



SEC Dismisses Enforcement Action Against Coinbase; Staff Issues Guidance on Meme Coins

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On February 27, 2025, the Securities and Exchange Commission (the SEC or the Commission) announced that it has filed a joint stipulation with Coinbase, Inc. and Coinbase Global, Inc. to dismiss the Commission's civil suit against the two entities. The same day, the SEC's Division of Corporation Finance (the Division) issued a staff statement clarifying that meme coins are not securities.

DISMISSAL OF ENFORCEMENT ACTION AGAINST COINBASE

The SEC's dismissal of its ongoing civil enforcement action against the Coinbase entities follows the formation of the Commission's Crypto Task Force, which aims to develop a comprehensive and clear regulatory framework for crypto assets. Acting Chairman Mark T. Uyeda emphasized the need for a more transparent policy approach, moving away from "several years" of regulation by enforcement.

The announcement from the Commission clarified that the dismissal is not an assessment of the merits of the claims alleged in the action, but rather a strategic move to "facilitate the Commission's ongoing efforts to reform and renew its regulatory approach to the crypto industry." Commissioner Hester M. Peirce supported the dismissal, criticizing the previous Commission for shifting responsibility for developing regulations from the SEC's policy divisions to the Division of Enforcement, creating uncertainty and stifling innovation. Commissioner Pierce also stressed the importance of the Commission's policy staff engaging with the public to build a workable regulatory framework for crypto, and the need for clear regulatory lines to foster a healthy environment for startups and entrepreneurs.

In contrast, Commissioner Caroline A. Crenshaw expressed concerns about the dismissal, describing it as unprecedented "regulation by non-enforcement." She argued that the decision creates more uncertainty, as the current regulatory framework should be upheld until "the Commission enact[s] new regulations or Congress change[s] the law." Commissioner Crenshaw also emphasized the need to apply and enforce the existing regulatory framework equally to all participants, warning against giving special treatment to crypto assets.

STAFF STATEMENT ON MEME COINS

Separately, on the same day of the dismissal, the SEC's Division of Corporation Finance issued a staff statement on the application of federal securities laws to meme coins. The staff defines meme coins as:

- a type of crypto asset inspired by internet memes, characters, current events, or trends; and
- for which the promoter seeks to attract an enthusiastic online community to purchase the meme coin and engage in its trading.

They are typically purchased for entertainment and social interaction, with their value driven primarily by market demand and speculation. “In this regard,” the staff wrote, “meme coins are akin to collectibles.” The Division also noted that meme coins:

- typically have limited or no use or functionality;
- tend to experience significant market price volatility; and
- often are accompanied by statements regarding their risks and lack of utility, other than for entertainment or other nonfunctional purposes.

Consequently, the Division’s view is that transactions in meme coins “do not involve the offer and sale of securities under the federal securities laws.” Participants do not need to register their transactions with the SEC under the Securities Act of 1933, and neither meme coin purchasers nor holders are protected by federal securities laws.

The statement explains that meme coins do not constitute common securities like stocks or bonds because, among other things, they do not generate yield or convey rights to future income. Meme coins are also not an investment contract, a type of security, under the Howey test, as their offer and sale “do[] not involve an investment in an enterprise nor [are they] undertaken with a reasonable expectation of profits to be derived from the entrepreneurial or managerial efforts of others.”

The Division warns, however, that:

- its statement does not apply to meme coins that are inconsistent with the descriptions set forth therein;
- labeling a product a “meme coin” will not prevent the application of federal securities laws to actual securities; and
- fraudulent conduct related to meme coin transactions is still subject to enforcement action or prosecution under other federal and state laws.

Commissioner Caroline A. Crenshaw responded critically to the staff statement on meme coins, arguing that the statement suggests “that an entire product category is outside the bounds of SEC jurisdiction” and that the general description of a meme coin is applicable to crypto assets generally. She also warned that the guidance could serve as a road map for crypto enterprises to evade oversight, emphasizing that the label “meme coin” is “largely irrelevant to whether something is offered and sold as a ‘security’ under the SEC’s remit.”

Commissioner Crenshaw also highlighted that the *Howey* test requires a fact-intensive analysis of the economic realities of an offer or sale. She argued that meme coins are issued to produce profit, and “the linked fortunes of purchasers and promoters ... may itself satisfy *Howey’s* [*sic*] requirement of a ‘common enterprise.’” Commissioner Crenshaw also argued that since market prices are often manipulated through legal means and fraudulent schemes alike, expectations of profits are often based on the efforts of others.

IMPACT

The SEC’s dual moves indicate a pivot toward fostering collaboration between regulators and the crypto industry rather than pursuing adversarial enforcement. However, as Commissioner Crenshaw’s dissents illustrate, while these actions may temporarily ease regulatory uncertainty, they amplify calls for a more durable approach to regulating crypto assets.

For more information or if you have any questions, please contact the authors of this blog post or your regular Winston contacts.

For additional details, please refer to a recent article published by our Digital Assets team, titled [SEC Staff Under New Administration Issues Statement Declaring That Meme Coins Are Not Securities](#).

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