Crypto Vaults and On-Chain Lending: A Regulatory Roadmap from the SEC

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EXECUTIVE SUMMARY

Over the last 12 months, vaults have exploded in popularity in the crypto-asset sector. They have quickly moved from an area of experimentation for the most sophisticated crypto-natives into more mainstream use. A "vault" is simply a type of blockchain-based smart contract that allows users to transfer a particular token (most commonly, a stablecoin) to the vault and receive in return a "receipt" token that permits the holder to receive back a proportional amount of the assets held in the vault at a later time. The assets held in the vault are generally pre-programmed to be deployed in one or more yield-generating strategies determined by a "curator."

Although the open-ended nature of vaults means that assets can be deployed in almost any way imaginable, a particularly common approach is for the vault assets to be deployed into on-chain lending protocols where the stablecoins sent by users to the vault are ultimately "loaned" to users that post other assets as collateral in the lending protocol and pay "yield" on the amount "borrowed," with the yield paid by borrowers, along with a return of the relevant stablecoin, ultimately flowing back to the vault users.

The increasing popularity of crypto vaults and on-chain lending protocols has recently garnered the attention of regulators. On July 22, 2026, SEC Commissioner Hester M. Peirce issued a statement, titled "Headstands and Summervaults: A Statement on Crypto Vaults and Lending Strategies" (the "Statement"),[1] addressing two fast-growing categories of on-chain activity: crypto vaults and on-chain lending strategies.

Although the Statement reflects the views of a single Commissioner, rather than formal Commission guidance, it identifies certain features that may bring these structures within the perimeters of federal securities laws and invites market participants to engage with the Commission. This article summarizes the substance of the Statement and analyzes its practical implications.

[1] Commissioner Hester M. Peirce, Headstands and Summervaults: A Statement on Crypto Vaults and Lending Strategies (July 22, 2026), https://www.sec.gov/newsroom/speeches-statements/peirce-statement-crypto-vaults-lending-strategies-072226 (last visited: July 22, 2026).

VAULTS

In the Statement, vaults are purposefully described to cover a broad spectrum of design, from “programmatic allocations determined solely by immutable smart contracts” to “allocations at the sole discretion of another person or group of persons.”[2] Several activities are flagged as warranting analysis under the federal securities laws:

- Selecting the yield-generating activities to which user assets are deployed;
- Reallocating assets among those yield-generating activities; and
- Selecting the parties who will make those decisions.[3]

LENDING STRATEGIES

The Statement describes on-chain lending strategies generally as allowing participants to deposit assets into on-chain systems that lend those assets, for a fee, to borrowers who put them to use.[4]

Activities relating to management of these strategies, such as setting interest rates and loan-to-value limits, determining eligible assets, and establishing liquidation thresholds, are noted as similarly warranting securities-law analysis.

POTENTIAL SECURITIES LAW IMPLICATIONS

The Statement identifies four distinct aspects of U.S. securities laws that could be implicated with respect to vaults and on-chain lending protocols:

- **Investment Contract.** A vault could be viewed as a common enterprise in which users invest money with a reasonable expectation of profits derived from the entrepreneurial or managerial efforts of the vault deployer and curator, meeting the elements of an investment contract under *Howey*.[5]
- **Investment Company.**[6] A vault that holds securities, or that allocates assets to investments in securities, such as a tokenized money market fund, may raise investment company issues (for example, by resembling a unit investment trust or an investment company), while other vaults may more closely resemble separately managed accounts offering individualized client treatment.
- **Investment Adviser**. Those involved in managing or “curating” vaults and determining lending strategies may be viewed as acting as investment advisers.
- **Notes as Securities.** On-chain loans may be viewed as notes that are securities, depending on factors such as the parties’ motivations, the plan of distribution, and other relevant factors under *Reves*.[7]

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[2] Statement at 2.
[3] *Id.*
[4] *Id.*
[5] *SEC* v. *W.J. Howey Co.*, 328 U.S. 293 (1946). *See also United Housing Found., Inc.* v. *Forman*, 421 U.S. 837, 852 (1975).
[6] *See generally* Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq.
[7] *Reves* v. *Ernst & Young*, 494 U.S. 56 (1990).

The Statement closes on familiar limiting principles: the federal securities laws are intended to be flexible and whether a particular structure falls within their scope turns on specific facts and circumstances.

COMMON STANDARD AND MARKET PRACTICE

In practice, many deposit-and-yield vaults implement Ethereum's ERC-4626 tokenized vault standard, under which a user transfers assets to the vault contract and receives fungible, often transferable, receipt tokens representing the ability to receive a corresponding portion of the vault's holdings at a later time, with receipt token value fluctuating according to the outcomes of the vault's strategies. Such vaults typically involve a recurring set of roles:

- One or more users who allocate an underlying ERC-20 asset (frequently, a stablecoin) into the vault and receive a receipt token in return.
- A deployer who deploys the vault's smart contract and establishes its initial configuration, including role assignments.
- A curator who determines the markets, strategies, or counterparties the vault contract interacts with and sets supply caps and risk parameters.
- An allocator who moves assets among the approved protocols within the constraints the curator has established.

Assignment of these roles is left to each vault's implementation. Although the Statement does not address the standard or any specific role, it reminds parties who undertake to fulfill any particular role that they should carefully evaluate whether their activities bring them within the scope of the federal securities laws.

In practice, vault arrangements range from fully permissionless, open liquidity pools accessible without identity verification to KYC-gated platforms limited to verified institutional participants; and vault assets may include commodities and/or securities. Each of these variations, and the range of possible role allocations described above, may warrant a different securities-law analysis. Additionally, although outside the scope of the Statement, careful consideration of the federal commodities laws is also warranted, as such activity could trigger the potential that a commodity pool has been formed or that one or more entities involved could be considered a commodity pool operator or a commodity trading advisor. It is also worth bearing in mind that state-level securities law and consumer protection law issues may be raised.

KEY TAKEAWAY: CONTROL

The four securities law regimes identified in the Statement converge on a single underlying inquiry: who, if anyone, exercises control over the structure, and to what degree? Depending on the nature and extent of discretionary human involvement in the deployment and/or operation of a vault or lending strategy, different types of securities law implications may be present. In practice, different levels of control may be evidenced by:

- The procedures used to appoint, compensate, and remove a curator;
- The amount of discretion available to a curator once a strategy has been deployed;
- A party's ability to upgrade, pause, or otherwise modify the vault contract;
- The use of time locks, delays, or governance approval requirements for changes to strategies, parameters, or role assignments;

- The design and control of revenue, fee, and incentive flows;
- The selection, configuration, and control of price oracles and other external data feeds on which vault or lending logic depends; and
- The scope of emergency, admin, or multisig keys that can intervene in vault operations.

Accordingly, a structure intended to operate on a programmatic, permissionless basis may nonetheless retain features or powers, such as the ability to alter vault parameters, sufficient to invoke the federal securities laws. The label parties attach to a structure will matter far less than how the structure functions in practice and whether identifiable participants have control over parameters, and, if so, under what conditions that control may be exercised.

Participants building, operating, or engaging with smart-contract vaults or on-chain lending strategies should work with counsel to assess the characteristics of their arrangements, particularly as measured against the roadmap provided in the Statement. As the Commissioner acknowledges in the Statement, not every such participant will fall within the SEC's purview, but those that do are encouraged to engage with the Commission on how to serve their customers in compliance with the federal securities laws. Ultimately, the Statement signals that the door remains open to those willing to build responsibly: with a clear-eyed understanding of current law, innovation in this space can continue to flourish in a compliant and thoughtful manner.[8]

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If you have any questions about the issues addressed in this memorandum, or if you would like a copy of any of the materials mentioned in it, please do not hesitate to call or email authors Lewis Rinaudo Cohen (partner) at 212.701.3758 or lrcohen@cahill.com, Sarah Weiyang Chen (partner) at 212.701.3759 or swchen@cahill.com, Gregory Strong (partner) at 302.884.0001 or gstrong@cahill.com, Jonathan Galea (partner) at 44.20.7947.9315 or jgalea@cahill.com, Frank J. Weigand (partner) at 212.701.3890 or fweigand@cahill.com, or Edward Leaf (associate) at 202.862.8990 or eleaf@cahill.com.

[8] Statement at 2.