

***The Crypto Exchange* — Decoding Crypto Legislation: GENIUS Moves and Clarity Paths****Host: Genna Garver****Guest: Tom Tilton****Aired: September 5, 2025****Genna Garver:**

Welcome to another episode of [The Crypto Exchange](#), a Troutman Pepper Locke podcast, focusing on the world of digital assets. I'm Genna Garver, one of the hosts of *The Crypto Exchange*, and a partner in Troutman Pepper Locke's Investment Management and Digital Assets practice groups. Before we jump into today's episode, let me please remind you to visit and subscribe to our blogs, [ConsumerFinancialServicesLawMonitor.com](#) and [TroutmanFinancialServices.com](#). And don't forget to check out our other podcasts on [troutman.com/podcasts](#).

Today, I'm joined by Tom Tilton from our Troutman Strategies Group to discuss recent legislative updates impacting the financial and crypto sectors. We will cover how these changes are influencing the industry and their implications for various stakeholders. Tom serves as a director of Troutman Strategies with nearly a decade of experience in policy and legislative work on and off Capitol Hill. He leads strategy and advocacy for client initiatives before Congress and federal agencies. Tom previously served as a legislative assistant to Congresswoman Betty Sutton and worked with a bipartisan government relations firm in DC.

Tom, thank you for joining me today.

**Tom Tilton:**

Good to be here. Thank you.

**Genna Garver:**

Tom, we've heard a lot about the GENIUS Act. And for those of you catching up, you can check out some of our prior episodes where we really dive into the details. But can you share with us some of the behind-the-scenes details as this legislation impacts a number of different interest holders, including traditional banks and credit card companies? Who are the stakeholders and what are their primary concerns? What's the behind-the-scenes hot gossip here?

**Tom Tilton:**

I think this is really something that had been building up, obviously, for a couple years. We'd seen proposals in Congress dealing with stablecoins. And this Congress, with Republican majority in the House and Senate, and now a Trump White House, really kind of gave the right political climate and paid off to a lot of political investment by the crypto industry, as well as

gave that industry the right balance of players steering their committees to enable a bipartisan agreement.

While I frame this as having Republicans in control in the House and Senate, and Trump in the White House, this was definitely a bipartisan bill champions that had been working on this for years, such as Senator Kirsten Gillibrand. And beyond that though, players like Circle, Coinbase, a16z, others in the crypto space, there are many, obviously, had been fighting inroads to, one, have a stablecoin bill and, two, have a market structure bill. And this is very much the first step there, to get as many Democrats as they had supported in the House. I think nearly 80 when I looked last at the vote was a remarkable feat for the industry. And they really achieved something special there.

They obviously cleared the bigger hurdle earlier in the year with the Senate passing the bill. But that's really where a lot of the differences got worked out by – I already mentioned Senator Gillibrand. But they had a lot of new senators who joined the fray there. Senator Alsbrooks, Senator Gallego, as well as a veteran of the US Senate, Mark Warner, who brought some of that bipartisan compromise along with the Republicans to pass that bill.

**Genna Garver:**

What were some of those compromises? Just looking at the definition of permitted payment stablecoin, issuers are prohibited from paying interest to stablecoin holders. What's the deal with that?

**Tom Tilton:**

Right. Going back to what I just said, if we had a new industry that didn't really infringe on an old industry, or I don't want to call it old, but traditional players in the space, there wouldn't be much of an issue here. And it would have probably passed in a very non-controversial manner. It would have been easy breezy. But, obviously, crypto is bouncing up against our traditional financial services industry.

**Genna Garver:**

Like banks. That's what we're really basically talking about. Deposit. Banks.

**Tom Tilton:**

Exactly. Deposit institution, banks, Bank of America, Citibank, a lot of others out there thinking about this industry and thinking about moving forward in it, but also preserving what they rely on, and those are those deposit assets. You also have others that aren't the big city banks, the community banks out there that are also relying on those deposit assets. And they very much need those deposit assets to continue to function as an institution.

This was one of more strategic, one of the more contentious areas, but more strategic, ultimately, to preserve the traditional and allow the new. Lawmakers on the committee, Senate Banking Committee, House Financial Services Committee, wanted to kind of draw that sharp

line between stablecoins and traditional bank deposits or securities. If stablecoins were able to pay interest out to consumers, if you're a stablecoin holder and you just are holding it in your digital wallet and you're collecting interest, why not keep everything there, right?

You can kind of be in the DeFi world, have your stablecoin, it's pegged to the dollar, feel safe. They have that one-to-one requirement for the reserve, but they'd risk being classified as potentially investment contracts then or something a little more complicated that would potentially trigger SEC jurisdiction. But worse, they'd become that kind of direct competition for banks and really undermining those reserves and those assets that we were talking about earlier. And the financial system really kind of requires to give all of us credit out there, right? And how we operate as a whole. That's really kind of the crux of why we see this prohibition. And it was focused on, really, the idea of stablecoins as kind of a payments, not necessarily an investment product.

**Genna Garver:**

I'm assuming, too, we want to incentivize people deposit money with traditional banks so the banks could then on-lend that money. And, of course, one of those incentives is to receive interest payments on your deposit accounts. It makes sense. I am assuming there's a lot of opportunity for non-holders to bargain for a piece of interest payments or interest that's earned on the reserves of these stablecoin issuers. Is there any discussion behind the scenes about who should be or will be basically getting those interest payments that are prohibited to pay on to the holders?

**Tom Tilton:**

Who's getting the interest payments? Where's that money going? Issuers will essentially be getting those interest payments. It's kind of that simple. Since they're required to hold those reserves in that one-to-one stablecoin-to-reserve ratio. Whether it be cash or treasury bills or some other kind of safe asset, that one-to-one basis, those reserves get that interest, and that'll be lucrative to them especially at a high interest rate environment. But those issuers won't be able to kind of – they won't be able to pass on that interest to users.

**Genna Garver:**

Not to users. But I could certainly imagine how there could be arrangements with third parties to incentivize people to use their permitted stablecoin as the preferred payment option, for example.

**Tom Tilton:**

Right. They could maybe potentially create a reward structure in some sense, offering discounts for using that stablecoin, which would get them potentially some of the same savings that an interest rate might give them as a benefit. That's going to keep those traditional bankers a bit on edge because offering discounts or rewards really could still pull you and I, or anybody over into that space.

**Genna Garver:**

Well, I do love a good deal, that's for sure.

**Tom Tilton:**

Yeah. Yeah.

**Genna Garver:**

Let's move on now to the Clarity Act. This is basically the digital assets market structure legislation. That passed the House a few weeks ago. What's next with that? I know the Senate committees seem to be continuing their work on their own version. They had their own discussion dropped. Are we like one step forward, two steps back with this? What's going on?

**Tom Tilton:**

The Clarity Act passing the House was definitely a big step forward, I would say. I don't want to call it two steps back. I think they tackled some huge issues out there. There were going to be landmines for them potentially in a legislative process. And between the House Republican conference and President Trump weighing in, they dealt with it pretty quickly.

You have to keep in mind where this was happening in the timeline of things on the Hill. We just dealt with the Reconciliation Bill, or what they titled the one big beautiful bill act. And the house had to take a lot of grief from the senate and eat a bill that a lot of conservatives didn't like. This is essentially the next week. And there was a lot of push back and a lot of sentiment from the freedom caucus and from more conservative or libertarian-minded members even that they didn't want to just eat a Senate bill one way or another.

And at that time, the Anti-CBDC Surveillance State Act was tied to the Clarity Bill. And the broader politics here that provisioned that bill of prohibiting a digital dollar was going to be, and is a non-starter for Democrats attached to a market structure bill.

**Genna Garver:**

Just for clarity, too. No pun intended, of course. But when we say a digital dollar, we just talked about stablecoins that are pegged to the dollar. This is a Central Bank digital currency.

**Tom Tilton:**

Yeah. Federal reserve. Central Bank. CBDC being Central Bank digital currency issued by the government. Your dollar in digital format backed by the Federal Reserve. Not our stablecoins, which are tied to the dollar. And a CBDC, probably to the believers in a DeFi system out there, could potentially undermine some stablecoins. And so there's obviously some opposition within that world there.

But there's also outside of that and outside of people believing in one system versus another, there's a pure belief that a digital dollar would then create privacy concerns for Americans more broadly. And that's where you see – I mentioned conservatives. But I think conservative probably is a misnomer on this. They are conservatives in the House, but they're more libertarian-minded, privacy-oriented members of Congress who did not want to see the government pursue that.

The compromise there struck by the House, and the chairman Hill, the president, was to set that provision aside and guaranteed a vote being attached to the National Defense Authorization Act, which is an annual must-pass bill and has failed for decades, or is passed without fail for decades. It's a likely vehicle that is going to come up for a vote. It doesn't mean that CBDC prohibition will pass there, and it'll probably have very much a tough time, possibly in the House, as well as the Senate, as a standalone provision. And so, that might not have the best spot forward, but it was what they were able to do to achieve a glide path for Clarity to move over to the Senate and check the box on getting market structure done in the House.

**Genna Garver:**

Now we're in the Senate. The Senate's got some gig going on. That's where I'm like, "Okay, we're back to square one," because the bills are not identical. I wouldn't even say that there's a clear similarity to them. What do you think is the next step here? I mean, we're sadly nearing the end of summer. I think most people thought this legislation would push through by year end. What do you think is going to happen?

**Tom Tilton:**

I think we have a bit more dialogue, negotiation, really, to take place here. The Senate's not one to ever really take what the House gives it without negotiation. We obviously have Senator Lummis who's been a very much a big leader. In late July, had her own draft along with Chairman Scott released on market structure. They very much kind of stake their own claim in having some key differences than the Clarity Act.

They introduced a new category, ancillary assets. Crypto tokens, linked investment contracts, but they're not a security, but they're not fully exempt. It'd be a limited disclosure under SEC. They're really kind of staking out some new ground for the SEC in some of this process and retains the idea of SEC self-certification. And the draft for the Senate, though, does not yet include CFTC exchange registration. They're expecting those provisions to be added by the Senate Ag committee. That's absent from the draft, but that'll get added in. But this is very much the Senate saying, "Not so fast. We're going to take our time. We're going to have some input here." It's going to be more regulatory-centric probably in the Senate draft, less industry-driven. They're also going to have to take some steps to figure out, really, how to appease Democrats and bring them on board as part of this bill.

**Genna Garver:**

We are trying to figure out what's going on in the Senate, waiting for more information for that to develop. But in the meantime, the president's working group on digital assets released a report last week and seemed to list countless recommendations and, essentially, I guess, directives for

the federal agencies to review existing rules and develop new rules based on those recommendations. Can you tell us first a little bit about that report, just more of the granular there on the types of recommendations that they are pushing and how that timing works with the work being done in the Senate? Are these recommendations really separate apart from the market structure that is developing in Congress? Or are they kind of running parallel paths, so our federal rule-making will happen very quickly upon, hopefully, the passage of the clarity act?

**Tom Tilton:**

Those are great questions. Let me try and unpack it a little bit. I think going back to the House, the review was kind of to get an initial market structure bill done, and then do a cleanup later. And then also let, then, the CFTC and the SEC step in where they felt like they already had regulatory authority. Senate, I think, similar. And each with the understanding that the president's working group on digital asset markets was going to come out with something soon.

I think the report kind of best understood as – I think you said it, actually. It's really just a comprehensive set of recommendations for Congress and the federal agencies. But it was really kind of a shotgun start, probably for federal agencies and their authority existing. Congress had already kind of moved down that legislative roadmap to start to really kind of give a blueprint for what those agencies don't already have in existence.

The report doesn't necessarily create new rules, but it recommends them. Between the SEC and CFTC using their existing authorities, like I already said, to kind of really just immediately enable more of that trading of digital assets at the federal level and updating the rules to allow for crypto custody and capital standards, I think, were big steps. It gave – whether it be the CFTC or the SEC, chairman Atkins, that indication. Like, "Now's the time to move." And so that's really kind of what I think the president's working group report really signals is this is the beginning now. And we're taking big steps forward here with our marching orders from the president.

**Genna Garver:**

I honestly have not seen such a robust list of recommendations for rulemaking since Dodd-Frank. And I'm wondering if you heard any concerns about staffing. Because people actually need to do the work to develop and implement these numerous recommendations or provide guidance on open interpretive issues. Have you heard about any concerns on that front?

**Tom Tilton:**

Yeah, I think staffing is a concern. It's going to take a lot to implement this. Agencies like the SEC, CFTC are being asked to look at decades of law constructed to reincorporate or account for cryptocurrencies and the structure that they operate under. That's going to require attorneys, examiners, technologists who work on this day-in and day-out and actually construct these systems. And people who are crypto literate and really understand whether it'd be tokenization, or stablecoin, or cryptocurrency inside and out, to participate. And while they have some of those experts, they are not fully built out in that manner yet. I think that's why you've seen the SEC and CFTC respond with their individual projects to start to accommodate this.

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**Genna Garver:**

Literally on the heels of that report, we have both the SEC and the CFTC issuing their own statements. The SEC announcing Project Crypto and the CFTC announcing Crypto Sprint. It's hard not to have a little giggle about it, especially the fact that they came up with their catchy names. Particularly because it looked like they were going head-to-head. And with the Clarity Act, at least, we saw sort of an acknowledgment, at least, by the House, that the CFTC was going to be taking a more prominent role in the regulation of digital asset commodity interests. And we've been seeing the SEC over, at least, the past six months, essentially reverse its position on crypto and move to declaring assets as not being securities or certain activities as not including securities transactions.

To see these two statements come out with their own catchy names, is this an indication that the agencies might still be competing for jurisdiction in the space? I think the short answer to that is yes, but the tone's a little bit different now under this administration compared to past administrations. Yes, a lot will still be up to Congress in how they kind of laid this out and what we already talked about with market structure, and Clarity, and then the Senate draft bill. But between the SEC, and the CFTC, and fighting over who regulates crypto for the previous years, they're now each claiming lanes based on some of that congressional momentum, I'd say.

The SEC's Project Crypto is focused on securities rule-making, token exemptions, and disclosure rules for those ancillary assets that we mentioned back that got included in that Senate draft bill. And then the CFTC's Crypto Sprint is focused on getting ready for spot market regulation and exchange registration once Congress passes a bill. I think each of these initiatives are clearly coordinated within the context of what the administration wants to see. They're each recommended specifically by the president's working group report, but they clearly each want to prove that they're ready to regulate, that they have the bandwidth now to move, and that they have the capacity as an institution and the authority, the existing authority in some regards to actually define some of this space. Yeah.

**Genna Garver:**

Great, Tom. That's so informative. I really appreciate you taking the time to join us today. Thanks for our audience for listening to today's episode. And don't forget to visit our blogs and subscribe so you can get the latest updates. Please also make sure to subscribe to this podcast via Apple Podcasts, Google Play, Stitcher, or whatever platform you use. And we look forward to our next episode.

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