

SEC Staff Under New Administration Issues Statement Declaring That Meme Coins Are Not Securities

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- On February 27, 2025, the Securities and Exchange Commission released a staff statement (Staff Statement) that clarifies that meme coins, defined as “a type of crypto asset inspired by internet memes, characters, current events, or trends for which the promoter seeks to attract an enthusiastic online community to purchase the meme coin and engage in its trading,” are not securities.
 - The Staff Statement describes that meme coins are “akin to collectibles” and “typically have limited or no use or functionality,” and that “their value is driven primarily by market demand and speculation.”
- According to the Staff Statement, meme coins are not securities because they do not fall under any of the enumerated categories of financial instruments under federal securities laws, and they do not satisfy the *Howey Test*.
 - Meme coins are not investment in an enterprise.
 - The expectation of profits from meme coins “is not derived from efforts of others.”
- Market participants should be mindful that staff statements are not binding law or statements of the Commission. This Staff Statement does not apply to the offer and sale of securities labelled as “meme coins” designed to evade registration under federal securities laws. And fraudulent conduct involving meme coins remains subject to other federal and state laws.
- What is striking to us about the Staff Statement is its form compared to written pronouncements from the Commission during the prior Administration—it is a clear, direct statement from the staff that communicates expectations to the market, reminds the market that not every digital asset is a security, but that fraud is still out of bounds. We expect future pronouncements from the staff addressing the key question whether a particular type of digital asset is a security to follow the form of the Staff Statement.

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