned with the broader Exchange Act ABS definition adopted pursuant to the Dodd-Frank Act. Harmonizing these definitions could expand access to the public markets for securities such as series trusts, synthetic securitizations and collateralized loan obligations that are not currently captured under the Regulation AB ABS framework.

SEC CONSIDERS SHIFT FROM QUARTERLY TO SEMIANNUAL REPORTING

The SEC has indicated its intention to propose a rule change that would permit U.S. public companies to switch from quarterly Form 10-Q filings to a

semiannual reporting schedule. Chairman Paul S. Atkins has publicly expressed support for the change, which aligns with reporting practices in other jurisdictions like the United Kingdom and European Union. The proposed shift is part of the SEC’s broader initiative to assess market transparency and compliance costs. Chairman Atkins has indicated that if the rule change is approved, companies would retain the choice to continue quarterly reporting or adopt the semiannual schedule. The change would have ripple effects for other activities and policies of companies, including financial statement staleness dates, blackout periods and corporate governance and insider trading policies. The transition to semiannual reporting would represent a significant modification of a longstanding U.S. reporting framework that has been in place since 1970.

FEDERAL RESERVE SUNSETS ITS NOVEL ACTIVITIES SUPERVISION PROGRAM

On August 8, 2023, the Federal Reserve Board (the “Fed”) established the Novel Activities Supervision Program (the “Program”) through supervisory letter SR 23-7 (“SR 23-7”). The Program was designed to enhance oversight of activities involving crypto-assets, distributed ledger technology and complex, technology-driven partnerships with nonbank firms to deliver financial services. It operated in coordination with existing Federal Reserve supervisory teams and applied a risk-based framework, tailoring the scope and intensity of supervision to each supervised institution’s engagement in novel activities.

However, on August 15, 2025, the Fed announced that it would sunset the Program, rescind SR 23-7 and return to monitoring banks’ novel activities

Regulatory Updates

through its standard supervisory process. The Fed attributed its decision to sunset the Program to a strengthened understanding of these activities, their associated risks and bank risk management practices. The decision aligns with other recent regulatory developments that are perceived as more accommodating to crypto-related activities. For example, the Office of the Comptroller of the Currency (the “OCC”) issued Interpretive Letter 1184 confirming that OCC-regulated national banks and federal savings associations may execute and settle crypto-assets held in custody at customer direction and may outsource permitted crypto-asset activities to third parties.

FINCEN AND FEDERAL BANKING AGENCIES ALLOW MORE FLEXIBILITY IN “KNOW YOUR CUSTOMER” REQUIREMENTS FOR BANKS

On June 27, 2025, the OCC, the Federal Deposit Insurance Corporation (“FDIC”) and the National Credit Union Administration (“NCUA”), with the concurrence of the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (“FinCEN” and together with the OCC, FDIC and NCUA, the “Agencies”), issued an order that permits—but does not require—banks subject to the jurisdiction of the Agencies to collect a customer’s tax identification number (“TIN”) from a third

party rather than a customer. Banks must still continue to comply with the broader requirements of the Customer Identification Program Rule, which include maintaining written procedures that (1) enable the bank to obtain TIN information prior to opening an account; (2) are based on the bank’s assessment of the relevant risks; and (3) are risk-based for the purpose of verifying the identity of each customer to the extent reasonable and practicable, enabling the bank to form a reasonable belief that it knows the true identity of each customer.

Restructuring Updates

ALL (NOT) ABOARD: REVERSAL OF CONVERGEONE'S PLAN CONFIRMATION

A centerpiece in many restructuring plans is an “equity rights offering,” where a limited group of creditors is provided the opportunity to fund a distressed business’s restructuring in exchange for receiving new equity in the reorganized business. Rights offerings can serve as a critical source of new capital to a company seeking to exit a restructuring. At the same time, participating creditors find such opportunities attractive because the new equity is often issued at a significant discount. Participating creditors also typically receive additional economic incentives (which are not available to other creditors) in the form of fees or premiums to “backstop” the rights offering.

In September 2025, U.S. District Judge Andrew Hanen reversed the confirmation of ConvergeOne’s reorganization plan, holding that the prepackaged plan’s equity rights backstopping arrangement was an “exclusive opportunity” that “constituted unequal treatment of members of the same creditor class.” *In re ConvergeOne Holdings, Inc.*, No. 4:24-cv-02001, at 22 (S.D. Tex. Sept. 25, 2025) (hereinafter, *ConvergeOne*).

Under ConvergeOne’s prepackaged plan, a group of first lien lenders representing approximately 81% of the first lien claims (the “Majority Lenders”) agreed to backstop the company’s equity rights offering in exchange for a 10% premium on their claims, at a 35% discount to plan value. The excluded first lien lenders (the “Minority Lenders”) objected, arguing

that the backstop violated 11 U.S.C. § 1123(a)(4) by failing to provide equal treatment for each claim or interest of a particular class.

Judge Hanen relied heavily on the Supreme Court’s decision in *LaSalle*¹ and its application by the Fifth Circuit in *Serta*² to conclude that under § 1123(a)(4): (1) the equal treatment requirement prohibits disparate treatment with respect to value (although equality can be approximate); and (2) the plan must provide equality of opportunity, even if equal recovery does not result.

The court found inequality in both the prepackaged plan’s opportunity and its result. Minority Lenders were “intentionally restricted from participating in the deal” while the Majority Lenders “were given an *exclusive* opportunity...without providing any up-front

value in exchange....”³ Judge Hanen vividly analogized this unequal treatment: “at the time the bankruptcy petition was filed, the train had already left the station, and the Minority Lenders were never permitted to board.”⁴

ConvergeOne arrives, following the tracks of *LaSalle* and *Serta*, as the latest case striking down a deal structure that offers enhanced economic treatment for preferred creditor groups. Both the reorganized debtors and the Majority Lenders have since appealed Judge Hanen’s ruling to the Fifth Circuit.

Restructuring Updates

IN RE: WESCO AIRCRAFT HOLDINGS, INC., ET AL., NO. 4:25-CV-202 (S.D. TX. 2025)

At a status conference on September 11, 2025, U.S. District Judge Randy Crane of the Southern District of Texas indicated that he is likely to overturn the bankruptcy court’s decision invalidating a core part of the Incora / Wesco 2022 secured uptier exchange.⁵ The bankruptcy court had previously

declared the exchange invalid due to the manner in which the company issued new notes only to participating noteholders to achieve the supermajority voting threshold needed to release collateral. Judge Crane stated that the uptier was “perfectly proper and appropriate” under the relevant indenture. Accordingly, the “sophisticated” minority noteholders should have pushed for a “sacred right” in the indenture preventing the transaction. This ruling adds to the complex tapestry of judicial decisions involving so-called “creditor-on-creditor” violence.

Crypto Updates

SEC AND CFTC ROUNDTABLE

The SEC and Commodity Futures Trading Commission (“CFTC”) have announced a coordinated initiative to support the trading of certain spot crypto-asset products, reflecting a broader effort to reconcile their regulatory frameworks. On September 2, 2025, the Divisions of the SEC and CFTC issued a joint statement confirming that current law does not prohibit registered exchanges from facilitating certain spot crypto trades. The joint statement also laid out the agencies’ views on considerations for market participants looking to operate crypto markets, including margin, clearing and settlement, monitoring underlying markets, public dissemination of trade data and promoting fair markets.

Following this, a joint statement on September 5, 2025 announced a roundtable focused on regulatory harmonization between the SEC and CFTC, covering topics like 24/7 markets, event and perpetual contracts, portfolio margining, innovation exemptions and decentralized finance.

SEC ANNOUNCES LAUNCH OF “PROJECT CRYPTO”

On July 31, 2025, SEC Chairman Paul Atkins announced “Project Crypto,” a Commission-wide initiative to modernize U.S. securities regulations. Project Crypto aims to integrate blockchain-based, or “on-chain,” systems into U.S. financial markets, enabling decentralized finance and premiering a new “innovation exemption” to advance the commercial use of new technologies. The initiative directs SEC

staff to draft clear guidelines for determining whether crypto-assets are securities or subject to an investment contract, suggest tailored disclosures, exemptions or safe harbors and facilitate tokenized securities distributions.

Project Crypto encourages the development of “super-apps,” platforms allowing trading of securities and non-securities crypto-assets under a single license, and aims to streamline licensing to reduce duplicative regulatory burdens. The initiative contemplates an “innovation exemption” to allow novel business models to enter the market quickly even when they do not precisely align with SEC rules, prioritizing commercial viability and innovation.

Citations

1. *Bank of Am. Nat’l Tr. & Sav. Ass’n v. 203 N LaSalle St. P’ship*, 526 U.S. 434 (1999) (hereinafter, *LaSalle*).
2. *In re Serta Simmons Bedding, L.L.C.*, 125 F.4th 555 (5th Cir. 2024) (hereinafter, *Serta*).
3. *ConvergeOne* at 14.
4. *ConvergeOne* at 16.
5. See Cravath coverage in the 2025 Q1 Finance and Capital Markets Newsletter, *In re: Wesco Aircraft Holdings, Inc.*, 2025 WL 354816 (Bankr. S.D. Tex. Jan. 17, 2025).



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