Digital Assets

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Issue Update

The digital asset market includes a range of instruments – from speculative and price volatile cryptocurrencies (e.g., bitcoin and ether), to stablecoins backed by a collection of assets (e.g., USDC and Tether), to digital representations of customer bank deposits on a blockchain, to central bank digital currencies (CBDC). Stablecoin and CBDC are covered in separate briefings.

As of May 2025, the total value of cryptocurrencies, including stablecoins, stands at around $3.4 trillion, down somewhat from its previous peak of $3.7 trillion in December 2024 and recovering from a recent low of about $1 trillion in the first half of 2022. In 2022, the drop in cryptocurrency valuations coupled with risky, highly leveraged, and largely unregulated business models resulted in some digital asset companies becoming insolvent, wiping out some customers and leaving others frozen out of accounts they thought were protected.

There is currently no comprehensive regulatory framework that establishes guidelines for risk management and consumer protection in the digital asset market. In May 2024, the House passed the Financial Innovation and Technology for the 21st Century Act (FIT21) with a large bipartisan margin, but it was not taken up by the Senate. In May 2025, the House Financial Services and House Agriculture Committees began circulating a discussion draft of a bill substantially similar to FIT21. The bill attempts to settle the question of regulatory jurisdiction between the Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission (SEC), ultimately giving the CFTC greater authority to regulate certain types of cryptocurrencies.

In March 2022, the SEC issued Staff Accounting Bulletin 121 (SAB121), which prescribed that an entity responsible for safeguarding cryptocurrency assets for platform users must present a liability on its balance sheet at fair value to reflect that obligation, as well as a corresponding asset. In January 2025, the SEC rescinded this misguided policy. However, it is preferable that legislation codify the fix.

Why it Matters to Your Community

There is significant regulatory uncertainty in the market today and an uneven application of existing rules. Banks are evaluating ways to safely and responsibly allow their customers to buy, sell, hold, and use digital assets through their existing banking relationships, primarily focusing on the ability to provide custody services. During the Biden Administration, the Fed, Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC) urged extreme caution and taken a case-by-case approach to review bank activity in digital assets, which caused banks to move more slowly into digital asset markets compared with unregulated crypto companies creating an un-level playing field and an environment ripe for fraud, risk, and consumer harm. The current administration views the digital assets market more favorably, and the Fed, OCC, and FDIC have withdrawn many of the Biden-era policies that discouraged bank activity in the digital assets market. Moreover, in May 2025, the OCC issued new guidance confirming that national banks and federal savings associations can engage in crypto-asset custody and trading services. This clarification comes in Interpretive Letter 1184, which outlines that banks may buy and sell digital assets held in custody at their customers' direction and may also outsource crypto-related activities, such as custody and execution services, to third parties. However, banks must ensure they implement proper third-party risk management practices.

Recommended Action Items

Urge Congress and Regulators to apply the principle of "same activity, same risk, same regulation" to digital asset activities, assuring that consumers will be equally protected whether they choose to access these markets through a bank or a non-bank.

Urge Congress and Regulators to clarify that it is generally permissible for banks acting in a safe and sound manner to perform certain digital asset activities, such as the provision of custody services. Consumers who choose to access these markets are best served when they can do so through fully regulated banks that are subject to rigorous oversight and consumer protection requirements.