

Issue Update

The digital assets 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 USDT), to digital representations of customer bank deposits on a blockchain (tokenized deposits), to central bank digital currencies (CBDC). Stablecoins and CBDCs are covered in separate briefings. As of August 2025, the total value of cryptocurrencies, including stablecoins, stands at around \$3.6 trillion.

The current administration has taken a decidedly positive view of the digital assets market, and it has taken steps to promote the United States as the crypto capital of the world. In January 2025, President Trump issued an Executive Order that among other things established the President's Working Group on Digital Assets Markets. That working group issued a report in July with over 90 recommendations directed at bank regulators, the SEC, CFTC, and Treasury Department. So far in 2025, bank regulators have withdrawn several pieces of guidance and interpretive rules that impacted banks' abilities to engage in the digital assets market.

A key issue for Congress has been to pass "market structure" legislation to establish a regulatory framework for cryptocurrencies. In July 2025, the House built on its work from the last Congress by passing the CLARITY Act. It appears the Senate will take up its own version of market structure legislation this fall, and in July, the Senate Banking Committee released a discussion draft of the Responsible Financial Innovation Act. These digital assets market structure bills address questions around regulatory jurisdiction, digital asset custody, investor protection, anti-money laundering obligations, and enhanced public-private coordination to counter emerging risks in the digital asset ecosystem, among other topics.

Why It Matters

Despite regulatory and legislative efforts underway, there remains significant regulatory uncertainty in the digital assets market and an uneven application of existing rules. Banks are evaluating ways to safely and responsibly engage in the digital assets markets when it aligns with their customers' needs and their strategies. It is imperative that intermediaries and solution providers in the digital assets market be subject to regulation and supervision that accounts for their activities and risks, in the same way as banks and traditional financial intermediaries. This type of level playing field is necessary to protect consumers and ensure financial stability. Digital asset market structure legislation could stimulate innovation within a secure regulatory environment, but without proper controls lead to potential systemic risks.

Recommended Action Items

Urge policymakers to apply "same activity, same risk, same regulation" to digital assets to ensure equal consumer protection, prevent charter arbitrage, and promote financial stability.

Applying consistent custody standards, including segregation of client assets, separation of

financial activities, and proper control over assets, across all providers to protect consumers, reduces systemic risk, and promotes market integrity. Likewise, aligning AML/CFT and sanctions rules across all providers will help combat financial crime and support innovation and integration of digital assets into the financial system.

Urge policymakers to clarify that it is generally permissible for federally supervised banking entities acting in a safe and sound manner to act as dealers in digital assets. 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.

Urge Congress to close regulatory gaps left open in the recently enacted GENIUS Act and ensure payment stablecoins function as innovative payment tools without disrupting the broader financial system. Key steps include: (1) broadening the prohibition on interest and yield payments to cover brokers, dealers, exchanges, and affiliates of payment stablecoin issuers; (2) restricting nonbank stablecoin issuers from accessing Federal Reserve master accounts; and (3) closing loopholes to the nonfinancial company prohibition by eliminating the Stablecoin Certification Review Committee approval pathway and applying the prohibition to both public and private firms to prevent conflicts of interest and concentration of economic power.

Urge Congress to repeal Section 16(d) of the GENIUS Act to reaffirm states' ability to protect consumers and ensure a level playing field for all institutions operating within their borders. Preserving the dual banking system and state authority is essential to the safety, soundness, and diversity of the U.S. financial system. Section 16(d) of the GENIUS Act weakens this balance by allowing uninsured, out-of-state-chartered institutions—like Special Purpose Depository Institutions (SPDIs)—to operate across state lines without host state approval, despite lacking equivalent regulatory oversight.