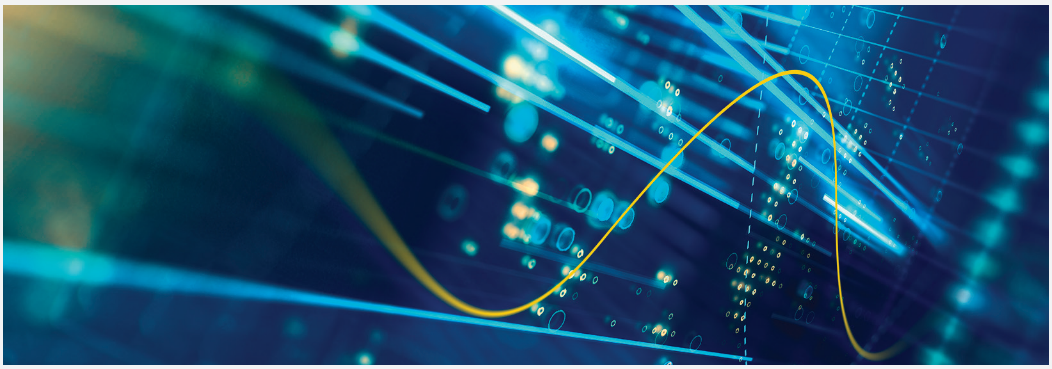
FINANCIAL SERVICES INDUSTRY

2025 Digital Assets Year in Review

Introduction



In 2025, the U.S. digital asset landscape transformed more than in any year since the industry's inception. A pro-innovation White House, an active Congress, and key regulators — including the U.S. Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), the Office of the Comptroller of the Currency (OCC), the Department of the Treasury (the Treasury), the Board of Governors of the Federal Reserve (the Fed), and the Federal Deposit Insurance Corp. (FDIC) — began to move away from a purely "regulation by enforcement" model toward a more defined framework for crypto markets.

This shift has been anchored by stablecoin legislation, evolving custody and market structure expectations, and emerging guidance on token classification. At the same time, financial crimes enforcement remained vigorous, privacy and cybersecurity requirements grew more complex, and state regulators continued to expand their role as front-line consumer protection and licensing authorities.

For digital asset industry participants, the result is a market that offers real opportunities for innovation and growth, but regulatory uncertainty persists while much needed market structure legislation makes its way through Congress. In the meantime, the industry must continue to navigate the existing and overlapping regulatory regimes with care.

This *2025 Digital Assets Year in Review* surveys the most consequential developments of the past year and distills the themes that matter most to digital asset industry participants. It offers a practical guide to the risks, opportunities, and strategic considerations that will shape planning and execution in 2026 and beyond.

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The White House – The Second Trump Administration

Since his first term in office (2017-2021), President Donald Trump's position on crypto has shifted from skeptic to supporter. He wasted no time following his second-term inauguration in starting to work on his digital asset sector initiatives. Under the new Trump Administration, the White House has prioritized establishing the U.S. as the "crypto capital of the world," utilizing Executive Orders and strategic appointments to dismantle perceived regulatory barriers and encourage innovation.

ESTABLISHING A NEW DIRECTION VIA EXECUTIVE ORDER

The tone for the year was set early. On Jan. 23, President Trump signed Executive Order 14178, titled "Strengthening American Leadership in Digital Financial Technology." This directive was a clear departure from previous administrations, explicitly prohibiting the development of a Central Bank Digital Currency (CBDC) while promoting open access to blockchain networks and supporting dollar-backed stablecoins. The order also established the President's Working Group on Digital Asset Markets (PWG) to propose a federal regulatory framework, signaling that the White House intended to lead legislative efforts rather than wait for Congress.

For more information about the Trump Administration's jump start on its digital asset policies, see our prior report *Navigating Change: First 100 Days Under the Trump Administration*.

"This year marked a significant pivot in the U.S. regulatory posture toward digital assets. The careful and cautious approach of the Biden administration has been replaced — through new legislation and the rescission of restrictive guidance — with a more supportive environment for banks and other financial services businesses to engage with this emerging asset class."

Ethan Ostroff
Partner at Troutman Pepper Locke

STRATEGIC APPOINTMENTS AND THE 'CRYPTO CZAR'

Personnel is policy, and 2025 saw the appointment of vocal digital asset advocates to key positions. The Administration appointed Silicon Valley entrepreneur David Sacks as the "Crypto Czar" to guide policy. Sacks immediately convened a bicameral crypto committee to align Congress and the White House on stablecoin legislation and market structure frameworks. As the legislative calendar tightened in December, Sacks emerged as a central figure in salvaging market structure momentum, publicly confirming in late December a commitment to a January 2026 markup of the CLARITY Act.

Throughout the year, the White House reshaped the financial regulatory leadership to align with this pro-innovation mandate. This included the nomination of Michael Selig — former chief counsel to the CFTC crypto task force — who was sworn in as the new CFTC Chair on Dec. 22, 2025. Paul S. Atkins was nominated and then sworn in as SEC Chair in April 2025. Within months Chair Atkins announced the launch of Project Crypto, an initiative to modernize the securities rules and regulations to enable America's financial markets to move on-chain. In his July 31, 2025 remarks, "American Leadership in the Digital Finance Revolution," Atkins promised that under his leadership the SEC will encourage requests that could jump-start innovative activity and that our nation's innovators and visionaries will be able to immediately enter the market with new technologies rather than be constrained by red tape and one-size-fits-all rules.

THE STRATEGIC BITCOIN RESERVE AND THE PWG ON DIGITAL ASSET MARKETS REPORT

Among the early high-profile developments was Trump's announcement, at the March 2025 White House Digital Assets Summit, of the creation of a Strategic Bitcoin Reserve, effectively a "virtual Fort Knox" housed within the Treasury. This move was designed to position the U.S. as a dominant holder of digital assets and bolster national economic resilience.

By midyear, the Administration's policy goals crystallized with the July 30 release of the PWG's report (PWG Report). This comprehensive document laid the groundwork for the legislative victories that followed later in the year, recommending that the CFTC oversee non-security spot markets and calling for the integration of decentralized finance (DeFi) into mainstream markets. Troutman Pepper Locke's summary of key PWG Report takeaways is available here. For deeper insights into the PWG Report, listen to this episode of our podcast, *The Crypto Exchange* "Institutional Adoption, Tax Challenges, and What's Next for Crypto in the US — Insights from KPMG's Tony Tuths" – Troutman Pepper Locke.

A YEAR OF 'SOVEREIGN' INNOVATION

In 2025, the White House fully embraced digital assets as a matter of national interest. By pushing its agenda for stablecoin and broader digital asset market legislation coupled with strategic accumulation of bitcoin through the Strategic Bitcoin Reserve and targeted personnel changes, the Administration successfully pivoted the federal government's stance from "enforcement first" to "innovation first."

As we move into 2026, the focus will likely shift from dismantling old regulations to implementing the new frameworks established this year. With the Strategic Bitcoin Reserve operational and pro-crypto leadership firmly in place across the SEC and the CFTC, the White House is expected to focus on international coordination to ensure U.S. standards regarding stablecoins and DeFi become the global norm.

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U.S. Congress

Driven by a unified Republican agenda and bipartisan negotiation, lawmakers began work on several significant cryptocurrency and digital asset bills where prior efforts had stalled. Congress moved from gridlock to action, enacting landmark stablecoin legislation. Soon thereafter, the House passed bills regarding stablecoins and a potential CBDC. While the Senate's work is still in progress, the Senate Agriculture and Banking committees are advancing draft digital asset market-structure legislation.

THE GENIUS ACT: REGULATING STABLECOINS

The crowning legislative achievement of 2025 was the passage of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act. Early in the year, the Senate Banking Committee, led by Sen. Bill Hagerty, advanced the bill to establish a regulatory regime for payment stablecoins. The legislation aims to bolster the U.S. dollar by bringing stablecoin issuers under a federal framework, treating them similarly to financial institutions for Bank Secrecy Act (BSA) compliance while ensuring reserves are high-quality and liquid. The GENIUS ACT provides that payment stablecoins can be issued only by "permitted payment stablecoin issuers," such as qualified U.S. entities and certain state-regulated issuers. To obtain this status, an entity must apply to and be approved by a federal or state regulator based on its financial condition, management, risk controls, and compliance. Approved issuers must meet ongoing prudential, risk management, and consumer protection standards and are subject to continuing supervision, examination, and enforcement by their designated regulators. Significantly, the GENIUS Act prohibits permitted payment stablecoin issuers from paying interest or yield to stablecoin holders. This measure aims to differentiate stablecoins from (and keep them from competing with) interest-bearing bank deposits and money market funds. However, the prohibition on paying interest or yield does not extend to affiliates of the issuer or other third parties, such as crypto exchanges. For detailed insight into the GENIUS Act, see "The GENIUS Act: What Is It and What's Next?" – Troutman Pepper Locke; "GENIUS Act Under the Microscope: Strengths, Weaknesses, and Regulatory Milestones," | Consumer Financial Services Law Monitor; and "Year of the Stablecoin: The GENIUS Act, Wall Street, and the Dollar's Digital Leap," – Troutman Pepper Locke.

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GENIUS Act: SWOT Analysis

Strengths

- Provides more regulatory clarity by creating a framework for stablecoin issuers, defining key terms and standards for issuance and operation.
- Promotes financial stability by requiring issuers to maintain reserves and comply with capital and liquidity requirements.
- Preserves traditional banking and differentiates bank deposits by prohibiting interest payments.
- Strengthens U.S. dollar's role as a reserve currency.
- Reduces financial crime risk by mandating compliance with the Bank Secrecy Act and other anti-money laundering laws.

Weaknesses

- Introduces a complex regulatory framework that may be challenging for new entrants.
- Scope is limited to permitted payment stablecoins, rather than providing a holistic framework for all digital assets and transactions.
- Silence on DeFi and the ambiguous scope of state law preemption contribute to a challenging and uncertain regulatory environment.
- Stringent requirements for reserve management, audits, and reporting could impose significant costs on issuers, which could disincentivize foreign issuers from seeking permission.
- Uncertainty regarding details of to-be-issued implementing rules and lack of clear guidance for operating during the 1-3-year rulemaking process.

Opportunities

- Clear permissibility creates the potential for mainstream adoption.
- Clear regulation could encourage new entrants into the stablecoin market and bring foreign issuers back to the U.S. market, leading to significant growth.
- Reciprocity with foreign jurisdictions facilitates cross-border transactions and promotes international collaboration.
- Fosters innovation and growth to drive technological progress.
- Digitization, self-custody capabilities and product development create potential for instant, always-on, payment and settlement systems.

Threats

- Extensive regulatory requirements could deter smaller companies from entering the payment stablecoin market, reducing competition.
- The absence of rules prohibiting felons convicted of financial crimes and fraud from owning or acquiring payment stablecoin issuers may increase the potential for bad actors.
- No mandatory floor for regulatory capital requirements could pose a threat to safety and soundness of the financial system.
- As digital assets, stablecoins are vulnerable to cybercrime.
- Lack of oversight for risky practices, including stablecoin issuers engaging in derivative transactions, destabilize the financial system.

Despite initial resistance and failed cloture votes in May, negotiations continued. Key sticking points included the role of state-chartered issuers, the scope of permissible reserve assets, and the extent of Fed oversight. By June 17, 2025, after amendments addressing banking and consumer protection concerns, the Senate passed the GENIUS Act with a bipartisan 68-30 vote. The bill then moved quickly through the House and was signed into law by Trump on July 18. The law finally provided the legal certainty required for issuers to operate at scale, unlocking billions in potential economic activity and positioning dollar-backed stablecoins as a pillar of U.S. financial competitiveness.

Implementation of the GENIUS Act is underway. As required by Section 9(a), the Treasury met the first deadline of Aug. 17, 2025, by issuing a request for comment on innovative methods to detect illicit finance involving digital assets. Then, on Sept. 18, the Treasury kicked off its rulemaking process with an advance notice of proposed rulemaking (ANPRM) to solicit public comment on potential regulations that may be promulgated by the Treasury, including regarding regulatory clarity, prohibitions on certain issuances and marketing, BSA anti-money laundering (AML) and sanctions obligations, the balance of state and federal oversight, comparable foreign regulatory and supervisory regimes, and tax issues, among other things. The Treasury subsequently extended the comment period to Nov. 4, 2025. In December 2025, the FDIC issued the first proposed rule under the GENIUS Act that would establish procedures to be followed by an insured state nonmember bank or state savings association that seeks to obtain FDIC approval to issue payment stablecoins through a subsidiary. Comments must be received by the FDIC no later than Feb. 17, 2026.

For more information on the GENIUS Act, listen to these episodes of our podcast, *The Crypto Exchange:* "Unlocking Crypto's Future: Insights From Coinbase's John D'Agostino" – Troutman Pepper Locke and "Ensuring Stability: The GENIUS Act's Impact on Stablecoin Insolvency" – Troutman Pepper Locke.

MARKET STRUCTURE AND THE HOUSE CLARITY ACT

While stablecoins dominated the first half of the year, Congress also tackled the broader issue of digital asset jurisdiction. In May, House Financial Services Chairman French Hill and Agriculture Chairman G.T. Thompson introduced the Digital Asset Market Clarity (CLARITY) Act of 2025. This bill sought to resolve the "security vs. commodity" debate by granting the CFTC primary jurisdiction over digital commodities and intermediaries while retaining SEC oversight of digital asset securities. It also created a transition pathway for projects to move from securities regulation to commodities oversight as networks become sufficiently decentralized.

The CLARITY Act gained momentum throughout "Crypto Week" in July 2025 and was favorably reported by both the House Financial Services and Agriculture Committees. By September, Senate negotiations were in full swing, with a Democratic proposal on DeFi regulation briefly stalling talks before compromises were reached regarding developer protections, disclosure expectations for protocol governance, and bankruptcy guidelines for custodial intermediaries. For more information on the CLARITY Act and the legislative process, listen to this episode of our podcast, *The Crypto Exchange:* "Decoding Crypto Legislation: GENIUS Moves and Clarity Paths" – Troutman Pepper Locke.

As 2025 drew to a close, the Senate Banking Committee officially postponed until early 2026 its planned markup of a bill to regulate crypto markets, citing insufficient time to reach a bipartisan compromise. Chairman Tim Scott noted that although significant progress had been made, several major sticking points remained, including the appropriate "regulatory perimeter" for DeFi, the treatment of stablecoin yield, and Democratic demands for ethics provisions regarding Trump's family business interests in the sector.

ANTI-CBDC SURVEILLANCE STATE ACT

Completing the its trilogy of July crypto legislation, the House passed the Anti-CBDC Surveillance State Act on July 17, 2025, to prohibit the Fed from issuing a CBDC and to require explicit Congressional approval for any future issuance of a CBDC. The Act awaits further action in the Senate to move toward becoming law. For more information on the Anti-CBDC Surveillance State Act and the legislative process, listen to this episode of our podcast, *The Crypto Exchange:* "Navigating the Future of Payment Stablecoins: Legislative Updates and Market Implications" – Troutman Pepper Locke.

SUPPORTING BLOCKCHAIN INNOVATION

Beyond financial regulation, Congress moved to support the underlying technology. On June 23, 2025, the House passed the Deploying American Blockchains Act, directing the Department of Commerce to support the deployment and competitiveness of U.S. blockchain technology. The bill encouraged public-private partnerships and coordination with allies to promote interoperable, U.S.-aligned infrastructure. This bipartisan effort reflected a shared recognition that blockchain infrastructure is becoming a core component of future economic competitiveness and national security.

> "We expect the Senate to finalize its version of the CLARITY Act early in the new session, potentially merging it with components of the Senate's own market structure proposals."

Genna Garver
Partner at Troutman Pepper Locke

THE END OF AMBIGUITY

Congress effectively ended the era of digital asset regulation by enforcement by taking control over asset classification and signaling that digital asset policy would be driven by legislation rather than ad hoc enforcement actions. With the GENIUS Act now law, 2026 will focus on implementation and the inevitable interpretive questions regarding state vs. federal charters for issuers, the interaction of stablecoin rules with existing banking law, and the role of nonbank fintechs.

GENIUS Act Implementation Timeline

Deadlines for Required Rules, Studies, and Reports

July 18, 2025

GENIUS Act signed into law

August 17, 2025 — 30 days after date of enactment

Studies

60-day public comment period opens for identifying methods for the Secretary of the Treasury to detect illicit digital asset activity. §9(a)

On or before January 14, 2026 — 180 days after date of enactment

Reports

Secretary of the Treasury reports to Congress on illicit digital asset activity detection. §9(e)

On or before July 18, 2026 — One year after date of enactment

Rules

- Treasury issues rules on prohibiting unlawful payment stablecoin ("PSC") offers and sales to U.S. persons and the availability of certain foreign PSCs in the U.S. §3(d)
- Primary Federal & State PSC regulators issue rules for capital requirements; liquidity standards; reserve asset diversification; interest rate risk management standards; and operational, compliance, and IT risk management principles-based requirements. §4(a)(4)(A)
- Federal banking agencies modify existing leverage capital and risk-based capital requirements for insured depository institutions and their holding companies that include permitted PSC issuers.[1] §4(a)(4)(C)(iv)
- Stablecoin Certification Review Committee issues rules clarifying prohibition onPSC issuance by non-financial public companies.[2] §4(a)(12)(D)
- OCC issues regulations and orders necessary to ensure financial stability and implement standards for issuing PSCs. §4(b)(2)
- Primary PSC regulators issue regulations necessary for a PSC regulatory framework and to prevent evasion of §4 of the Act. §4(h)
- Primary Federal PSC regulators issue rules to establish framework for licensing, regulation, supervision and exam of subsidiaries of insured depository institutions and Federal qualified PSC issuers. §5(a)(2)
- Primary Federal PSC regulators issue rules necessary for regulation of issuance of PSCs.[3] §5(g)
- Federal Reserve Board and OCC issue rules setting forth "unusual and exigent" circumstances for enforcement authority against State qualified PSC issuers for violations of the Act. §7(e)(1)-(2)
- Treasury issues rules specifying criteria for determining a foreign PSC issuer is back in compliance with lawful orders. §8(b)(3)(B)
- Primary Federal and State PSC regulators and the Treasury issue rules necessary to carry out the Act. §13(a)
- Secretary of the Treasury issue rules to determine if foreign countries have comparable regulatory and supervisory regimes. §18(b)(6)
- OCC shall issue rules for registration of foreign PSC issuers. §18(c)(1)(E)

Reports

- Secretary of the Treasury report to Congress on its study, in consultation with the Federal Reserve Board, the OCC, the FDIC, the SEC, and the CFTC, on non-payment stablecoins, including endogenously collateralized payment stablecoins. §14(a)(2)
- Attorney General and Secretary of the Treasury report to Congress on coordination with permitted PSC issuers regarding their ability to effectively block PSCs of foreign persons. §4(a)(6)(C)
- Primary Federal PSC regulators, in consultation with State PSC regulators, submit to Congress and the Director of the Office of Financial Research, the first annual report on status of PSC industry. §15(a)

Rules with Unspecified Deadlines[4]:

- Treasury issues rules regarding permitted PSC issuers as financial institutions under Bank Secrecy Act.[5] §4(a)(5)
- Secretary of Treasury establishes principles for determining if State regimes are similar to Federal framework. §4(c)(2)
- Federal PSC regulators assess, and may prescribe standards for, compatibility and interoperability of permitted PSCs. §12
- Federal PSC regulators review and amend as necessary existing rules and guidance to clarify regulated entities are permitted to engaged in PSC activities and investments. §16(b)

January 18, 2027 — Latest possible effective date

On or before July 17, 2027 — 180 days after effective date

Reports

Federal banking agencies report to Congress describing the regulations issued to carry out the Act. §13(c)

On or before July 18, 2027 — Two years after date of enactment

Reciprocity Arrangements

Secretary of the Treasury should complete reciprocal arrangements with jurisdictions having comparable PSC regulatory regimes. §18(d)(3)

On or before January 18, 2028 — One year after effective date

Certification

State PSC regulators submit initial certification of their regime's substantially similarity to the Federal regulatory framework under the Act. §4(c)(4)(A)

On or before July 18, 2028 — Three years after date of enactment

Rules

FinCEN issues guidance and rulemaking on methods for detecting illicit digital asset activity and standards for monitoring transactions and identifying and reporting illicit activity involving PSCs. §9(d)

Reports

Primary Federal regulators report to Congress on findings and legislative recommendations from study on potential insolvency proceedings study for stablecoin issuers. §11(h)(2)

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[1] Must be completed by the earlier of July 18, 2026, or the date Federal PSC regulators issue regulations carrying out §4 (Requirements for Issuing Payment Stablecoins).

[2] Stablecoin Certification Review Committee consists of the Secretary of the Treasury (as Chair), Chair of the Federal Reserve Board (or the Vice Chair for Supervision if Chair of the Federal Reserve Board delegates), and Chair of the FDIC.

[3] Such rules may not impose requirements in addition to the requirements specified under §4 (Requirements for Issuing Payment Stablecoins).

[4] Likely deadline of July 18, 2026, consistent with §13 (Rulemaking).

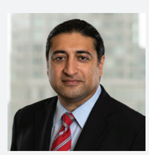
[5] While the Act deems permitted PSC issuers to be financial institutions under the Bank Secrecy Act, Congress requires the Secretary of the Treasury to adopt implementing rules, tailored to the size and complexity of permitted PSC issuers.

Federal Regulators

CFTC

The CFTC underwent a comprehensive transformation in 2025. The year began with the resignation of Chairman Rostin Behnam in January, after which Caroline D. Pham assumed the role of Acting Chairman and immediately signaled a shift in enforcement philosophy. This leadership transition culminated on Dec. 18, 2025, with the Senate confirmation of Michael Selig as the new CFTC Chairman. With Selig now officially at the helm, the CFTC has moved swiftly to launch initiatives and issue guidance that update and modernize the regulatory framework for digital assets. Under this new leadership, the CFTC mandate is nothing less than to "[lead] the way forward into America's Golden Age of Innovation and Crypto."

"We believe the CFTC's approach in 2026 as the primary regulator of digital assets to be pro innovation while providing sufficient regulatory clarity, in collaboration with other regulators, to facilitate mainstream adoption and integration into regulated markets, including those for derivatives and spot trading."



Akshay Belani
Partner at Troutman Pepper Locke

To that end, the CFTC has announced the launch of a digital assets pilot program for certain digital assets to be used as collateral in derivative markets, issued guidance on tokenized collateral, and withdrawn guidance that it now considers outdated given the enactment of the GENIUS Act in order to be more aligned with the recommendations and goals of the PWG Report. *See, e.g.,* press release on withdrawal of "actual delivery" guidance.

Complementing these moves, the agency launched a “crypto sprint” in August 2025 to operationalize the Administration’s vision. A key component of this reform was the request for comment on 24/7 trading issued in April, seeking input on adapting derivatives regulations for continuous market operations. Furthermore, the Division of Enforcement was reorganized early in the year to end the practice of regulation by enforcement, focusing resources on complex fraud rather than technical registration violations.

In 2026, market participants should expect the CFTC to build on this series of late 2025 moves that modernize its digital asset framework and expand its practical reach over crypto markets. The CFTC’s crypto sprint is well underway, and we expect that the pilot programs will result in refreshed guidance or FAQs on issues involving custody and segregation, as well as closer scrutiny of risk management, disclosures, and operational controls around tokenized collateral. Most significantly, Selig is expected to prioritize the CFTC’s expanded role in overseeing the spot markets for non-security digital assets, a move solidified by the bipartisan support for the CLARITY Act. We also anticipate that the CFTC’s authority and involvement in the regulation of digital assets will only accelerate in 2026, particularly given the bipartisan support for making the CFTC the primary federal regulator.

With Selig at the helm, the agency is expected to work closely with Congress to implement new “digital commodity” asset class definitions.

“We also expect the “innovation exemptions” discussed in 2025 to result in concrete “sandbox” programs allowing DeFi projects to experiment under CFTC supervision while providing the industry with long-awaited “rules of the road” without the fear of immediate enforcement.”

Seth Erickson
Partner at Troutman Pepper Locke

“We’re expecting the SEC to help transform U.S. markets by tailoring its rulemaking for digital assets and tokenization, paving the way for more collateral mobility, new trading modalities, and continuous (24/5) trading in national securities markets — while still scrutinizing offerings that fall within the definition of a security.”

Genna Garver
Partner at Troutman Pepper Locke

SEC

On Jan. 21, 2025, Commissioner Mark Uyeda was appointed acting Chair of the SEC by Trump. Two days later, the SEC rescinded Staff Accounting Bulletin (SAB) 121 (via publication of SAB 122), removing the Gary Gensler Administration’s accounting guidance that created a major impediment for traditional banks and large financial institutions to offer crypto custody services. SAB 121, which was originally published in March 2022, had required banks to recognize a liability and corresponding asset for their obligation to safeguard crypto assets. SAB 121’s significant impact on bank capital ratios made the crypto custody business line impractical (if not impossible). Under the new SAB 122, banks safeguarding crypto assets for others must determine whether to recognize a liability related to the risk of loss under such an obligation and, if they do so, must measure the liability by applying the recognition and measurement requirements for liabilities arising from contingencies set forth in existing Financial Accounting Standards Board and International Accounting Standards guidance. This critical move sent a strong signal to the market that the new SEC Administration will be focused on facilitating broader institutional participation in the digital asset market.

Crypto Task Force

In January, the SEC announced the formation of a new cryptocurrency task force (the Task Force) aimed at creating a clear regulatory framework for digital assets, marking a shift away from the SEC's previous enforcement-based approach. Commissioner Hester Peirce was tapped to lead the agency wide effort to collaborate with SEC staff and the public to set the SEC on a "sensible regulatory path that respects the bounds of the law." In her Feb. 21, 2025, statement, "There Must Be Some Way Out of Here," Commissioner Peirce argued that the then-current U.S. regulatory approach to crypto assets created damaging uncertainty that fostered "an environment in which jokers and thieves thrive, while legitimate crypto projects struggle." As part of her effort to change that environment, she posed some of the questions with which the Task Force was wrestling and welcomed public input for creative solutions that comport with the SEC's statutory framework. The Task Force has received hundreds of responses to date. See "NSCP to SEC's Crypto Task Force: Focus on Clarity, Custody and Coordination" – Troutman Pepper Locke. The Task Force has held several roundtables throughout the year to discuss definitions, regulatory approaches, and custody challenges.

In February 2025, the SEC announced that it would replace the Crypto Assets and Cyber Unit with the new Cyber and Emerging Technologies Unit (CETU) to combat fraud involving blockchain technology and crypto assets. According to the SEC press release announcing the CETU, then-Acting SEC Chair Uyeda said the CETU "will complement the work of the Crypto Task Force" by "clearing the way for innovation to grow."

Regulatory Clarity for Meme Coins and Staking Activities

In March 2025, the SEC's Division of Corporation Finance issued a statement on meme coins. According to the statement, the Division of Corporation Finance has determined that transactions involving meme coins do not constitute the offer and sale of securities under federal securities laws. While the offer and sale of meme coins may not be subject to federal securities laws, fraudulent conduct related to meme coins could still be subject to enforcement actions.

Last year, the Division of Corporation Finance issued two additional staff statements that clarified staking activities:

- Protocol staking: In May 2025, the Division clarified that staking crypto assets on proof-of-stake (PoS) networks does not constitute the offer and sale of securities under the Securities Act of 1933 or the Securities Exchange Act of 1934. The Division's view covers various staking activities, including self-staking, self-custodial staking with a third party, and custodial arrangements, emphasizing that these activities are administrative or ministerial rather than entrepreneurial or managerial.
- Liquid staking: In August 2025, the Division expanded its May 2025 protocol staking guidance to address liquid staking activities where crypto asset owners deposit their assets with third-party providers and receive staking receipt tokens in return. These tokens allow holders to maintain liquidity and participate in crypto applications without withdrawing their staked assets. The Division concluded that liquid staking activities, as described, do not involve the offer and sale of securities under the Securities Act of 1933 or the Securities Exchange Act of 1934, unless the deposited assets are part of an investment contract.

Chair Paul Atkins

On April 21, 2025, Atkins was sworn into office as the 34th Chairman of the SEC. The new Chair brought with him hopes for a more innovation-friendly, predictable regulatory regime. Under his direction, the SEC has successfully moved away from granting grudging one-off approvals of crypto products toward a more systematic approval framework, building a fit-for-purpose regulatory framework for crypto asset markets and emphasizing lower costs and greater efficiency for investors.

Project Crypto

In July 2025, the SEC launched "Project Crypto" — an initiative to modernize securities rules for on-chain markets, including clarity on token classification, custody, staking, and trading. In his address, Chairman Paul Atkins highlighted that "most crypto assets are not securities," a stance departing from previous SEC interpretations. If successful, "Project Crypto" could bring tokenization, DeFi, and crypto innovation squarely into U.S. capital markets, in turn reshaping the country's position in global financial technology.

In November 2025, in an address delivered at the Federal Reserve Bank of Philadelphia, Chairman Atkins said the next phase of Project Crypto is to establish "a token taxonomy that is anchored in the long-standing Howey investment contract securities analysis." He outlined a non-exhaustive taxonomy with four categories: (1) digital commodities or network tokens, (2) digital collectibles, (3) digital tools, and (4) tokenized securities. Only tokenized securities would be considered securities because they "represent the ownership of a financial instrument enumerated in the definition of 'security' that is maintained on a crypto network."

Approval of Crypto Investment Products

While the SEC approved the first spot bitcoin and ether Exchange-Traded Fund (ETF) in 2024 under the Gensler Administration, spot bitcoin and ether exchange-traded products (ETPs) were limited to cash creations and redemptions. On July 29, 2025, the SEC approved orders permitting in-kind creations and redemptions for crypto-asset ETP shares across bitcoin and ether products. This operationally aligned crypto ETPs with other commodity-based ETPs, which routinely use in-kind mechanisms, and made crypto ETPs more attractive for institutional use.

On Sept. 2, 2025, the staff of the SEC, together with the CFTC, issued a Joint Staff Statement regarding the listing of leveraged, margined, or financed spot retail commodity transactions on digital assets. Specifically, the staff shared their view that "current law does not prohibit" SEC- or CFTC-registered exchanges from facilitating trading of those spot crypto asset products. See "SEC and CFTC Staff Issue Joint Statement on Digital Asset Commodity Transactions" - Financial Services Blog.

Also in September, the SEC approved generic listing standards for commodity-based trust shares, explicitly including digital-asset exposures. These generic listing standards authorize exchanges to list a crypto product that meets specified criteria through rule-based procedures instead of litigating each product through a full Exchange Act Section 19b-4 filing for proposed rule changes — which often involves a costly back-and-forth comment process and potential rejection as the SEC decides whether the changes, especially for novel products like crypto, align with market integrity. Simultaneously, the SEC approved the listing of spot digital asset funds and options on the Cboe Bitcoin U.S. ETF Index and a bitcoin ETF index fund.

Guidance on Custody and Trading Activities

In May 2025, the SEC's Division of Trading and Markets staff issued comprehensive FAQs providing long-awaited guidance on how existing broker-dealer financial responsibility rules and transfer agent requirements apply to "crypto assets" and distributed ledger technology, including issues such as custody, net capital treatment, and use of blockchain to maintain official securityholder records. The FAQs were accompanied by the withdrawal by the staffs of the Division and the Financial Industry Regulatory Authority (FINRA) of the 2019 Joint Staff Statement on Broker-Dealer Custody of Digital Asset Securities, signaling a shift away from the earlier, more restrictive interim approach to digital asset custody.

On Sept. 30, 2025, the SEC Division of Investment Management's Office of the Chief Counsel issued a no-action response stating that it would not recommend enforcement against registered investment advisers or certain regulated funds (*i.e.*, registered investment companies and business development companies) for maintaining crypto assets and related cash and cash equivalents with certain state-chartered financial institutions (state trust companies) so long as particular conditions are met. This response marks the latest development in the regulatory landscape for crypto asset custody, allowing crypto assets to be placed and maintained at state trust companies, potentially broadening the universe of eligible providers for custody services. For more information, see "SEC No-Action Letter: Expanding Custody Options for Crypto Assets With State Trust Companies" – Troutman Pepper Locke.

On Dec. 17, 2025, the SEC's Division of Trading and Markets issued two complementary staff publications: (1) an interim statement on how broker-dealers can satisfy Exchange Act Customer Protection Rule 15c3-3(b)(1)'s "physical possession or control" requirement when custodying crypto asset securities; and (2) new FAQs to facilitate pairs trading on regulated platforms and address related settlement activities. According to the statement, the staff will not object to a broker-dealer deeming itself to have "physical possession" of a crypto asset security if the broker-dealer maintains policies, procedures, and controls that are reasonably designed and consistent with industry best practices to protect private keys. The new FAQs (1) confirm that national securities exchanges (NSEs) and alternative trading systems (ATSs) may offer pairs trading between a security (including a crypto asset security) and a non-security crypto asset, so long as all applicable statutory and regulatory requirements are satisfied; (2) confirm that a broker-dealer operator of its ATS is not precluded from engaging in broker, custodial, or clearing functions in addition to operating its ATS and that it does not need to register as a clearing agency when clearing and settling transactions in crypto asset securities for its own customers as part of customary brokerage or dealing activity; and (3) state that the staff will not object if crypto ETPs rely on the staff's 2006 Regulation M no-action letter related to commodity-based investment vehicles, subject to not engaging in any prohibited activities outside of the Regulation M distribution and compliance with anti-fraud and anti-manipulation obligations. Contemporaneously with the issuance of the new FAQs, Commissioner Peirce welcomed more feedback about ways in which the SEC could improve the regulatory landscape for NSEs and ATSs more generally.

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Nasdaq Application for Tokenized Securities Trading

In September 2025, Nasdaq filed a proposed Exchange Act rule change with the SEC to allow trading of listed stocks and ETPs in either traditional or tokenized form on its main market. Tokenized shares would carry the same Committee on Uniform Securities Identification Procedures (CUSIP) and the same rights and protections as conventional shares, and the proposal would rely on the Depository Trust Company's (DTC) tokenization infrastructure for clearing and settlement. See "Nasdaq's Bold Step Towards 24/7 Trading with Tokenized Securities" | Financial Services Blog. On Dec. 12, 2025, the SEC issued an Order instituting a formal 19(b)(2) proceeding to determine whether to approve or disapprove the proposed rule change. The Order signaled remaining concerns at the SEC, which is seeking public comment on whether the proposal is consistent with the Exchange Act, particularly with the requirement that the exchange rules be designed to prevent fraud, promote equitable principles of trade, foster coordination among market regulators and intermediaries, remove impediments to a free and open market, and, in general, protect investors and the public interest. Comments were due Jan. 7, 2026, and rebuttals are due by Jan. 21.

In December 2025, the staff of the SEC's Division of Trading and Markets issued a no-action letter to DTC permitting a limited, voluntary three year pilot of Depository Trust & Clearing Corporation tokenization service, under which DTC participants can elect to have their security entitlements to certain DTC custodied securities mirrored as tokens on "approved" blockchains, while DTC's existing centralized books and Cede & Co. nominee structure remain the authoritative record. The relief is subject to significant operational limitations and conditions — including use of whitelisted wallets, Office of Foreign Assets Control (OFAC) screening, and limits on asset types and participant eligibility — but materially accelerates DTC's ability to test tokenized settlement within the existing clearance and settlement framework and, ultimately, to move markets on-chain. DTC is targeting a preliminary launch in 2026.

Enforcement Reset and Case Closures

The SEC's defining development in 2025 was a significant recalibration of its posture toward crypto enforcement. The agency has closed or stayed most high-profile crypto-related cases, many of which were dismissed with prejudice, preventing future similar actions. Ondo Finance provides the most recent example. On Dec. 8, 2025, the SEC closed its multiyear confidential inquiry into Ondo's tokenization activities without filing charges, reinforcing a shift away from case-by-case enforcement toward clearer rules of the road for market participants. This signals a broader strategy to develop a coherent regulatory framework rather than relying on enforcement to define regulation.

2026 Outlook

In September 2025, the SEC published its Spring 2025 Rulemaking Agenda, making the crypto market a focal point of its 2026 rulemaking activity. The agenda aligns with Chair Atkins' key priorities of establishing clear rules for the issuance, custody, and trading of crypto assets while continuing to deter bad actors. For deeper insight, see "SEC's Spring 2025 Rulemaking Agenda and the Crypto Revolution" – Financial Services Blog and listen to this episode of our podcast, *The Crypto Exchange:* "Navigating the New Frontier of Digital Assets and Tokenization" – Troutman Pepper Locke.

On Nov. 17, 2025, the SEC's Division of Examinations published its 2026 priorities. Consistent with 2025 trends, the priorities omit the prior years' stand-alone section on crypto assets, further reinforcing the pullback in digital

asset enforcement efforts and the shift toward broad compliance fundamentals. We expect the staff to fold their review of digital asset compliance matters into their standard examination procedures. However, if the SEC finalizes new rules expressly addressing digital assets, we expect the staff to continue their current practice of reviewing firms' implementation of those rules. For more information on the SEC's 2026 exam priorities, see "SEC Division of Examination Announces Fiscal Year 2026 Priorities" – Troutman Pepper Locke.

Collectively, the SEC's actions in 2025 marked a pivot: fewer marquee enforcement actions, more staff guidance, and a deliberate effort to build a coherent framework that integrates digital assets into existing investor-protection principles. The 2026 priorities suggest that continued normalization and rulemaking, rather than headline enforcement, will shape the next phase.

FINRA

In 2025, the Supreme Court denied a member firm's petition to review a constitutional challenge to FINRA's enforcement authority. FINRA continues to operate and has launched its FINRA Forward initiative to modernize its rules, empower member firm compliance, and combat cybersecurity and fraud risks.

In response to cyber-enabled fraud, cybersecurity remains a top priority for FINRA. FINRA continues to see ransomware and extortion events, data breaches, phishing/smishing/quishing, new account fraud, account takeovers and impersonation, and imposter sites. The compliance deadline for the amendments to Regulation S-P (privacy and safeguarding), which require written programs to detect, respond to, and recover from unauthorized access to "sensitive customer information," including customer notification, was Dec. 3, 2025, for larger firms and is June 3, for smaller firms.

We also saw FINRA prioritize digital assets, including by launching the Crypto and Blockchain Education Program, designed to provide member firms and their employees with educational resources focused on crypto assets and blockchain technology. FINRA has focused on member firms' crypto activities, especially where crypto assets are securities or are offered and sold as investment contracts.

FINRA enforcement head Bill St. Louis has made public statements indicating that the staff is reviewing referrals regarding concerning crypto communications. It was later reported that FINRA reached out to more than 200 companies that had announced they would adopt a crypto treasury strategy.

FINRA member firms in 2026 can expect continued heightened scrutiny of their digital asset activities — especially retail communications, influencer content, and mobile/app messaging. FINRA will remain focused on Rule 2210 compliance (fair, balanced, non-misleading), clear explanations of the limits of securities law/Securities Investor Protection Corp. protections for crypto assets, and rigorous supervision under Rules 3110 and 3310. Firms should be prepared to demonstrate robust due diligence for digital assets as well as tailored AML programs that address crypto-specific red flags. FINRA will also look for clear customer education about differences between brokerage accounts and crypto affiliate accounts, disciplined oversight of outside business activities/private securities transactions involving digital assets, and strong recordkeeping and approval workflows for any digital communications. FINRA will also monitor how brokerages and third-party service providers are using artificial intelligence (AI). FINRA has a long-standing view that outsourcing does not outsource responsibility. As such, FINRA encourages its members to keep it apprised of changes in their critical vendors.

FINRA has detailed more fully its current priorities and expectations for member firms in the *2026 FINRA Annual Regulatory Oversight Report*. Troutman's summary of key report takeaways is available here.

FDIC

In 2025, we saw the following notable policy and regulatory developments at the FDIC. In February, the FDIC released 175 documents concerning its supervision of banks engaged in, or seeking to engage in, crypto-related activities, including "pause letters" sent under the prior Administration to institutions interested in pursuing crypto- or blockchain-related activities. This release marked a significant step toward greater transparency in the regulatory oversight of cryptocurrency and blockchain technologies. For more information, see "FDIC Releases Documents and Signals Easing of Restrictions on Crypto-Related Activities" | Financial Services Blog.

The FDIC also signaled a shift toward greater openness to banks offering products and services related to digital assets. In March, the FDIC announced the rescission of its Financial Institution Letter (FIL-16-2022) and issued new guidance clarifying the process for FDIC-supervised institutions to engage in crypto-related activities. The new Financial Institution Letter (FIL-7-2025) represents a 180-degree turn from the prior Chairman's position, which required prior notification and detailed information by banks seeking to engage in crypto-related activities.

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For more information, see "FDIC Turns a New Page on Banks' Engagement in Crypto-Related Activities" | Financial Services Blog. The FDIC also withdrew from an interagency joint statement regarding crypto assets that suggested that the use of public distributed ledger systems was likely inconsistent with safe and sound banking practices.

Creating a stablecoin framework also became a priority for the FDIC. In July 2025, Trump signed into law the GENIUS Act, making the FDIC responsible for licensing and supervising subsidiaries of FDIC-supervised institutions approved to issue payment stablecoins. In December 2025, the FDIC proposed its first stablecoin rule establishing the application process for insured depository institution subsidiaries seeking to issue stablecoins. The proposed rule would require applicants to submit an application containing (1) a description of the proposed stablecoin and subsidiary activities; (2) financial information including capital and liquidity plans, reserve asset composition, and three-year financial projections; (3) a description of the subsidiary's ownership and control structure, and details on directors and officers; (4) policies and procedures for custody, asset segregation, recordkeeping, transaction processing, redemption, and compliance with BSA/AML and economic sanctions requirements; and (5) an engagement letter with a registered public accounting firm. A substantially complete application would be approved or denied by the FDIC within 120 days. There would be an appeal process, including the right to a hearing, for any denied application. Comments on the proposed rule must be submitted by Feb. 17. Notably, the FDIC was the first federal agency to propose a rule, ahead of the Fed, the OCC, and the National Credit Union Administration, which are also required to issue their own rules for their supervised entities.

The FDIC also worked to create transparency in its supervision process. It announced a change to move away from a general risk management focus and instead concentrate on material financial risks. The FDIC proposed to establish a stand-alone entity within the FDIC, and independent of the division that makes supervision determinations, to adjudicate appeals of material supervisory determinations. Of note, in October 2025, the FDIC and the OCC issued a joint notice of proposed rulemaking to define "unsafe or unsound practice" and revise the framework for issuing matters requiring attention with the goal of establishing a uniform standard for the examination process. The comment deadline closed on Dec. 29, 2025.

> "In 2026, we expect the FDIC to continue the federal trend of embracing digital assets and to begin processing applications by FDIC-insured banks to issue stablecoins, while also continuing to refine its framework for digital assets."

Seth Winter
Partner at Troutman Pepper Locke

OCC

In 2025, we saw significant shifts at the OCC, aimed at reducing regulatory burdens and signaling new priorities.

The OCC announced several actions to reduce the regulatory burden on community banks. For example, the OCC stated it would be eliminating policy-based examination requirements and instead applying risk-based supervision for community banks.

Changes also occurred in the examination context. In accordance with Trump's Guaranteeing Fair Banking for All Americans executive order, the OCC focused on whether institutions debanked or discriminated against customers on the basis of political or religious beliefs or lawful business activities. In December 2025, the OCC released preliminary findings from its supervisory review of debanking activities at the nine largest national banks it supervises. Of note, the preliminary findings indicated that, in the past, access had been restricted for certain industries — digital assets among them — including issuers, exchanges, and administrators, often based on financial crime considerations. The OCC's review of nearly 100,000 consumer complaints from its internal complaint database to identify potential instances of debanking is ongoing.

The OCC further demonstrated a commitment to embracing digital assets. In March 2025, the OCC published Interpretive Letter 1183 confirming that crypto asset custody, certain stablecoin activities, and participation in independent node verification networks are permissible for national banks and federal savings associations. This signaled a major shift away from the prior requirement for case-by-case approval. Acting Comptroller of the Currency Rodney E. Hood stated that this action would "reduce the burden on banks to engage in crypto-related activities and ensure that these bank activities are treated consistently by the OCC, regardless of the underlying technology." The OCC also referred to its Interpretive Letter 1170 confirming a national bank may provide cryptocurrency custody services on behalf of its customers, including holding cryptographic keys associated with cryptocurrency, and reaffirmed through Interpretive Letter 1183 that crypto asset custody, distributed ledger, and stablecoin activities are permissible. Throughout the year, the OCC continued to publish guidance and statements — for example, a May news release and a July bulletin — supporting banks' engagement in crypto asset custody and execution services.

"Expect 2026 to bring laser-focused supervision on actual risks, aggressive debanking enforcement, and national banks confidently operating in the digital asset space."

Heryka Knoespell
Partner at Troutman Pepper Locke

The swearing-in of Jonathan V. Gould, known for his strong pro-innovation stance on crypto, on July 15, 2025, as Comptroller of the Currency continued the trend of embracing crypto assets. In November 2025, the OCC confirmed in Interpretive Letter 1186 bank authority to hold certain crypto assets as principal for purposes of paying crypto asset network fees. Then, in December 2025, the OCC conditionally granted five crypto-focused firms' applications for national trust bank charters and issued an interpretive letter indicating that national banks may engage in riskless principal transactions involving digital assets, clarifying that this broker-style activity is an extension of the established business of banking.

"Beyond simply lowering prior barriers to crypto-related activities, this year the federal banking regulators also affirmatively expanded banking law authorities for digital asset activities."

Ethan Ostroff
Partner at Troutman Pepper Locke

Looking ahead, we expect to see the OCC focus on risk-based, tailored supervision based on bank size and core material risks. We expect continued attention on debanking, including referrals to the Attorney General as needed, and continued clarification of permissible digital asset activities to recalibrate risk management expectations.

DEPARTMENT OF TREASURY/FINCEN

Policy Changes

Financial crimes regulation and enforcement saw significant rhetorical shifts with the Trump Administration taking office in 2025. Nonetheless, there has been substantial continuity in the government's actions, though we also saw a few areas of real change in 2025, some deregulatory in nature and others involving tighter regulation and increased enforcement.

Many of these high-level developments were described in detail in our report *Navigating Change: First 100 Days Under the Trump Administration*, including Trump's January 23 Executive Order 14178 on Digital Assets, and the U.S. Department of Justice's (DOJ) "Blanche Memo" on ending "regulation by prosecution." See also our piece on the PWG Report, which discusses in more detail the gaps between the broad policy announcements from this Administration and the relative paucity of concrete actions taken on financial crimes regulation and enforcement in this critical sector.

Genius Act and Market Structure Bill

Perhaps the biggest development in this space in 2025 was the enactment of the GENIUS Act, which both incentivizes and requires the emerging payment stablecoin sector to be established in the U.S. and subject to U.S. jurisdiction, and sets out a clear statutory mandate for the main participants to be subject to BSA/AML regulation as "financial institutions." However, like many of the Administration's policy announcements about how it wishes to approach this sector, there is still little clarity about how the regulatory approach will be implemented in practice. For a more in-depth discussion of this topic, listen to this episode of our podcast, *The Crypto Exchange:* "Navigating the GENIUS Maze: Sanctions and AML Adventures in Crypto" – Troutman Pepper Locke. Among the biggest unanswered questions when it comes to BSA/AML under the GENIUS Act is whether the "DeFi loophole" for financial crimes regulation that was set out in the statute will be maintained and how that may be reflected in regulation — whether and how the DeFi sector will be able to interact with traditional financial institutions and digital asset companies, which will remain subject to stringent BSA/

AML requirements. The market structure bill that Congress remains hard at work on finalizing largely continues to "kick the can down the road" on these critical questions, leaving the sector without the long-term regulatory clarity it needs.

On Aug. 17, 2025, the Treasury issued a request for comment on innovative methods to detect illicit finance involving digital assets, as required by Section 9(a) of the GENIUS Act, to seek public comment on application program interfaces (APIs), AI, digital identity verification, and use of blockchain technology and monitoring. For more information, see "Treasury Issues Request for Comment on Innovative Methods to Detect Illicit Activity Involving Digital Assets" | Consumer Financial Services Law Monitor. On Sept. 18, the Treasury issued an ANPRM to solicit public comment on how the Treasury should design a regulatory framework for payment stablecoins that both supports innovation and addresses key risks. Through this ANPRM, the Treasury poses a broad set of detailed questions (nearly 60) on issues such as the scope of entities and products that should be covered; prudential and risk management expectations for issuers; the treatment of reserves and redemption practices; and how to integrate AML, sanctions, consumer protection, and financial-stability safeguards into the new regime. The ANPRM emphasizes that it does not itself create new obligations but is intended to gather data and perspectives that will inform future proposed rules implementing the GENIUS Act's mandates. Comments had been requested by Oct. 20, 2025, but the Treasury subsequently extended the comment period to Nov. 4, 2025. For more information on the Treasury's ANPRM, see "Treasury Invites Public Input on GENIUS Act Implementation" | Consumer Financial Services Law Monitor.

Ultimately, subject to whatever the enduring statutory rules end up being, it will be the Financial Crimes Enforcement Network (FinCEN) and the Treasury as a whole that will have the lead in shaping the BSA/AML regulatory environment for the payment stablecoin sector and other digital asset ventures. FinCEN and the Treasury continue to be staffed (even at the political levels) with personnel holding fairly traditional views about the importance of stringent BSA/AML regulation. So our bet is that, perhaps with some fits and starts, all participants in this sector touching the U.S. will need to have a credible approach to financial crimes compliance.

The clearest signals for our direction of travel for the next three years will come when the Treasury starts publishing the series of reports that Congress has mandated regarding money laundering risks in the DeFi sector, innovative compliance methods, and an array of other topics.

Sanctions (OFAC) Developments

The biggest sanctions developments in 2025 impacting digital assets are described in detail in our report *Navigating Change: First 100 Days Under the Trump Administration*, including OFAC's delisting of Tornado Cash, the designation of several drug cartels as Foreign Terrorist Organizations (FTOs), the "maximum pressure" campaign against Iran, and ongoing targeting of non-Know Your Customer (no-KYC) exchanges based outside the U.S., including Russia-based Garantex, along with supporting infrastructure such as bulletproof hosting providers.

These trends continued through the remainder of the year, including OFAC's targeting of alleged Garantex "successor" Grinex and other elements of the ecosystem around the ruble-backed A7A5 token. Quite notably, a bank in Kyrgyzstan, Keremet Bank, was targeted by OFAC for facilitating alleged sanctions evasion schemes by a sanctioned Russian bank, including via digital asset transactions. It is exceedingly rare for OFAC to impose comprehensive sanctions on an operating bank. This was a loud shot across the bow for financial institutions and others that take on too much risk when it comes to financial crimes.

In March 2025, OFAC targeted the Iranian administrator of online darknet marketplace Nemesis, which had been taken down in 2024 in a multilateral law enforcement operation. While there was nothing particularly new about this action, it was touted as OFAC's first action as a member of the FBI-led interagency Joint Criminal Opioid and Darknet Enforcement team. This action — and the new enforcement mechanism that has been created in this space — was even more notable in light of the feverish apprehension around Trump's pardon of Ross Ulbricht, the founder of Silk Road, as discussed in our report *Navigating Change: First 100 Days Under the Trump Administration*. Some mistook this pardon as a signal that the darknet is now open for business. It seems clear enough at this point that U.S. law enforcement, OFAC, and others will call that bluff and continue to impose costs on those that go too far in supporting online criminality.

Other than sanctions targeting, OFAC's enforcement activity continued without major changes in 2025. For example, the September 2025 settlement with Switzerland-based ShapeShift AG, a digital asset exchange with U.S. operations, shows that OFAC will continue to impose penalties on actors in this sector with a link to the U.S. that facilitate transactions with U.S. sanctions targets and fail to adopt an adequate, risk-based sanctions compliance approach.

We expect OFAC will continue to take aggressive action against actors in the digital asset space that support activities that are priority targets for U.S. national security regulation, including Iran, Cuba, terrorism, fentanyl, Venezuela, and others. Sanctions evasion involving Russia also continues to be aggressively targeted, despite significant policy-level changes relating to Russia under the Trump Administration.

In addition, new sanctions enforcement priorities were elevated in 2025, in particular Southeast Asian scam compounds and so-called "pig butchering," as illustrated by the multipronged, multilateral targeting (including by OFAC, FinCEN, DOJ, and many non-U.S. authorities) of Huione Group and Prince Group — allegations in these cases included the laundering of billions of dollars in virtual currency from scams and heists. Notably, DOJ carried out its "largest ever forfeiture action" in the Prince Group case involving approximately $15 billion in bitcoin.

While OFAC sanctions targeting and enforcement — and related actions by other U.S. agencies — remain broadly consistent with the trend lines under the Biden Administration, new developments continue to respond to changes on the ground in how criminals and U.S. adversaries use the digital asset sector to achieve their objectives.

BSA/AML Developments

We saw significant shake-ups in the BSA/AML space in 2025, as compared to the broad trend of continuity in the sanctions space. The biggest changes were not specific to the digital asset sector but will nonetheless significantly impact this sector.

First, there was a series of regulatory rollbacks and pauses led by the Treasury. FinCEN provided exemptive relief for investment advisers from all requirements of its new BSA/AML rule and proposed a new effective date for the new rule of no earlier than Jan. 1, 2028. See "FUNDamentals – FinCEN Delays Investment Adviser AML Rule Until 2028, Signals Revisions to Scope" – Troutman Pepper Locke. FinCEN also fundamentally eroded the impact of the Corporate Transparency Act's beneficial ownership reporting requirement by removing its applicability to U.S. persons. See "CTA Significantly Amended by Interim Final Rule" – Troutman Pepper Locke and "Practical Implications of the Interim Final Rule for BOI Reporting Under the CTA" – Troutman Pepper Locke. The agency has not yet moved forward with the Section 311 proposed rulemaking for designating convertible virtual currency (CVC) mixers as a primary money laundering concern, but it is too soon to rule that out, and there have been signs of life around that rule recently. FinCEN also issued revised Suspicious Activity Reporting (SAR) guidance that helps somewhat clarify and reduce the SAR burden financial institutions face.

But the dogs that have not yet barked are the main ones to watch. FinCEN has stated that it is "working with our Treasury colleagues to change the AML/CFT [Countering the Financing of Terrorism] status quo so that the framework focuses on our national security priorities and highest-risk areas and explicitly permits financial institutions to de-prioritize lower risks." Explicit regulatory guidance providing clarity that financial institutions can de-prioritize certain risk areas could be quite a present for the sector if this really materializes, without the typical caveats and cautions that FinCEN is famous for (though we'd suggest not uncorking the bottles just yet).

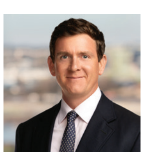
Along the same lines, another very interesting — and potentially deregulatory — development to watch is the Treasury's effort to secure for itself a veto right over BSA/AML enforcement actions proposed by bank regulators. FinCEN, as the proposed BSA/AML supervisory gatekeeper, would apparently try to elevate bank regulators' focus away from immaterial technicalities in BSA/AML compliance and toward more substantive issues. These ideas have, of course, been out there for many years, and the real tests will come with implementation, which remains to be seen. This FinCEN gatekeeper policy seems to have taken primacy over earlier concepts that would have combined the various federal banking regulators into one and brought them under more centralized control by the Treasury, a much harder feat to pull off.

These shifts are driven in large part by complaints from the traditional financial sector that they are overburdened by regulation, while their new competitors in the digital asset sector benefit from a lighter touch by the government. In addition to considering more regulation in the digital asset space (*e.g.*, under the GENIUS Act, as discussed above), the Administration is evaluating ways to level the BSA/AML playing field for traditional institutions.

In the same vein, the Trump Administration is looking to be more forward-leaning when it comes to supporting innovative compliance technologies and methods. In August 2025, the Treasury published a request for comment on this topic, specifically focused on the digital asset sector. It is seeking details on how institutions have successfully employed AI, blockchain monitoring, digital identity tools, and other tech-forward new approaches to compliance. The comments submitted to date have been quite informative for those looking to dip their toes into these exciting waters.

While the Administration looks for ways to reduce the BSA/AML regulatory burden for legitimate U.S. financial institutions, it has ramped up targeting of non-U.S. institutions in priority areas, and we may soon see this extend to U.S. players that take on too much risk or fail to take their compliance obligations seriously enough.

> "2026 is expected to be a turning point in the U.S. government's approach to AML and sanctions regulation in the digital asset sector – in particular, we expect to see significant movement by FinCEN in crafting regulations to implement the GENIUS Act and to advance efforts to accept the adoption of new and innovative compliance methods and technologies."



Peter Jeydel
Partner at Troutman Pepper Locke

In a June action that was remarkable in many respects, FinCEN targeted three Mexico-based financial institutions, pursuant to the Fentanyl Eradication and Narcotics Deterrence (FEND) Off Fentanyl Act, as being of "primary money laundering concern" in connection with illicit opioid trafficking. The results for the targets were devastating — U.S. financial institutions were prohibited from engaging in any transmittals of funds with the targets, and they were taken over by local authorities. The orders specifically define "transmittals of funds" to include the sending and receiving of CVC. You can bet that these will not be the last actions of this sort, and the death knell may soon sound for a number of actors with exposure to Mexico, China, and other target-rich environments where fentanyl is concerned. Most concerning is the seemingly thin (at best, very unclear) rationale for targeting a major Mexican financial institution, for example. This financial institution actually sued FinCEN, stating in the complaint that in the preceding seven years it had spent over $70 million — the equivalent of its combined profits over the previous three years — to enhance its AML program. Clearly, this was a bank that made real investments in compliance, raising serious questions about why it was targeted and how others can avoid that fate.

Along with these changes of direction, we saw continuity in traditional BSA/AML enforcement in 2025. For example, in December, the Peer-to-Peer digital asset trading platform Paxful was fined by FinCEN and the DOJ for failure to establish an adequate BSA/AML compliance program, including an almost three-year delay in renewing its registration as a money services business, not implementing any KYC verification processes for a few years, not geo-blocking sanctioned countries (even offering trades of bitcoin for North Korean won) or effectively controlling geo-spoofing, and actively soliciting business with criminal platforms. This case underscores that the current Administration is going to continue targeting noncompliance in the digital asset sector.

Criminal Enforcement

Even in the wake of the Blanche Memo, the DOJ has remained active in pursuing criminal charges against actors in the digital asset sector for fraud, sanctions violations, and other unlawful conduct. At the same time, however, there has been a number of presidential pardons in this space.

Fraud

There was no shortage of fraud cases in 2025. For example, HashFlare's co-founders pled guilty in the Western District of Washington to crimes related to a crypto-mining Ponzi scheme and agreed to forfeit more than $500 million, but ultimately received supervised release, community service, and fines after time served. Additionally, in the Eastern District of Virginia, former Praetorian Group International CEO Ramil Ventura Palafox pled guilty to wire fraud and money laundering as part of a global bitcoin Ponzi scheme and agreed to pay over $62 million in restitution (with sentencing to follow). Further, in the Southern District of New York, Forcount Trader Systems promoter Ramon Perez received a one-year-and-a-day custodial sentence and shared responsibility for $2.6 million in restitution after promoting participation in a $14 million crypto Ponzi and pyramid scheme.

When defendants defraud investors of billions of dollars, however, courts are more likely to impose longer terms of imprisonment. For example, a court in the Southern District of New York sentenced Terraform Labs co-founder Do Kwon to 15 years' imprisonment and forfeiture exceeding $19 million for fraud tied to the $40 billion lost by investors in the TerraUSD/Luna collapse. Similarly, Celsius founder Alex Mashinsky received a 12-year sentence, supervised release, and over $48 million in forfeiture after Celsius halted customer withdrawals of $4.7 billion in inaccessible assets.

Sanctions

Perhaps the most notable criminal sanctions case of 2025 in the digital asset sector was the mixed jury verdict against Tornado Cash's Roman Storm in the Southern District of New York, after certain charges were dropped following the Blanche Memo. There were also guilty pleas and prison sentences for Samourai Wallet's founders, indictments of the administrators of Garantex, the Paxful settlement discussed above, the Prince Group case discussed above, and many others. In short, there has been no letup in criminal sanctions enforcement in this sector.

Notable Appeals and Announcements

Federal courts appear to be refining, or at least are considering refining, fraud doctrines as they apply to digital assets. A prime example is the Second Circuit's decision vacating the OpenSea NFT wire fraud convictions and narrowing what qualifies as "property" under the statute.

Some recent crypto-related convictions remain under scrutiny on appeal, most notably Sam Bankman-Fried's effort to overturn his 25-year sentence.

Presidential Pardons and Clemency

Trump issued a series of high-profile, "full and unconditional" pardons in 2025 involving prominent figures in the cryptocurrency space. This trend really kicked off with the pardon of Ross Ulbricht, the founder of Silk Road, as discussed in our report *Navigating Change: First 100 Days Under the Trump Administration*. But that turned out not to be a one-off.

In March, Trump pardoned the founders of BitMEX and, in what may have been a first-ever full pardon of an entity, the Seychelles-based company underlying that platform, HDR Global Trading, following guilty pleas to AML violations — seemingly just prior to the company's deadline to pay its $100 million fine.

In October, the President granted a full and unconditional pardon to Binance founder Changpeng Zhao (aka "CZ"), who had been sentenced to four months in prison on AML-related charges, and did so after the company's settlement exceeding $4 billion.

As these pardons have generally not been accompanied by any rationale by the government, hard questions linger about the lessons to be drawn when it comes to this Administration's approach to law enforcement in the digital asset sector.

TAXATION OF DIGITAL ASSETS

In March 2025, Congress acted under authority granted by the congressional Review Act to repeal the December 2024 "Defi" Treasury regulations enacted under Section 6045 of the Internal Revenue Code (the Defi Regulations) under the Biden Administration that would have required "trading front-end service providers" facilitating sales of digital assets (*i.e.*, representations of value that are not cash and are recorded on a blockchain) to comply with certain information reporting requirements, similar to those imposed on traditional securities brokers (*e.g.*, Form 1099-DA filing). The Defi Regulations were set to take effect in 2027 for reportable transactions that occurred in 2026. However, on April 10, 2025, Trump signed a joint resolution to repeal the Defi Regulations to relieve trading front-end service providers from these reporting obligations.

In September 2025, the IRS issued Fact Sheet 2025-06, clarifying that DeFi brokers are not required to file a Form 1099-DA or furnish a statement to taxpayers showing their digital asset transactions. The IRS stated in updated Fact Sheet 2024-23 that (1) final regulations setting forth reporting requirements on Form 1099-DA apply only to digital asset brokers that take possession of the digital assets being sold, not Defi brokers; and (2) the Treasury and IRS intend to provide rules for Defi brokers in a different set of final regulations.

The PWG Report, released in July 2025, set forth several recommendations to Congress, the Treasury, and the IRS that, if enacted into law, would (1) establish a separate digital asset classification for federal tax purposes; (2) extend to digital assets existing wash sale rules, the securities trading safe harbor in Section 864(b), securities lending rules, and the mark-to-market regime; (3) classify stablecoins as debt for U.S. tax purposes; and (4) provide additional clarification and guidance regarding digital asset activities. For a more detailed discussion of the PWG Report, listen to *The Crypto Exchange* podcast episode "Institutional Adoption, Tax Challenges, and What's Next for Crypto in the US — Insights from KPMG's Tony Tuths" – Troutman Pepper Locke.

On Sept. 30, 2025, the IRS released Notice 2025-46 and Notice 2025-49 (the Notices), which provide (1) that the IRS and the Treasury intend to partially withdraw proposed regulations relating to the corporate alternative minimum tax (CAMT) and (2) interim guidance with respect to the CAMT. Among other changes, the Notices clarify that taxpayers may elect to adjust their income potentially subject to the CAMT to disregard unrealized gains on cryptocurrency and other digital assets, which should be welcome news to public companies holding significant cryptocurrency portfolios.

In November 2025, the IRS issued Revenue Procedure 2025-31, which provides a safe harbor for investment trusts and grantor trusts to stake certain digital assets without jeopardizing their status as trusts for U.S. federal income tax purposes, published in response to the PWG Report recommendation on the topic. For a more detailed summary, see "IRS Provides Guidance for Trusts Engaged in Staking" – Troutman Pepper Locke.

In December 2025, the IRS added more than 60 new questions to its FAQs on digital assets. There are currently over 100 FAQs covering a wide range of subjects on the taxation of digital assets. Read more here: Frequently asked questions on digital asset transactions – Internal Revenue Service.

Finally, in December 2025, a bipartisan draft bill in the U.S. House of Representatives was introduced by Representative Max Miller (R-Ohio) and Representative Steven Horsford (D-Nevada) that would establish rules around regulated payment stablecoins, clarify source-of-income rules for trading, and extend existing securities lending rules to digital assets.

What Is Ahead for 2026

Senate Finance Committee member Steve Daines, (R-Montana), and House Ways and Means Committee member Max L. Miller, (R-Ohio), stated in December 2025 that they expect Congressional legislation on the taxation of digital assets to be forthcoming in 2026. The legislation could address items discussed in the PWG Report, including: (1) a de minimis exception for low value transactions involving cryptocurrency; (2) how staking rewards are taxed; (3) the treatment of stablecoins as cash equivalents versus property for tax purposes (which may impact whether gain or loss is recognized on transactions involving stablecoins); and (4) whether digital assets are considered a commodity or a security for purposes of the tax law. However, the high degree of complexity of these issues and their significant tax impact, especially as it relates to whether stablecoins should be viewed as property or currency and whether digital assets are properly classified as commodities, securities, or some hybrid, may make passing meaningful legislation on these important difficult issues.

"Congress is actively working on draft tax legislation affecting digital assets, but there could be challenges ahead to reconcile differences and address unresolved issues before clearing the way to a floor vote."

Jaremi Chilton
Partner at Troutman Pepper Locke

CFPB AND FTC

While the SEC and CFTC were making some high-profile shifts, 2025 was a year of strategic restraint for the Consumer Financial Protection Bureau (CFPB) and the Federal Trade Commission (FTC). Rather than asserting new independent authorities over digital assets, both agencies largely adopted a "wait-and-see" posture, deferring to the primary market regulators and the evolving legislative landscape.

The CFPB: An Initial Push and Subsequent Withdrawal

The CFPB began the year with a significant attempt to bring the digital asset industry under its umbrella. In January, the Bureau issued a proposed interpretive rule that would have applied the Electronic Fund Transfer Act and Regulation E to emerging payment mechanisms, including stablecoins and digital wallets. The proposal aimed to provide consumers with protections against errors and fraud in digital currency transactions, a move that would have impacted a wide swath of the industry.

However, this aggressive posture was short-lived. By May, following a change in administration and leadership philosophy, the CFPB officially withdrew the proposed rule. The Bureau cited the need to align with current priorities and admitted that a more comprehensive approach, informed by further public comment, was necessary. This reversal signaled a shift away from stand-alone crypto rulemaking in favor of "conciliation, correction, and remediation."

The FTC: Data Security and Deceptive Practices

For the FTC, 2025 was defined by its role as a cleanup enforcer to handle the fallout of previous crypto cycles. Rather than new rulemaking, the agency focused on final settlements with failed or exploited platforms.

The most notable action involved Nomad, a cross-chain bridge operator that facilitates the transfer of digital assets between different blockchain networks. In 2022, the platform was allegedly exploited for $186 million after attackers identified a critical vulnerability in its smart contract code. This flaw allegedly allowed users to bypass security checks and withdraw funds they did not own by spoofing transaction data. In a 2025 proposed settlement agreement, the FTC resolved allegations that Nomad's "security-first" marketing was deceptive given its alleged systemic coding failures. Under the agreement, Nomad must implement a comprehensive security program and return $37.5 million in recovered funds to affected users within a year of the agreement's effective date.

Beyond this crypto-specific case, the FTC remained active in combating deceptive practices across the broader fintech sector. This included a $17 million settlement with Cleo AI over allegations that the personal finance app misled users regarding the availability and timing of cash advances. These actions demonstrate that the FTC's focus remains on core consumer protection principles — privacy, security, and honest marketing — regardless of the underlying technology used by a firm, and suggest the FTC is placing no special priority on digital asset firms.

Waiting for the Room to Clear

Ultimately, 2025 was a year where the CFPB and FTC undertook a strategic recalibration of their administrative priorities because of the presidential administration change. The current landscape suggests that these agencies have decided to follow the lead of other regulators. With the passage of the GENIUS Act to regulate stablecoins and the ongoing progress of the CLARITY Act, both agencies appear to have de-prioritized stand-alone crypto rulemaking in favor of allowing Congress and primary market regulators like the CFTC, SEC, OCC, and FDIC to establish the primary jurisdictional lines.

> "In 2026, the FTC is likely to maintain a cautious, consumer protection-focused approach to digital assets — prioritizing fraud, disclosure, and data security issues — while largely deferring to Congress and primary market regulators to draw the core regulatory lines."

Chris Willis
Partner at Troutman Pepper Locke

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State Legislatures

ABANDONED/UNCLAIMED PROPERTY LAWS

Signed State Legislation

Arizona House Bill 2749: Digital Assets as Unclaimed Property | SIGNED. On May 7, 2025, Arizona Gov. Katie Hobbs (D) signed HB2749. The bill updates Arizona's unclaimed property laws to include digital assets such as virtual currencies and cryptocurrencies. It defines key digital asset terms, sets timelines and conditions for when these assets are considered abandoned, and specifies owner activity that prevents abandonment. The bill requires holders of unclaimed digital assets to transfer them, in native form, to the Department of Revenue or a "qualified custodian." A qualified custodian must be licensed in Arizona to sell digital assets and provide custody services and may be a company, bank, trust company, or special purpose depository institution.
Effective date: Sept. 25, 2025

California Senate Bill 822: Digital Financial Assets, Unclaimed Property Law | SIGNED. On Oct. 11, 2025, California Gov. Gavin Newsom (D) signed SB822. The bill updates California's Unclaimed Property Law to cover "digital financial assets," including cryptocurrency. It treats these assets like other intangible property that must be turned over to the state after three years of inactivity, based on defined owner actions. Holders must send advance notices and transfer any unclaimed assets and associated private keys to the State Controller's designated cryptocurrency custodian. The Controller may liquidate these assets. Any third-party custodian used must hold a license from the Department of Financial Protection and Innovation and meet specified security, compliance, and reporting standards.
Effective date: Jan. 1

Colorado House Bill 1224: Modifying the Revised Uniform Unclaimed Property Act | SIGNED. On June 4, 2025, Colorado Gov. Jared Polis (D) signed HB1224. The bill updates Colorado's unclaimed property law. It adds rules for virtual currency, which is presumed abandoned after three years of inactivity and must be liquidated, with cash proceeds remitted to the state administrator. It also addresses older prepaid ("preneed") funeral contracts by clarifying how to calculate the reportable unclaimed amount and when such contracts are presumed abandoned, and requires reporting both the purchaser's and beneficiary's names. The bill shortens record retention periods for holders from 10 to six years and adjusts some enforcement and administrative timelines.
Effective date: Aug. 5, 2025

Illinois Senate Bill 1667: Amending the Illinois Trust Code | SIGNED. On Aug. 1, 2025, Illinois Gov. JB Pritzker (D) signed SB1667. The bill clarifies when companies and financial institutions must treat dormant customer funds and other unclaimed assets as held in trust for the State Treasurer and may require earlier reporting and remittance for entities regulated by the Department of Financial and Professional Regulation.
Effective date: Jan. 1, 2026

Maryland Senate Bill 665: Virtual Currency, Abandoned Property Laws | SIGNED. On May 20, 2025, Gov. Wes Moore (D) signed SB665. The bill revises Maryland's unclaimed property law to address modern assets, including virtual currency, and clarify when property is considered abandoned. It sets time-based rules for when different types of financial assets (such as bank accounts, insurance benefits, retirement funds, and virtual currency) are presumed abandoned when owners do not take specified actions. The Act defines required activities that show ongoing ownership and prevent abandonment. It also requires holders of such property to report and transfer the property to the state, and establishes procedures for liquidation of virtual currency and for owners to claim property through the Comptroller. Moore also signed the companion House bill, HB761, on the same day.
Effective date: Oct. 1, 2025

Introduced State Legislation

Ohio House Bill 480: Amending the Unclaimed Funds Law. On Sept. 29, 2025, Ohio State Rep. Bill Roemer (R) introduced HB480. The bill updates Ohio's Unclaimed Funds Law and includes modernized definitions (such as "virtual currency"), dormancy periods, reporting duties, and how long-unclaimed property ultimately supports an Ohio cultural and sports facility grant fund. The bill requires anyone who, for compensation, locates or recovers unclaimed funds or safe-deposit box contents to hold a registration certificate from the Director of Commerce. Applicants must be individuals, file a written application with notarized references, attest to no recent violations or disqualifying offenses, and demonstrate good character and fitness to conduct this business honestly and fairly.

DIGITAL ASSETS, PROVISIONS

Signed State Legislation

Montana Senate Bill 265: Financial Freedom and Innovation Act | SIGNED. On May 5, 2025, Montana Gov. Greg Gianforte (R) signed SB265. The bill establishes the Financial Freedom and Innovation Act, limiting state and local use of CBDC and protecting the use of digital assets and blockchain activities. It clarifies that "staking as a service" is not a security. For licensing-like requirements, issuers of network tokens seeking a securities exemption must file an application with the securities commissioner, provide specified disclosures and ongoing updates, and pay a fee. Sales under this exemption are capped at $250 million in any 12-month period, and the commissioner may deny, suspend, or revoke the exemption under defined conditions.
Effective date: Oct. 1, 2025

Introduced State Legislation

Massachusetts House Bill 4639: Fiduciary Access to Digital Assets. On Oct. 23, 2025, the Massachusetts House Joint Committee on the Judiciary introduced H4639. The bill sets rules for how fiduciaries (such as personal representatives, conservators, agents under powers of attorney, and trustees) may access a person's digital assets and online accounts after death or loss of capacity. It does not create professional licenses, but it requires fiduciaries to provide specified legal documents (*e.g.*, a death certificate, letters of appointment, a power of attorney, or a trust certification) before custodians must disclose digital assets or close accounts. Custodians may charge reasonable administrative fees and are protected from liability when they act in good faith under the statute. The bill was ordered to a third reading on Nov. 17, 2025. The Senate had introduced a companion bill, S1110, on Feb. 27.

Missouri Senate Bill 1177: Provisions Relating to Digital Assets. On Dec. 1, 2025, Sen. Travis Fitzwater (R) introduced SB1177. The bill would define categories of digital assets and clarify how ownership and security interests in them are handled under existing commercial law. It authorizes banks and Missouri-chartered trust companies to provide digital-asset custodial services if they give prior notice to regulators and comply with technology, AML, audit, and control standards. The bill also establishes an optional state registration system for digital assets through the Secretary of State, including eligibility, fees, renewals, and cancellation rules for registrants.

New York Senate Bill 8594: Restoring Integrity and Preventing Outright Fraud in Financial Systems (RIPOFF) Act. On Dec. 1, 2025, New York Sen. Zellnor Myrie (D) introduced SB8594. The bill brings digital assets within New York's theft and money-laundering framework. It defines "virtual currency" as a type of "property" and a "monetary instrument," and expands "transactions" to cover receiving, transmitting, exchanging, storing, or issuing virtual currency, while excluding software development alone. It also sets procedures for identifying owners and returning seized virtual currency that is treated as fraudulent proceeds from larceny or fraud schemes, including notice and an opportunity to be heard. These changes operate in parallel with the bill's broader fraud, structuring, and licensing-related provisions.

STATE LICENSING REQUIREMENTS

Signed State Legislation

Arizona House Bill 2387: Cryptocurrency Kiosk Licensing | SIGNED. On May 12, 2025, Arizona Gov. Katie Hobbs (D) signed HB2387. The bill regulates cryptocurrency kiosk operators in Arizona. It requires them to register as money transmitters if applicable, follow federal AML and KYC rules, and use blockchain analytics tools. Operators must give clear, advance disclosures about terms, risks, and fees; obtain customer acknowledgment; and provide detailed receipts for each transaction. The bill limits transaction amounts for new and existing customers, requires written anti-fraud policies and 24/7 live customer service, and provides refunds in specified fraud cases. The Attorney General is authorized to enforce compliance and impose penalties for violations.
Effective date: Sept. 25, 2025

Connecticut House Bill 7082: Virtual Currency, Money Transmission Laws | SIGNED. On June 30, 2025, Connecticut Gov. Ned Lamont (D) signed HB7082. The bill updates Connecticut's money transmission laws, including "virtual currency." It defines who must be licensed, what activities count as money transmission, and how virtual currency is treated. Licensed money transmitters must maintain adequate investments to cover their obligations and hold customers' virtual currency in the same type and amount. They must give customers specific risk and fee disclosures and detailed receipts. Licensees may use authorized delegates to conduct money transmission, but delegates must operate under written contracts and follow the same statutory requirements as the licensees, even though they are not separately licensed.
Effective date: Oct. 1, 2025

Illinois Senate Bill 2319: Digital Asset Kiosks Act | SIGNED. On Aug. 18, 2025, Illinois Gov. JB Pritzker (D) signed SB2319, the Illinois Digital Asset Kiosks Act. The bill requires operators to register with the Illinois Department of Financial and Professional Regulation; provide business, ownership, and financial information; and pay a nonrefundable $5,000 application fee with annual renewal. Operators must maintain a surety bond of at least $100,000 (up to $2 million) and meet minimum net worth standards. The Act prohibits operating a digital asset kiosk business without registration and authorizes the Department to suspend or revoke registrations, issue cease-and-desist orders, and impose fines for violations.
Effective date: Aug. 18, 2025

Illinois Senate Bill 1797: The Digital Assets and Consumer Protection Act | SIGNED. On Aug. 18, 2025, Illinois Gov. JB Pritzker (D) signed SB1797, the Digital Assets and Consumer Protection Act. The bill requires most businesses that exchange, transfer, or hold digital assets for Illinois residents to register annually with the state financial regulator unless exempt. Registration is nontransferable and requires detailed ownership, financial, and compliance disclosures, criminal-history information, and a nonrefundable fee. Registrants must meet minimum capital and liquidity standards; maintain surety bonds; implement cybersecurity, anti-fraud, and AML programs; and keep specified books and records. The Department may examine registrants, issue orders, and impose civil penalties for violations.
Effective date: Aug. 18, 2025

Iowa Senate File 449: Licensing Virtual Currency Kiosk Operators as Money Transmitters | SIGNED. On May 19, 2025, Iowa Gov. Kim Reynolds (R) signed SF449. The bill regulates operators of digital financial asset kiosks in Iowa. It requires that any party using kiosks to engage in money transmission hold a state money transmission license. Operators must observe transaction limits and fee caps, provide specified disclosures and receipts, report kiosk locations to the banking division, and maintain written compliance and anti-fraud policies. They must also appoint a qualified full-time compliance officer. The requirements apply to kiosk operators beginning July 1, 2025.
Effective date: May 19, 2025
Applicability date: July 1, 2025

Louisiana House Bill 483: Licensing Virtual Currency Kiosk Operators as Money Transmitters | SIGNED. On June 20, 2025, Louisiana Gov. Jeff Landry (R) signed HB483. The bill regulates virtual currency kiosks in Louisiana. It defines these kiosks and states that anyone who owns, operates, solicits, markets, advertises, or facilitates them is engaged in virtual currency business activity and must be licensed under existing law. The bill sets a $3,000-per-day transaction limit per person, requires transactions to be processed or refunded within 72 hours, mandates a specific fraud warning on kiosks, and requires the use of blockchain analytics. It also requires written anti-fraud and enhanced due diligence policies, including procedures to identify individuals at elevated risk of fraud.
Effective date: Aug. 1, 2025

Maine Senate Bill 1339: Regulating Virtual Currency Kiosks | PASSED TO BE ENACTED. On June 10, 2025, Maine's LD1339 was passed to be enacted by the Senate, and it is now in effect. The law regulates virtual currency kiosk operators in Maine. It requires anyone who owns, operates, or manages virtual currency kiosks to be licensed as a money transmitter under the Maine Money Transmission Modernization Act, unless exempt. Licensed operators must register kiosk locations with the Bureau and maintain detailed transaction and customer identification records for at least three years. The law also sets transaction limits, caps certain fees, requires clear consumer disclosures, establishes refund rights, and imposes information security and data-handling standards, including for any biometric data collected at kiosks.
Effective date: June 12, 2025

Missouri Senate Bill 98: Licensing Virtual Currency Kiosk Operators as Money Transmitters | SIGNED. On July 11, 2025, Missouri Gov. Mike Kehoe (R) signed SB98. The bill updates state financial-services licensing. It requires virtual currency kiosk operators to be licensed as money transmitters, with existing unlicensed operators given a short window to apply and permission to work with "given" their license application is pending. The bill also requires commercial financing brokers to register with the Division of Finance, renew annually, pay set fees, maintain a $10,000 surety bond, and provide specified disclosures when arranging financing.
Effective date: Nov. 26, 2025

Missouri House Bill 754: Virtual Currency Kiosks as Money Transmitters | SIGNED. On July 10, 2025, Missouri Gov. Mike Kehoe (R) signed HB754. The bill overhauls financial and related laws. It updates income tax rules, bank and credit union governance, money transmission exemptions, commercial financing disclosures, treatment of specie and electronic specie, and recognition of electronic wills and estate-planning documents. It classifies virtual currency kiosk operators as money transmitters, requiring them to

obtain a state money transmitter license and comply with disclosure, anti-fraud, compliance, and reporting obligations. It also requires commercial financing brokers to register with the Division of Finance and maintain a $10,000 surety bond.
Effective date: Nov. 26, 2025

Nebraska Legislative Bill 474: Money Transmitters, Licensing | SIGNED. On May 21, 2025, Nebraska Gov. Jim Pillen (R) signed LB474. The bill preserves digital asset depositories under the Nebraska Department of Banking and Finance and authorizes annual assessments to cover supervision under the Nebraska Financial Innovation Act, along with a $50,000 charter fee and other application fees. The bill modernizes the Nebraska Money Transmitters Act by defining "stored value" and "closed loop stored value" and clarifying that "money transmission" includes issuing and managing stored value and other monetary value in digital form. Entities engaged in such digital money transmission must be licensed, meet net worth and bonding standards, and comply with examination and reporting requirements.
Effective date: Sept. 2, 2025

Oklahoma Senate Bill 1083: Regulating Digital Asset Kiosks | FILED WITH SECRETARY OF STATE. On May 29, 2025, SB1083 was filed with the Secretary of State, effectively enacting the bill, after both the Oklahoma House and Senate overrode Oklahoma Gov. Kevin Stitt's (R) veto. The bill regulates digital asset kiosks (such as cryptocurrency ATMs). It requires kiosk operators to be licensed as money transmitters before conducting kiosk transactions and to notify the State Banking Department about kiosk locations and changes, with quarterly reporting. The bill sets operational rules including required risk disclosures, receipts, fraud-prevention measures, use of blockchain analytics, and specified customer service hours. It limits new customers to $2,000 in daily transactions and caps total fees at 15% per transaction. Violations can result in criminal penalties and seizure of kiosks.
Effective date: Nov. 1, 2025

Pennsylvania Senate Bill 202: Amending the Pennsylvania Money Transmission Business Licensing Law | SIGNED. On June 27, 2025, Pennsylvania Gov. Josh Shapiro (D) signed SB202. The Act regulates crypto transmission businesses in Pennsylvania like money transmitters, imposing licensing, financial, and compliance obligations on those handling virtual currency for others, while generally leaving individuals using self-hosted wallets for their own purposes outside the licensing framework.
Effective date: Aug. 25, 2025

Rhode Island Senate Bill 229: Virtual Currency, Licensing | SIGNED. On July 1, 2025, Rhode Island Gov. Dan McKee (D) signed SB229. The bill updates Rhode Island's financial services laws to expressly cover virtual currency. It defines "virtual currency," "monetary value," and "stored value" and amends "currency transmission" to include businesses that hold or control virtual currency or related transactions for others, bringing them within existing money transmitter licensing laws. It clarifies that small-loan rules apply to lenders and facilitators using online or electronic channels to reach Rhode Island borrowers. It removes special treatment and statutory authority for deferred-deposit/payday loans, ending that product category. McKee signed H5042, the House companion bill, on the same day.
Effective date: Jan. 1, 2027

Rhode Island Senate Bill 16: Licensure and Oversight of Virtual Kiosk Operators | SIGNED. On June 23, 2025, Rhode Island Gov. Dan McKee (D) signed SB16. The bill creates a regulatory framework around crypto kiosks to reduce scams and give the state a clearer way to oversee and police this activity. McKee signed the companion House bill, H5121, on the same day.
Effective date: June 23, 2025

Vermont House Bill 137: Registering Virtual Currency Operators as Money Transmitters | SIGNED. On May 20, 2025, Vermont Gov. Phil Scott (R) signed HB137. The act updates multiple financial and insurance laws, including rules for virtual currency kiosks. It mainly maintains existing licensing frameworks while refining who must be licensed and who is exempt. The bill essentially plugs kiosk operators into an existing virtual currency licensing framework rather than creating a separate, stand-alone licensing regime. *Effective date: July 1, 2025*

Advancing State Legislation

Alaska Senate Bill 86: Licensing for Money Transmitters | PASSED IN SENATE. On May 2, 2025, SB86 passed in the Senate by a vote of 17-0. It is now with the House Finance Committee. The bill would update the state's money transmission laws to cover both traditional and virtual currency activities. It requires businesses that transmit money or engage in virtual currency business activity in Alaska to obtain a state license or qualify for an exemption. Licensing involves an application, fees, a surety bond, minimum net worth, background checks for key individuals, and ongoing reporting and renewal requirements. The bill also establishes standards for permissible investments, allows for multistate and registry-based licensing processes, and defines several categories of exempt entities and activities.

New York Senate Bill 3262: Limited Purpose Trust Companies | PASSED IN SENATE. On June 11, 2025, S3262 passed in the Senate by a vote of 58-1. It is currently with the Assembly. The bill would enable digital asset innovation under a banklike, trust company framework while prioritizing customer protection, solvency, and market integrity — and would give New York a coherent legal structure for stablecoins and other tokenized assets. Its companion Assembly bill, A6266, remains in its originating chamber.

Ohio House Bill 116: Blockchain Basics Act | PASSED IN HOUSE. On June 18, 2025, HB116 passed in the House by a vote of 70-26. The Ohio Blockchain Basics Act narrows who needs a money transmitter license by excluding specified blockchain and digital asset activities from the definition of "money transmission." It clarifies that mining, staking, running nodes, providing software to conduct digital asset exchanges, or exchanging one digital asset for another do not, by themselves, require a money transmitter license. A new provision states that a person is not required to obtain such a license solely for engaging in those activities. The bill also defines key terms and addresses treatment and custody of digital assets, but does not create new affirmative licensing obligations for those covered activities.

South Carolina Senate Bill 163: Regulatory Framework for Digital Assets and Crypto-Related Activities | PASSED IN SENATE. On May 1, 2025, S163 passed in the Senate by a vote of 38-1. It is now in the House, in the Committee on Labor, Commerce, and Industry. The bill sets a regulatory framework for digital assets and crypto-related activities in South Carolina. It defines "digital assets," "nodes," "wallets," and "mining businesses"; bars state entities from accepting or testing CBDC; and protects individuals and businesses using or accepting digital assets from extra taxes based solely on that use. It limits local regulation of mining to generally applicable zoning and grid-reliability rules. For licensing, it specifies that a money transmitter license is not required for mining, running nodes, developing or offering certain self-custody software, or engaging solely in crypto-to-crypto exchanges.

Introduced State Legislation

Florida Senate Bill 314: Qualifying Requirements for Stablecoin Issuers. On Oct. 31, 2025, Florida Sen. Colleen Burton (R) introduced SB314. The bill defines "payment stablecoins" and "recognized payment stablecoin issuers" and sets conditions for issuing and redeeming such stablecoins in Florida. A payment stablecoin must be fully backed by specified U.S.-dollar reserves, redeemable 1-to-1 in dollars, and non-interest-bearing. To be a recognized issuer, an entity must maintain sufficient reserves, honor redemptions at par, avoid lending or encumbering reserves, and publish monthly reserve reports examined by a CPA and certified by senior officers. Recognized issuers do not need a separate state money services license solely to issue or redeem qualifying stablecoins, and misrepresenting this status is subject to enforcement. The House introduced a companion bill, H175, on Oct. 15, 2025.

Maine Senate Bill 1998: Registering Certain Cash-Dispensing Machines Through NMLS. On Dec. 3, 2025, Maine Sen. Donna Bailey (D) introduced LD1998. The bill authorizes Maine's Superintendent of Consumer Credit Protection to require certain cash-dispensing machine operators to register through the Nationwide Mortgage Licensing System and Registry (NMLS). The Superintendent may establish registration standards, including background checks, fees, renewal and reporting requirements, and other conditions. The bill also clarifies that cash-dispensing machines may not function as virtual currency kiosks unless the operator is licensed as a money transmitter. In addition, it increases the daily monetary penalty for violations from $10 to $25.

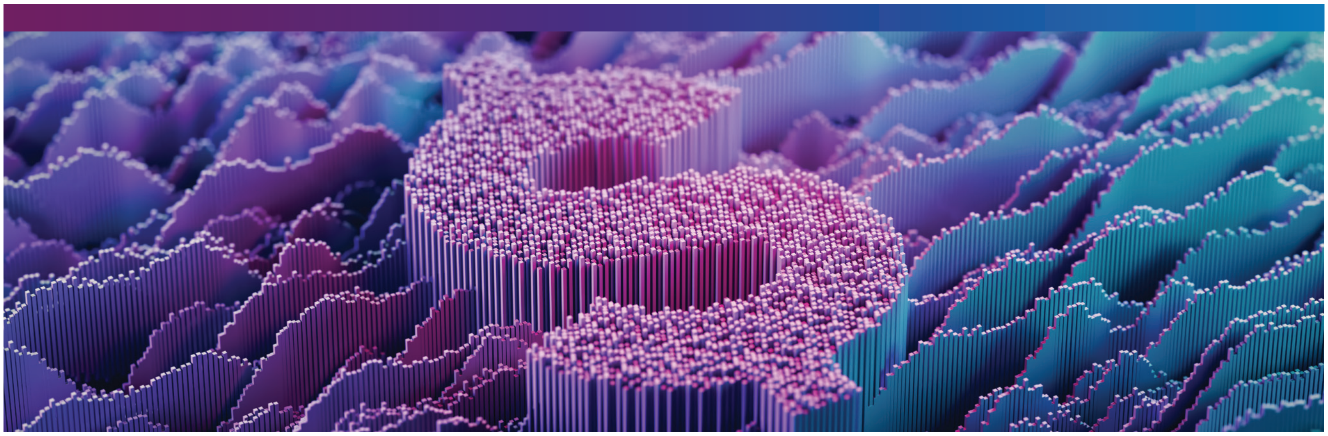
New Hampshire Senate Bill 482: Consumer Protections for Crypto Kiosks. On Nov. 21, 2025, New Hampshire Sen. Tim McGough (R) introduced SB482. This bill sets consumer protection rules for operators of cryptocurrency-style "digital asset transaction kiosks." It requires operators to verify customers' identities, enforce a 48-hour hold and cancellation right on a new customer's first transaction, and apply dollar limits per customer per day. Kiosks must display clear fraud warnings, ask screening questions, and block suspicious transactions. Operators must use blockchain analytics to avoid illicit wallet addresses and maintain written anti-fraud policies. The bill also mandates up-front disclosure of fees, spreads, and exchange rates, and requires detailed receipts. It does not create a new license but imposes compliance-style operational standards.

New York Assembly Bill 8813: Regulating Businesses Involved With Virtual Currencies. On June 9, 2025, A8813 was introduced in the Assembly. The bill would establish a state licensing system for businesses that handle virtual currency for New York residents. Companies that transmit, store, exchange, or issue virtual currency would be required to obtain a license from the Superintendent and may not use unlicensed agents. Certain entities, including approved banks and individuals using virtual currency only for personal investment or purchases, would be exempt. License applicants would be required to provide detailed information about their organization, finances, management, and compliance programs, pay an application fee, and meet ongoing supervisory requirements. The superintendent may grant full or conditional licenses and impose continuing reporting and examination obligations.

Pennsylvania Senate Bill 1015: Virtual Currency Kiosks, Money Transmission Licensing. On Sept. 17, 2025, Pennsylvania Sen. Tracy Pennycuick (R) introduced SB1015. The bill brings operators of virtual currency kiosks (like crypto ATMs) under Pennsylvania's money transmission licensing framework. It defines "covered kiosks" and "operators," requires them to obtain a state money transmitter license, and deems all kiosk activity in Pennsylvania to be money transmission. Existing unlicensed operators must apply for a license within 60 days. Licensed operators must give clear risk and fee disclosures, issue receipts, maintain 24/7 customer support, use blockchain analytics tools, and implement written compliance, anti-fraud, and elder abuse policies. The Department of Banking and Securities administers and enforces these requirements.

Wisconsin Senate Bill 535: Limitations on Licensing. On Oct. 17, 2025, Wisconsin Sen. Patrick Testin (R) introduced SB535. The bill would limit state and local authority over digital asset activities in the state. It prohibits agencies and municipalities from requiring licenses or otherwise restricting the use of digital assets for payments or self-hosted wallets. It clarifies that operating blockchain nodes, mining or staking digital assets, developing blockchain software, and exchanging one digital asset for another (without using legal tender) do not require a money transmitter license. It also provides that certain third-party digital asset staking services are exempt from specified securities registration requirements. The Assembly introduced a companion bill, AB471, on Oct. 31.

Wisconsin Assembly Bill 384: Virtual Currency Kiosks, Licensing. On July 31, 2025, Wisconsin Rep. Ryan Spaude (D) introduced AB384. The bill would regulate virtual currency kiosks by requiring anyone operating them in the state to be licensed as a money transmitter. It defines who qualifies as a virtual currency kiosk operator and imposes identification and recordkeeping requirements for each transaction, including specified personal information, government-issued identification, and a photograph. The bill also requires fraud warnings to customers, sets a $1,000 daily transaction limit per person, restricts fees that may be charged, and requires operators to provide refunds in certain fraud situations. The Senate introduced a companion bill, SB386, on Aug. 11, 2025.



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State Regulators

State-level regulators were highly active in 2025, continuing to shape the digital asset landscape through rulemaking, guidance, and enforcement. While federal agencies continued to debate jurisdictional boundaries, states focused on three core themes: (1) prudential standards and capital treatment for digital asset businesses; (2) licensing clarity and consumer protection in retail-facing crypto activity; and (3) operational resilience, particularly around cybersecurity, sanctions, and third-party risk. States also deepened coordination with each other and with foreign regulators, signaling that the state regulatory perimeter around digital assets will continue to harden in 2026.

PRUDENTIAL STANDARDS AND CAPITAL TREATMENT

The Conference of State Bank Supervisors (CSBS) played a central role in harmonizing state approaches to digital asset prudential oversight. In June 2025, CSBS released its first advisory guidance under the Money Transmission Modernization Act (MTMA) on how state regulators should treat virtual currency when assessing licensees’ tangible net worth. The guidance interprets MTMA provisions on tangible net worth and minimum net worth requirements and is intended to be used by states that have adopted the MTMA — 27 as of year-end 2025, covering roughly 99% of NMLS-licensed money transmission activity.

The guidance makes clear that absent specific statutory authority, virtual currency generally should not be counted as tangible assets for minimum net worth purposes, citing volatility, liquidity constraints, and valuation challenges. Virtual currency is treated as an intangible asset for purposes of calculating tangible net worth, with a limited exception where the asset is held solely to satisfy corresponding customer obligations in the same currency. Notably, the guidance does not apply to fiat-backed payment stablecoins.

CSBS encouraged regulators to use supervisory judgment when reviewing balance sheets, including concentration in particular tokens, reliance on affiliates for liquidity, and exposure to unregulated or offshore platforms. It also underscored expectations for robust risk management — covering valuation, custody, liquidity, and stress testing — where digital assets are material to a firm's financial condition. For digital asset businesses and traditional money transmitters alike, the message is that virtual currency will not be treated as a one-for-one substitute for cash or other high-quality liquid assets, and that capital adequacy and liquidity planning will face closer scrutiny.

LICENSING, CONSUMER PROTECTION, AND RETAIL CRYPTO ACTIVITY

California and New York continued to set the pace on licensing and consumer protection, with other states watching closely.

In California, the Department of Financial Protection and Innovation (DFPI) advanced implementation of the Digital Financial Assets Law (DFAL), a comprehensive licensing and supervisory framework for digital asset activities. DFPI's 2025 work on DFAL included both an initial proposal and a later, more technical refinement:

- On April 4, DFPI published a notice of proposed rulemaking to amend regulations under DFAL, aimed at clarifying the licensing process for entities engaging in digital financial asset activities, including exemptions from the Money Transmission Act (MTA), application requirements, and procedures for notifying the Department of changes. The proposal went through a public comment period that closed on May 19, 2025.
- On Sept. 29, DFPI announced significant modifications to that proposal under both DFAL and the MTA. The revisions renumber and reorganize the DFAL regulations to improve clarity and, importantly, clarify how DFAL and the MTA interact. Activities now regulated under DFAL — such as the transmission and storage of digital financial assets — are expressly exempted from the MTA to avoid duplicative oversight, with new provisions defining "monetary value" to exclude digital financial assets and aligning the definition of "digital financial asset" with the statute. DFPI also made technical amendments, including refining the definition of "control" to align with Financial Code Section 3309 and make clear that the presumption of control is rebuttable, and introducing a token listing certification requirement for covered exchanges to support disclosure and risk assessment protocols. DFPI opened a new comment period on these modifications from Sept. 29 to Oct. 15, 2025, signaling its continued willingness to refine the framework in response to industry feedback.

More broadly, DFPI's 2025 modifications to its DFAL regulations refined key definitions (including "digital financial asset," "exchange," and "custody"), clarified licensing triggers and exemptions (including for entities already subject to other regulatory frameworks and for limited-purpose or *de minimis* activities), and elaborated on application requirements such as financials, governance, and compliance policies. The proposal also sharpened consumer-facing obligations, including plain-language disclosures on fees, volatility, potential loss of value, and the absence of deposit insurance, as well as prudential and operational standards for capital, liquidity, segregation of customer assets, and incident reporting.

DFPI paired this rulemaking with notable enforcement actions that illustrate how it is likely to supervise digital asset firms:

- In June, DFPI issued a consent order against Coinme Inc., a Bitcoin ATM operator, for violations of the California Consumer Financial Protection Law and DFAL — the first enforcement action under DFAL — focused on preventing scammers from exploiting retail users at kiosks.
- On Oct. 6, DFPI issued a Desist and Refrain Order against Coin Time, LLC, another Bitcoin ATM operator, alleging excessive fees and failures in required disclosures and identity verification under the California Consumer Financial Protection Law and DFAL. DFPI sought restitution and signaled an intent to assess penalties.
- On Oct. 17, DFPI entered a consent order with Apoyo Financiero Inc. under the California Financing Law for excessive loan charges, requiring cessation of unlawful collections, vacatur of certain judgments, refunds, and a $1 million penalty.

Although Apoyo Financiero is not a digital asset case, together with Coinme and Coin Time it underscores DFPI's willingness to combine detailed rulemaking with aggressive enforcement on pricing, fees, and retail-facing conduct. Firms operating in or targeting California should expect close scrutiny of fee structures, disclosures, KYC/identity verification practices, and overall DFAL compliance.

New York's Department of Financial Services (DFS) likewise remained a leading digital asset supervisor. In August 2025, DFS announced a $48.5 million settlement with Paxos Trust Co. over AML and diligence failures tied to its partnership with Binance, including inadequate transaction monitoring and insufficient controls around geofencing and illicit actor exposure. The settlement, which followed DFS's earlier directive to cease minting Binance USD, reinforced DFS's expectations for robust compliance programs in stablecoin and exchange-related activity and influenced subsequent responses by other regulators.

DFS also continued to shape the broader consumer protection environment. In September, it issued a request for information (RFI) to New York chartered banks and credit unions on consumer accounts, fees, and compliance costs, seeking data to inform proposed overdraft and fee regulations. While not crypto-specific, the RFI reflects a data-driven approach to retail fees that digital asset firms offering depositlike or payment products should monitor.

INNOVATION, MARKET STRUCTURE, AND STATE-BACKED TOKENS

States also experimented with new market and product structures that could have long-term implications for digital assets.

Wyoming became the first U.S. state to launch a government-backed stablecoin, the Frontier Stable Token (FRNT), issued by the Wyoming Stable Token Commission. FRNT is fully collateralized with U.S. dollars and short-term Treasuries, with an additional 2% overcollateralization required by statute. Deployed across multiple blockchains and supported by industry partners, FRNT is designed for use in DeFi and on centralized platforms, reflecting Wyoming's broader strategy of using state law to support blockchain-based financial infrastructure.

At the federal level, the SEC's approval of the Texas Stock Exchange (TXSE) as a new national securities exchange is not a state action, but it is relevant to how state-chartered and digital asset-adjacent firms may think about listing and capital raising. TXSE's positioning as a lower-cost, issuer-friendly venue may eventually intersect with tokenized or blockchain native securities, particularly as states like Wyoming and New York continue to refine their treatment of digital asset securities and custody.

CYBERSECURITY, SANCTIONS, AND THIRD-PARTY RISK

Operational resilience — especially cybersecurity and sanctions compliance — was another area of emphasis for state regulators, with direct implications for digital asset firms.

New York DFS issued multiple pieces of guidance in 2025. In June, it reminded all regulated entities of their obligations under U.S. sanctions and New York and federal law, highlighting heightened cyber risk in the context of global conflicts and emphasizing the need for robust controls around virtual currency transactions to prevent sanctions evasion. In October, DFS issued detailed guidance on managing cybersecurity risk related to third-party service providers (TPSPs), including cloud, file transfer, AI, and fintech vendors. While DFS stressed that the TPSP guidance does not create new obligations, it clarified expectations for due diligence, contractual controls, monitoring, and integration of TPSPs into incident response and business continuity planning.

California's DFPI also used enforcement to reinforce cybersecurity expectations. A February consent order with Patelco Credit Union, following a 2024 ransomware attack, imposed a $100,000 penalty and required remediation of cybersecurity deficiencies, retention of an independent consultant, and ongoing reporting. For digital asset firms, these actions underscore that state regulators view cyber and third-party risk as core supervisory issues, not ancillary concerns.

Other states contributed to the cyber risk narrative. New Jersey's Division of Consumer Affairs issued an alert about phishing scams targeting licensees with fake "license software" downloads, and Massachusetts' Commissioner of Banks issued a cease and desist order against a debt collector that failed to maintain financial responsibility and provide access to records — reinforcing expectations around basic governance and recordkeeping that apply equally to digital asset intermediaries.

PRIVACY, DATA, AND COORDINATED STATE ENFORCEMENT

States also advanced privacy and data protection initiatives that intersect with digital asset activity. In April, eight regulators — including several state attorneys general (AGs) and the California Privacy Protection Agency — announced the Consortium of Privacy Regulators, a bipartisan effort to coordinate implementation and enforcement of privacy laws. The consortium aims to share expertise and coordinate investigations across jurisdictions, a model that could readily extend to digital asset-related data practices, including blockchain analytics, wallet-level profiling, and cross-platform tracking.

California's privacy regulator continued to enforce the Delete Act, including a maximum penalty fine against a data broker that failed to register, while New York City and Pennsylvania launched or expanded consumer protection tools and policy initiatives intended to fill perceived gaps left by reduced federal enforcement. These developments reinforce that state and local actors are prepared to step in where they see federal retrenchment, including in areas that overlap with digital asset use cases (*e.g.*, alternative credit, high-cost products, and data-driven marketing).

OUTLOOK

Across these developments, several themes emerge:

- States are importing traditional prudential concepts — tangible net worth, capital adequacy, liquidity, and governance — into digital asset supervision and are skeptical of treating volatile tokens as high-quality capital.
- Leading states, particularly California and New York, are building detailed licensing and conduct frameworks for digital asset businesses and pairing them with active enforcement, especially in retail-facing contexts such as kiosks, stablecoins, and fee practices.
- Cybersecurity, sanctions compliance, and third-party risk management are now central pillars of state oversight, with explicit expectations around cloud, AI, and fintech vendors.
- States are experimenting with new instruments and structures, such as Wyoming's state-backed stablecoin, while also influencing broader market infrastructure debates that may shape the future of tokenized securities.
- Coordination among state regulators — through CSBS, privacy consortia, and international exchanges like the New York DFS-Bank of England Transatlantic Regulatory Exchange — is increasing, raising the likelihood of more harmonized, but still fragmented, state oversight.

Digital asset firms should expect continued state-level activity in 2026, including further guidance on capital treatment, additional rulemaking in large markets, and deeper cross-jurisdictional coordination. Proactive engagement with state supervisory expectations — particularly around net worth, licensing, cybersecurity, sanctions, pricing, and consumer protection — will be critical to maintaining compliant and scalable operations across jurisdictions.

State Attorneys General

In 2025, state AGs and state regulatory authorities continued to play a central and aggressive role in crypto and digital asset oversight — stepping into gaps left by a retreating federal enforcement posture and an evolving regulatory landscape. Through high-profile enforcement actions, legislative partnerships, and coordinated advocacy, states strengthened consumer protections and asserted their regulatory authority amid shifts at the SEC and broader federal policy.

ENFORCEMENT HEADLINES

One of the most significant outcomes of the year was a $200 million settlement obtained by New York Attorney General Letitia James against crypto investment firm Galaxy Digital. The settlement resolved allegations that Galaxy misled investors and manipulated the market for the now-failed LUNA token, contributing to the collapse of Terra's ecosystem. Although Galaxy did not admit wrongdoing, the resolution underscores New York's continued reliance on the Martin Act and other state enforcement tools to police deceptive conduct in crypto markets.

California also maintained its prominent posture in digital asset regulation in 2025. In June, the California DFPI announced a consent order after bringing the first enforcement action under DFAL, a landmark statute requiring licensing and consumer protections for entities engaging in digital asset business activity with Californians. The action involved crypto kiosk operators and marked a key test of DFAL's enforcement authority.

Consumer protection actions targeting fraud and scams remained a major enforcement priority across the country.

- California AG Rob Bonta announced the shutdown of 42 fake cryptocurrency websites associated with large-scale "pig-butchering" investment scams, part of a broader effort to disrupt increasingly sophisticated online fraud schemes.
- New York's AG froze hundreds of thousands of dollars in cryptocurrency tied to scam operations targeting vulnerable investors.
- The District of Columbia AG sued a crypto ATM operator, alleging the exploitation of residents through deceptive practices and excessive fees.
- In Florida, AG James Uthmeier launched investigations aimed at protecting crypto investors amid growing reports of fraud and misleading promotions.

POLICY AND REGULATORY FRAMEWORK UPDATES

Beyond individual enforcement cases, state AGs engaged in coordinated policy advocacy. In October, a coalition of 21 state AGs urged the SEC to preserve state authority over crypto regulation, cautioning against federal rules that could preempt long-standing state consumer protection and licensing laws. The letter reflects growing concern among states that federal retrenchment should not come at the expense of state enforcement tools.

A MORE ACTIVE STATE ROLE IN 2026

In 2026, state AGs are expected to maintain — if not increase — their scrutiny of the digital asset industry. As the Trump Administration continues to pursue an innovation-friendly policy toward the digital asset industry, state AGs will likely fill the investigatory and enforcement void. The digital asset industry should expect state AGs to continue their reliance on state consumer protection statutes, money transmission laws, and coordinated multistate actions to address fraud and market misconduct.

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Private Litigation Trends

Financial technology and digital asset companies have been busy navigating new regulatory policies and litigating various investor and consumer claims. In 2025, we saw a relatively high volume of cases, which involved a variety of fee disputes, challenges to public disclosures, and alleged failures to safeguard sensitive customer data and protect consumers against fraudulent transactions.

SECURITIES LAW CASES

Despite the DOJ's announced focus on prosecuting individuals accused of defrauding investors rather than regulating through prosecution, digital asset and crypto companies continue to face investor suits alleging securities law violations. This is consistent with the report *2025 Mid-Year Assessment of Securities Class Action Filings*, which observed that crypto-related securities class actions were on the rise, while traditional securities class actions remained steady. These class actions have accused digital asset and crypto companies of selling unregistered securities, misrepresenting information that could negatively impact stock price, and making improper regulatory disclosures.

FRAUD TRANSACTIONS

Similar to traditional finance companies, digital asset companies have faced regulatory scrutiny and consumer complaints regarding their roles in purported scam transactions whereby consumers are tricked into depositing money into digital asset kiosks in exchange for cryptocurrency (*i.e.*, Bitcoin), which is ultimately sent to the perpetrator and is difficult to locate or recover. Several states have also proposed or enacted new legislation regarding digital asset kiosks.

As the digital economy continues to expand and crypto gains more widespread adoption and more digital asset companies file for IPOs, it would not be surprising to see a continued uptick in investor and customer disputes this year and beyond.

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Privacy

2025 saw significant privacy and security developments across the digital asset ecosystem.

At the federal level, privacy and security remain a central part of the regulatory activity by various agencies. For example, the GENIUS Act ordered the Treasury to seek public comment on methods, techniques, and strategies that financial institutions rely on to detect money laundering of digital assets including with respect to digital identity verification and blockchain technology. The Act also requires the Treasury to research the amount and sensitivity of information collected, the privacy risks associated with information collected, and cybersecurity risks associated with these activities. Additionally, the CFTC Market Participants Division issued a no-action letter suspending enforcement against futures commission merchants, except with respect to the requirement to disclose any cybersecurity incidents that occur. In July, the OCC, the Fed, and the FDIC issued a joint statement clarifying how existing laws and principles require banks to safeguard crypto assets, noting that a banking organization's cybersecurity environment should be a key focus of its risk management policies. FinCEN issued additional guidance related to the SARs that financial institutions are required to submit under the AML/CFT regulations. At least one of the goals of FinCEN's guidance seems to be reducing the quantity of customer data that is ultimately being shared with the government.

Earlier last year, the PWG Report highlighted several risks inherent in the digital asset ecosystem: Intermediaries or custodians that manage digital wallets may lack effective cybersecurity protocols; self-custody of digital assets can heighten the risk of illicit activity; smart contracts are vulnerable to coding risks; and metadata from digital asset transactions is not truly pseudonymous and may be traced back to personally identifiable information. The PWG Report also urged the Treasury, the SEC, the CFTC, and other federal agencies to embrace emerging digital asset technologies and provide clearer guidance on how digital assets will fit into existing frameworks, including setting forth standards for cybersecurity practices.
At the SEC's Crypto Task Force roundtable, a panel of experts including crypto business executives and blockchain developers expressed concerns that outdated regulations and an overall degradation of

financial privacy are stunting technological innovation and integration of privacy protection systems. During the roundtable, proponents of the digital asset ecosystem called on regulators to address the lack of regulatory clarity and experiment with existing technology that is capable of both protecting privacy and allowing agencies to track illicit activity without collecting unnecessarily large amounts of data on digital asset users.

> "In 2026, expect regulators to continue their focus on how digital asset firms collect, secure, and disclose customer data — pushing for stronger cybersecurity and more targeted compliance with data minimization efforts as they balance privacy with AML/CFT obligations."

Kim Phan
Partner at Troutman Pepper Locke

At the state level, new legislation and ongoing rulemaking have expanded privacy and cybersecurity protections for digital assets. For example, Illinois enacted the Digital Assets and Consumer Protection Act last year, which requires digital asset businesses to implement, update, and enforce several compliance policies and procedures, including cybersecurity, anti-fraud, AML, and operational security programs. California finalized new regulations, which became effective Jan. 1, requiring businesses, including participants in the digital asset ecosystem, to conduct cybersecurity audits and risk assessments when businesses use automated decision-making technology. These regulations contain extensive reporting and disclosure requirements regarding cybersecurity programs, risk management, and the data that automated decision-making technologies collect, which is a heavy financial burden. On the other hand, some of the new regulations have intensified data collection in the digital ecosystem. For example, New York's DFS issued an industry letter stating that it expects New York banks handling blockchain transactions to implement blockchain analytics tools that screen customer wallets, monitor for illicit activity, and monitor the crypto ecosystem for risk exposure. The regulations dramatically increase the quantity of data that banks will need to collect.

Businesses should expect a tremendous increase in regulatory activity this year as the Trump Administration, federal agencies, and the states address how the digital asset ecosystem fits within current and new frameworks.

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Uniform Commercial Code Article 12

In 2025, eight states — Arkansas, Connecticut, Florida, Montana, New York, North Carolina, Oregon, and Vermont — passed legislation adopting Article 12 of the Uniform Commercial Code (UCC). As of early 2026, 32 states plus the District of Columbia have formally adopted Article 12.

Another five states — Maryland, Massachusetts, Ohio, South Carolina, and Texas — introduced legislation in 2025 to adopt Article 12.

Among other things, Article 12:

- Introduces the concept of "control" as a means for perfecting a security interest in a "controllable electronic record," such as cryptocurrencies or nonfungible tokens.
- Provides that control is obtained when a person: (1) has the power to avail themselves of substantially all the benefit from the electronic record, (2) has the exclusive power to transfer the electronic record and to prevent others from availing themselves of substantially all the benefit of the electronic record, and (3) is able to readily identify themselves as the person with control of the electronic record.
- Outlines requirements related to discharge of an account debtor on controllable accounts or controllable payment intangibles.
- Is subordinate to Article 9 when the provisions conflict.

"Market participants are increasingly focused on how 'control' of digital assets will shape secured lending, trading, and enforcement practices."

Justin Wood
Partner at Troutman Pepper Locke

Insolvency

The GENIUS Act makes aggressive changes to the Bankruptcy Code in order to protect payment stablecoin holders if an issuer fails. It amends Bankruptcy Code Section 541 to exclude the segregated “required reserves” mandated by the GENIUS Act from property of the estate, while making the automatic stay of Bankruptcy Code Section 362 applicable to the reserves notwithstanding their status as non-estate property. Bankruptcy Code Section 362, in turn, is amended expressly to stay the redemption of payment stablecoins from the required reserves. The goal is to prevent a run-on-the-bank situation where, if the reserves prove insufficient, some stablecoin holders are able to redeem at par and others — slower to act — are left with worthless tokens. However, the stay of redemptions is intentionally short-lived: Promptly upon filing for bankruptcy, the debtor-issuer must file a motion and attestation stating whether “there are payment stablecoin reserves available for distribution on a ratable basis to similarly situated payment stablecoin holders,” and the bankruptcy court is required to use best efforts to enter a final order authorizing distributions to such holders within 14 days after a hearing on the motion.

“As stablecoins and other digital assets move into the financial mainstream under new regulatory frameworks, market participants need to balance the promise of enhanced consumer protections with the very real structural and insolvency risks those same protections can create.”

Deborah Kovsky-Apap
Partner at Troutman Pepper Locke

Most prominently, Section 11(d) of the Act amends Bankruptcy Code Section 507 so that, after payment stablecoin holders receive distributions from the required reserves, any remaining shortfall is given first priority over any other claim against all property of the debtor — expressly including claims that otherwise have priority under Section 507(a), such as administrative expenses, wage claims, and certain tax claims. This is a two-layer protection scheme providing extraordinary protections to stablecoin holders. Holders are paid first from off-estate reserves, and then their stub claims leapfrog the normal priority waterfall under Section 507 to be paid ahead of all other bankruptcy priority creditors from the debtor's general assets.

"Together, these developments mark a coordinated federal effort to foster growth in the digital asset sector while maintaining guardrails against fraud and illicit finance. For crypto businesses, this environment offers new opportunities — but also demands proactive compliance with evolving federal standards."

Ethan Ostroff
Partner at Troutman Pepper Locke

The holder protections embedded in the GENIUS Act are attractive from a consumer protection and adoption perspective, but they create significant tension with the core economics of Chapter 11. Because the amended Section 507 gives the stablecoin stub claim priority "over any expenses and claims that have priority under [11 U.S.C. Section 507(a)]," payment stablecoin holders now sit ahead of administrative expenses under Section 503(b) and Section 507(a)(2). This means professionals' fees, U.S. Trustee fees, and other administrative costs of the bankruptcy itself are structurally subordinated to the shortfall claims of stablecoin holders. As discussed here, an unintended consequence of these provisions is that a GENIUS-covered issuer that actually files Chapter 11 is at serious risk of being administratively insolvent from day one, raising fundamental questions about whether such cases can be feasibly funded at all. How courts reconcile consumer-protectionprovisions with the practical need to fund a Chapter 11 process is an open question that stablecoin issuers and their counterparties should monitor closely as the GENIUS framework is implemented and tested.

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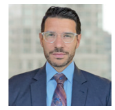
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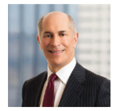
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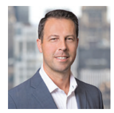
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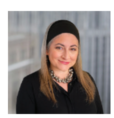
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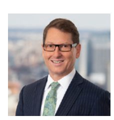
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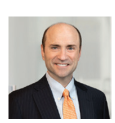
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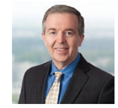
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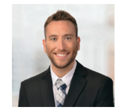
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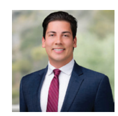
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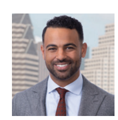
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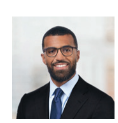
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