

Digital Assets + Blockchain Newsletter – October 1, 2026

WRITTEN BY

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Welcome to the first issue of the *Digital Assets + Blockchain Newsletter*. In this newsletter, we'll track the regulatory, legislative, and enforcement developments reshaping the crypto and digital assets landscape — from the GENIUS Act's stablecoin framework to the SEC's and CFTC's evolving posture on digital commodities to custody rules, licensing regimes, and beyond.

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IN THE SPOTLIGHT

IN THE WAKE OF CLARITY ACT'S FAILURE, AGENCIES MOVE FORWARD WITHOUT CONGRESSIONAL ACTION OR CERTAINTY

After the Senate blocked the CLARITY Act, Troutman Pepper Locke's Genna Garver and David Madrazo examine how the U.S. Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) are moving to fill the regulatory gap on their own, from the SEC's proposed Regulation Crypto Assets to updated CFTC guidance on tokenized investments, and where agency action reaches its limits, particularly on bankruptcy protections for digital asset customers. Click [here](#) to read the full article.

TROUTMAN PEPPER LOCKE TO ATTEND THE BRIDGE CONFERENCE IN NEW YORK

Members of Troutman Pepper Locke's Digital Assets and Blockchain team, Akshay Belani, Genna Garver, Deb Kovsky, and Ethan Ostroff, will attend The Bridge, an invitation-only institutional crypto conference in New York on October 27. Organized by The Tie, the event gathers 600+ institutions and 1,100+ attendees for high-level panels and private meetings on tokenization, DeFi, and digital asset markets.

FEDERAL DEVELOPMENTS

SEPTEMBER 25, SEC CORP FIN STAFF ISSUES FAQs ON CRYPTO ASSET CLASSIFICATION AND INVESTMENT CONTRACT ANALYSIS UNDER MARCH 2026 INTERPRETIVE RELEASE

The SEC's Division of Corporation Finance issued staff-level FAQs interpreting the Commission's March 17, 2026 Interpretive Release on the application of federal securities laws to crypto assets, expressly noting the FAQs are staff views only, carry no legal force, and do not bind the Commission. The guidance addresses two groups of questions: classification issues under Section III of the Interpretive Release, including that an issuer's own stated definitions of "functionality" and "decentralization" (not the Release's general definitions) govern whether the issuer has fulfilled its representations, that Staking Receipt Tokens may be classified as either a "digital tool" or a "digital commodity" depending on whether they are issued by a protocol-based Liquid Staking Provider, and that a "receipt" is distinguished from other instruments by the issuer's inability to transfer, lend, pledge, rehypothecate, or otherwise use the deposited asset; and investment-contract issues under Section IV, including when marketing communications constitute representations of "essential managerial efforts," confirmation that a non-security crypto asset does not separate from its associated investment contract merely because a third party assumes the issuer's promised efforts, that services to secure, maintain, or improve an already-functional crypto system do not constitute essential managerial efforts, that statements by an issuer of a functional, centerless crypto system generally cannot create a new investment contract, and that buyback program announcements are not representations of managerial efforts where the system is functional and has no central party but may be where the system is not yet functional and the buyback is framed as generating yield. For more information, click [here](#).

SEPTEMBER 24, FRB PROPOSES TWO RULES IMPLEMENTING GENIUS ACT STABLECOIN FRAMEWORK FOR STATE MEMBER BANKS

The Federal Reserve Board (FRB) requested public comment on two proposed rules governing payment stablecoin issuance under the GENIUS Act. The first sets the ongoing substantive framework for FRB-supervised permitted payment stablecoin issuers (PPSIs) and related custodians, covering permissible activities, one-to-one reserve backing in cash, short-term Treasuries, and other permissible assets, two-business-day redemption and fee disclosure requirements, monthly audited reserve reporting with CEO/CFO certifications, standardized capital requirements, and a cross-cutting anti-tying prohibition that reaches all PPSIs regardless of regulator. The second establishes a tailored application process for insured state member banks seeking to issue stablecoins through a subsidiary, including a 30-day completeness review, a 120-day decision deadline (with deemed approval if missed), safety-and-soundness-based denial standards, and an appeals process. The proposals are closely coordinated with parallel Office of the Comptroller of the Currency (OCC) and Federal Deposit Insurance Corporation (FDIC) rulemakings, and comments on both are due 60 days after *Federal Register* publication. For more information, click [here](#).

SEPTEMBER 24, CFTC STAFF UPDATES FAQs ON REGISTRANT USE OF TOKENIZED COLLATERAL AND BLOCKCHAIN RECORDKEEPING

The CFTC's Market Participants Division, Division of Market Oversight, and Division of Clearing and Risk (Release Number 9303-26) released updates to their FAQs Concerning Registrant and Registered Entity Activities Relating to Crypto Assets and Blockchain Technologies, addressing two new topics: investment of customer funds in tokenized forms of permitted investments, and the use of blockchain technology to satisfy registrants' recordkeeping requirements. Chairman Michael S. Selig said the update reflects the agency's "ongoing efforts to provide regulatory clarity for the crypto industry." The FAQs, first issued March 20, 2026, build on and provide further clarity regarding CFTC Staff Letter 25-39 (Tokenized Collateral Guidance) and CFTC Staff Letter 26-05 (the staff no-action position on digital assets accepted as margin collateral). For more information, click [here](#).

SEPTEMBER 21, SEC GRANTS ARK VENTURE FUND RELIEF FOR A TOKENIZED SHARE CLASS

In Investment Company Act Release No. 36333 (File No. 812-16031), the Commission granted ARK Venture Fund and ARK Investment Management exemptions from §§ 18(a)(2), 18(c), and 18(i), Rule 23c-3, and Section 17(d) and Rule 17d-1 so the closed-end interval fund can offer two new classes alongside its existing shares: an Exchange Class listed on a national securities exchange and a Tokenized Class traded on alternative trading systems or other quotation mediums. The relief is subject to the conditions in the application. ARK has not announced a launch. It is the first 1940 Act exemptive order built around a tokenized class, and it lands three weeks after the SEC's transfer-agent proposal and four days after the Innovation Exemption. For more information, click [here](#).

SEPTEMBER 18, OCC GRANTS CONDITIONAL TRUST CHARTERS TO BASTION, CATENA, AND AGORA

The OCC granted conditional national trust charters to fintechs Bastion Platforms, Catena Trust Bank, and Agora National Trust Bank, each seeking to expand stablecoin and crypto offerings. Bastion converts its existing New York trust company into a national trust company and will pursue white-label stablecoin issuance, fiduciary wallet services, and issuer services; Catena, a new entity and subsidiary of AI-agent banking platform Catena Labs, will offer custody, investment management, conversion, and clearing/execution across fiat, securities, stablecoins and crypto; and Agora, issuer of the AUSD token, will focus on stablecoin issuance, reserve maintenance, and institutional custody services. All three must limit activities to trust-company business and secure Federal Reserve bank stock before full approval. The Bank Policy Institute and Independent Community Bankers of America objected to Catena's and Agora's applications as insufficiently detailed and potentially exceeding trust-company activities (including possible unregistered brokerage for Catena), but the OCC found both firms followed established procedures and that commenters had adequate opportunity to respond. The approvals continue the OCC's expansive posture toward crypto trust charters (following Fidelity Digital Assets, Coinbase, Ripple, and World Liberty Financial) even as it has denied others (Bunq, Wise US) and reflect the charter's growing appeal under the GENIUS Act, which named the OCC as primary regulator of stablecoin issuers. For more information, click [here](#), [here](#), and [here](#).

SEPTEMBER 17, SEC ISSUES FIVE-YEAR "INNOVATION EXEMPTION" FOR ONCHAIN TRADING OF TOKENIZED NMS STOCKS

The Commission granted temporary conditional relief under Exchange Act § 36(a)(1) that lets "tokenized securities venues" trade tokenized National Market System (NMS) stocks through permissioned automated market makers and liquidity pools without registering as exchanges. Liquidity providers that fund those pools with their own capital are exempt from the "dealer" definition. Conditions include limits on the number of symbols and on volume, tokens that carry the same rights as the underlying stock, notice to the issuer before a venue lists a third-party tokenized version of its shares, auditable smart contracts on a public permissionless ledger, halts that track the primary listing exchange, and public disclosure of operations and trading activity. The relief runs five years from publication, and the order asks for public comment. The issuer-notice condition follows AMC's September 3 objection to tokens referencing its shares without consent. For more information, click [here](#).

SEPTEMBER 17, CFTC SENDS CRYPTO MARKET RULEMAKING TO WHITE HOUSE REVIEW TWO DAYS AFTER THE CLARITY VOTE

The Office of Information and Regulatory Affairs (OIRA) received a CFTC rulemaking titled "Regulation Crypto Asset Transactions and Regulation Crypto Asset Markets" (RIN 3038-AF80) on Sept 17. It is listed at the prerule

stage and is not designated economically significant. The CFTC declined to comment on the contents. Chairman Michael S. Selig said in August that the agency would write a crypto market structure under its existing authority, and this is the first formal step. With the SEC's Regulation Crypto Assets proposal already out, both agencies now have market structure rulemakings moving. For more information, click [here](#).

SEPTEMBER 17, CFTC STAFF EXTENDS PHANTOM NO-ACTION RELIEF TO ALL PASSIVE SOFTWARE PROVIDERS

In Staff Letter 26-25, the Market Participants Division said it will not recommend enforcement against providers of passive software for failing to register as introducing brokers or associated persons. The software must route users directly to registered Futures Commission Merchants (FCMs), Introducing Brokers (IBs), Designated Contract Markets (DCMs), and the letter covers event contracts, perpetual contracts, and other CFTC-regulated derivatives. It extends the March 17 position given to Phantom (Staff Letter 26-09) to similarly situated providers. A provider cannot hold or control user assets, generate buy or sell signals, or exercise discretion over order routing. It must adopt compliance policies as if registered as an IB and sign undertakings accepting joint liability with the registrant. Revenue sharing and transaction-based fees are allowed. The position lasts until the Commission addresses IB registration for software developers by rule or guidance. For more information, click [here](#).

SEPTEMBER 17, SEC STAFF CLEARS ZERO-CASH BROKERAGE ACCOUNTS WITH CUSTOMER MONEY HELD AT BANKS OR MONEY TRANSMITTERS

A no-action letter to eToro USA Securities lets an introducing broker operate at the \$5,000 minimum net capital level under Rule 15c3-1 while customer cash sits in external accounts at a bank or a FinCEN-registered, state-licensed money services business (MSB) instead of in the brokerage account. Conditions include disclosure that those funds are not Securities Investor Protection Act protected, no commingling with the MSB's own funds, and periodic checks of the MSB's licenses. For more information, click [here](#).

STATE DEVELOPMENTS

SEPTEMBER 27, GOVERNOR NEWSOM SIGNS CALIFORNIA LEGISLATION BARRING PUBLIC OFFICIALS FROM ISSUING MEME COINS, TARGETING CRYPTO FRAUD AND MONEY LAUNDERING

Governor Gavin Newsom signed a package of consumer-protection and anti-corruption bills, most notably Assembly Bill 2409, which prohibits California public officials from issuing meme coins and bars companies from listing any meme coin using a public official's likeness or image, framed explicitly by the governor's office as a response to President Trump's meme coin. The package also includes Senate Bill 1208, which addresses money laundering involving digital assets and establishes a legal process for seizing crypto assets from transnational criminal networks, along with restitution guidelines for victims of crypto scams and fraud. The signings build on prior California measures requiring officials to disclose cryptocurrency holdings. For more information, click [here](#).

SEPTEMBER 25, SIXTH CIRCUIT SPLITS FROM THIRD CIRCUIT, SIDES WITH NINTH: KALSHI'S SPORTS-EVENT CONTRACTS ARE NOT "SWAPS," STATE GAMBLING LAWS NOT PREEMPTED

In consolidated appeals from Ohio and Tennessee, the U.S. Court of Appeals for the Sixth Circuit held that KalshiEX LLC's sports-event contracts do not qualify as "swaps" under the Commodity Exchange Act (CEA) and therefore fall outside the CFTC's "exclusive jurisdiction," rejecting Kalshi's argument that state sports-gambling laws are preempted as applied to its platform. The court reasoned that a qualifying event must be "inherently

associated with a potential financial, economic, or commercial consequence,” a standard Kalshi’s sports contracts (spanning outcomes like corner-kick counts or broadcaster word choices) do not meet, and separately held that even if the contracts were swaps, the CEA neither expressly nor impliedly preempts Ohio’s or Tennessee’s gambling laws, since the exclusive-jurisdiction provision reaches only direct regulation of designated contract markets and not states’ incidental, historically rooted authority over intrastate gambling. The court affirmed the Southern District of Ohio’s denial of a preliminary injunction, vacated the Middle District of Tennessee’s grant of one, and remanded both cases, deepening a circuit split. For more information, click [here](#).

SEPTEMBER 24, NEW YORK SUES POLYMARKET US AS AN UNLICENSED GAMBLING OPERATION, ITS FOURTH PREDICTION-MARKET SUIT

Attorney General James and Governor Hochul filed a verified petition under Executive Law 63(12) in Supreme Court, New York County against QCX LLC d/b/a Polymarket US. The state alleges the platform offers bets on sporting events and other outcomes without a Gaming Commission license, evades state gaming taxes, and admits users aged 18 to 20 in violation of the 21-and-over rule for mobile sports betting. It seeks an injunction, disgorgement, restitution, and penalties of three times the company’s gains. The petition follows the state’s July suit against Kalshi and April suits against Coinbase and Gemini, and it lands one week after Missouri’s cease and desist letters to six platforms, including Polymarket. Hours later, QCX LLC filed its own suit, *QCX LLC v. James*, No. 1:26-cv-08345 (S.D.N.Y.), against nine defendants including the Attorney General and the Gaming Commission, seeking declaratory relief and preliminary and permanent injunctions on the theory that the CEA gives the CFTC exclusive jurisdiction over its designated contract market. Notably, the Sixth Circuit’s ruling in *KalshiEX LLC v. Schuler* (discussed above) rejected this same preemption argument the very next day, which may bear on Polymarket’s prospects in the S.D.N.Y. action. For more information, click [here](#) and [here](#).

SEPTEMBER 22, WYOMING BLOCKCHAIN COMMITTEE POSTS BILL DRAFTS FOR ITS SEPTEMBER 28-29 MEETING: DIGITAL ASSET AUTHORITY, STABLE TOKEN STATE PAYMENTS, KIOSK PENALTIES

The Select Committee on Blockchain, Financial Technology and Digital Innovation Technology released its agenda for the Laramie meeting. Drafts up for discussion include 27LSO-0010, a “Wyoming Digital Asset Authority” that would restructure the Stable Token Commission; 27LSO-0136 on paying and receiving state funds in stable tokens; 27LSO-0137, the Model Money Transmission Modernization Act, from the Division of Banking; and 27LSO-0138, civil penalties for virtual currency kiosks. The Stable Token Commission and its FRNT working group will also report. The committee meets again November 19-20 in Cheyenne, so these are the drafts headed for the 2027 session. For more information, click [here](#).

SEPTEMBER 14, 18 ATTORNEYS GENERAL OPPOSE CLARITY ACT PREEMPTION OF STATE SECURITIES ENFORCEMENT

New York Attorney General James and a bipartisan group of 17 other attorneys general, including California, Connecticut, Delaware, Illinois, Massachusetts, New Jersey, and Ohio, wrote to Senators Tim Scott and Elizabeth Warren the day before the cloture vote. They object that the bill would let the SEC preempt state registration regimes, give the SEC unilateral discretion to reset the scope of federal preemption, and weaken state anti-fraud enforcement against crypto scams. They ask Congress to preserve and codify the states’ enforcement and registration roles. The bill failed the next day, but the letter sets the states’ position for any rewritten text. For more information, click [here](#).

ADDITIONAL UPDATES

SEPTEMBER 28, ECB LAUNCHES CALL FOR EXPRESSIONS OF INTEREST IN NEW WAVE OF DIGITAL EURO INNOVATION PLATFORM ACTIVITIES

As part of preparations for a potential digital euro, the Eurosystem (the European Central Bank and euro-area national central banks) is inviting private companies and organizations, including merchants, payment service providers, fintechs, consumer associations, public institutions, and research institutes, to collaborate on exploring how the digital euro can foster market innovation, building on the digital euro innovation platform launched in 2024. The initiative has two workstreams: an experimentation workstream, running January–June 2027, in which selected participants will develop and test solutions built on the digital euro's core infrastructure, with a proof of concept and outcome report expected; and an exploration workstream for broader idea development. For more information, click [here](#).

SEPTEMBER 23, NYSE AND BLOCKCHAIN.COM SIGN MOU ON 24/7 TOKENIZED STOCKS; MOONPAY BUYS A BROKER-DEALER, ATS, AND TRANSFER AGENT

Two deals in one day show the market building on last week's Innovation Exemption. Blockchain.com and NYSE signed a non-binding MOU to give Blockchain.com's 44 million accounts access to tokenized U.S. equities and ETFs through NYSE's digital alternative trading system (ATS), around the clock, subject to regulatory approvals. Separately, MoonPay agreed to acquire North Capital Investment Technology, which owns two SEC-registered broker-dealers, the PPEX ATS, a registered transfer agent, and a registered investment adviser. Crypto-native firms are now buying the securities licenses rather than waiting for a new charter. For more information, click [here](#) and [here](#).

SEPTEMBER 21, CIRCLE LAUNCHES DIGITAL ASSET-BACKED BORROWING IN CIRCLE MINT

Circle announced that Digital Asset-Backed Borrowing (DABB) is now available to eligible Circle Mint LLC institutional customers, allowing them to deposit BTC, mint Circle Wrapped Bitcoin (cirBTC), and borrow USDC through supported third-party lending markets on Arc or Ethereum, all within a single coordinated workflow. Borrowed USDC is delivered directly into the customer's Circle Mint balance, letting institutions access dollar liquidity without selling the bitcoin backing the position. The lending positions remain overcollateralized, with interest rates, collateral limits, and liquidation thresholds set by the selected third-party market (Morpho at launch, with Aave and others expected to follow) rather than by Circle. The service is limited to qualifying institutional clients and excludes customers in New York. For more information, click [here](#).

SEPTEMBER 17, WISDOMTREE AND MOONPAY PLAN RETAIL ACCESS TO A TOKENIZED MONEY MARKET FUND THAT WILL ALSO BACK STABLECOIN RESERVES

WisdomTree and MoonPay announced a planned integration that would offer the WisdomTree Treasury Money Market Digital Fund (WTGXX) to U.S. investors through MoonPay, which reports more than 35 million accounts and 1,700 partners. MoonPay also intends to use WTGXX in its stablecoin reserve management. No launch date was given. The fund is distributed by a Financial Industry Regulatory Authority-member broker-dealer, and WisdomTree's digital affiliates include a registered money services business and a New York Department of Financial Services-chartered trust company, so the product reaches crypto-native users through existing licenses. For more information, click [here](#).

CLOSING TAKEAWAYS

This inaugural issue of the Digital Assets Newsletter captures a defining theme of the current moment: with the CLARITY Act effectively dead for the current congressional session, federal agencies, state regulators, and the courts are each moving to fill the resulting gap on their own timeline, often in ways that overlap or conflict. The SEC and CFTC are advancing parallel market-structure rulemakings under existing authority; the Federal Reserve, OCC, and FDIC are separately building out the GENIUS Act's stablecoin framework; and the courts, most notably last week's Sixth Circuit decision, are now actively splitting on the core jurisdictional question of whether prediction-market and event contracts fall under federal or state control.

We'll continue monitoring these developments and publish our next issue on October 15. As always, if you have questions about how any of these developments affect your business, please reach out to a member of our [Digital Assets + Blockchain team](#).

The Digital Assets + Blockchain Newsletter is a newsletter from Troutman Pepper Locke's [Consumer Financial Services practice](#).

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