CLIENT ALERTS & INSIGHTS

Cryptocurrency Summer 2025 Roundup: What You Missed & What's Ahead

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Key Takeaways:

- Congress passed the GENIUS Act in July, the first comprehensive U.S. federal law regulating stablecoins. Most notably, the GENIUS Act eliminates ambiguity by defining stablecoins as not a security or commodity.
- Federal agencies under the Trump Administration, particularly the SEC and CFTC, have shifted toward a more predictable, business-friendly approach to crypto regulation and have shown increased disinterest in pursuing regulatory enforcement through litigation.
- Companies involved with stablecoins or other digital assets should review their compliance programs, monitor upcoming regulations and agency guidance, and prepare for evolving requirements-especially regarding reserve management, reporting and potential changes in oversight as new laws and rules are finalized. In particular, companies in the crypto asset space should keep an eye on the Anti-CBDC Surveillance State Act and the CLARITY Act which appear poised to become new law in the coming months.

Crypto regulators were busy this summer-Congress passed the first major U.S. federal statute providing a comprehensive regulatory framework for stablecoins, while various agencies issued a slew of regulatory statements that underscore the Trump Administration's desire to pare back SEC enforcement of crypto assets to make the U.S. a more predictable and hospitable market for firms considering participating in the digital asset marketplace. Additional Congressional acts appear poised to pass soon and the SEC has continued to unilaterally cease prosecution of high-profile enforcement actions against crypto market participants.

Federal Legislative Update

For over a decade, U.S. regulators have struggled to fit digital assets into existing financial regulatory frameworks. As a result, regulators have addressed the issue from different angles, leading to a fragmented and inconsistent approach. Looking to remedy this, Congress passed the Guiding and Establishing National Innovation for U.S. Stablecoins Act ("GENIUS Act"), which President Trump signed into law in July 2025. The GENIUS Act is the first major U.S. federal statute that provides a comprehensive regulatory framework for stablecoins.

The GENIUS Act defines a stablecoin as a digital asset used as a means of payment; as such, the stablecoin issuer is "obligated to convert, redeem, or repurchase for a fixed amount of monetary value" and the "issuer will maintain . . . a stable value relative to the value of a fixed amount of monetary value." The Act requires that all stablecoins be backed on at least a one-to-one basis by certain high-quality liquid assets, including U.S. dollars, bank deposits and short-term, low-risk securities (e.g., U.S. Treasuries).

Stablecoins are explicitly excluded from the definition of a "security" and fall outside SEC oversight. Instead, regulatory responsibility depends on the type of permitted payment stablecoin issuer ("PPSI"). PPSIs must file monthly reports detailing their reserves, including the total number of outstanding stablecoins and the amount and composition of the reserves.

The GENIUS Act recognizes three categories of PPSIs:

1. **Subsidiary of an insured depository institution (IDI).** Requires approval from the IDI's primary federal regulator. Stablecoins issued by IDIs are overseen by their primary banking regulator.
2. **Federal qualified issuer.** Includes non-bank entities, uninsured national banks and federal branches of foreign banks. Stablecoins issued by federal qualified issuers are regulated by the Office of the Comptroller of the Currency ("OCC").
3. **State qualified issuer.** Includes non-bank entities and state-chartered depository institutions with less than $10 billion in outstanding stablecoins. These issuers must be incorporated in a U.S. state with a regulatory regime certified as substantially similar to the federal framework under the GENIUS Act. Stablecoins issued by state-qualified issuers are supervised by their state banking regulators.

PPSIs may only engage in certain activities, including: (1) issuing and redeeming stablecoins and managing related reserves; (2) providing custodial or safekeeping services for stablecoins, private keys and reserve assets; and (3) performing other functions directly supporting these activities. However, with additional regulatory approval, a PPSI may also: (1) exchange digital assets for money or other digital assets; (2) transfer digital assets to third parties; (3) act as a digital asset custodian; (4) participate in financial services relating to digital asset issuance; and (5) engage in authorized incidental activities.

While no regulations have yet been proposed under the GENIUS Act, the FDIC began preparing for the legislative change by rescinding a rule that required notification for all types of crypto-related activities. This FDIC statement incorporates several interpretive letters from the OCC. Additionally, in July, both the FDIC and OCC, as well as the Federal Reserve, issued a joint statement discussing risk-management principles in regard to crypto assets being held by banks, which was the first publication after two joint statements were revoked in April. Those previous joint statements suggested crypto activities should be viewed with higher scrutiny, while the new guidance uses standard principles. This new approach makes sense given the possibility of a major shift in bank deposits into corporate stablecoins, which the GENIUS Act enables.

SEC and CFTC Regulatory Update

While Congress focused on clarifying the regulation of stablecoins specifically, the SEC and CFTC have worked to harmonize and modernize regulations for other crypto assets. On July 31, 2025, SEC Chairman Paul Atkins delivered a speech in which he announced "Project Crypto," a new initiative based off of the President's Working Group's Digital Asset Report. One day later, the CFTC announced "Crypto Sprint," an initiative also based off the President's Working Group's Digital Asset Report. Both announcements referenced the CFTC and SEC working together to create consistency.

In announcing "Project Crypto," Chairman Atkins laid out several goals, including: (1) bringing crypto assets back to the US; (2) modernizing custody requirements to provide options for consumers; (3) facilitating "super-apps" that allow for trading of security and non-security options; (4) enabling on-chain software systems; and (5) creating an "innovation exemption" that would enable new technologies to bypass regulations that do not fit the technology.

Atkins' speech illustrates a major change in the SEC's view of crypto assets, as he stated that "most crypto assets are not securities"-a stark departure from the SEC's position in the previous administration and contrary to many recent court decisions. Chairman Atkins also noted that new crypto-specific exemptions to securities laws are in the works for crypto assets that are deemed securities. When discussing the desire for "super-apps," Chairman Atkins noted that this would allow non-SEC registered exchanges and CFTC regulated platforms to offer crypto products. The announcement followed up on a previous SEC announcement that showed a softening towards crypto assets by allowing in-kind redemptions for crypto ETPs.

Only a few days after these initial announcements, the CFTC announced the future launch of spot crypto asset contract trading on CFTC-registered designated contract markets ("DCMs"). Soon after, the SEC's Division of Corporate Finance announced that "Liquid Staking"-a common practice for cryptocurrency holders that enables liquidity and growth-is outside the authority of the SEC. This accords with a previous statement that "Protocol Staking" falls outside the "efforts of others" prong of the Howey test. Though, as Commissioner Crenshaw pointed out, these conclusions rely on "plentiful assumptions" that might not create as much comfort for those engaged in staking.

Last month, the SEC and CFTC issued a joint statement, which clarified that exchanges regulated by either commission may offer certain spot commodity products. This was followed by a joint statement on September 5, 2025, in which they reaffirmed the need to coordinate actions to "ensure regulation does not stand in the way of progress."

The latter statement also announced a SEC-CFTC roundtable on regulatory harmonization to be held on September 29, 2025. The roundtable will discuss expansion of trading hours, event contracts, perpetual contracts, shared portfolio margining and "innovation exemptions" for decentralized finance. In addition to the joint roundtable, the SEC announced a series of public engagement roundtables that began in August and run until December 5 of this year.

The SEC's Regulatory Flexibility Agenda for Spring 2025 was also recently published, which clarified that regulations, safe harbors and exemptions for crypto assets, broader market structure changes to account for crypto assets, and updates to transfer agent regulations to accommodate crypto assets are all at the proposed rule stage. However, such rules will also require updated FINRA guidance, which has been in the works since the SEC-FINRA joint statement on crypto assets was

withdrawn back in May.

Given the ease at which cross-border transactions can occur with crypto assets, it is not surprising that the US is also considering harmonizing regulations across international boundaries (and specifically with the U.K.). This is in-line with the proposal for a cross-border sandbox from Commissioner Pierce, who heads the SEC's Crypto Taskforce. However, despite the announcement of the U.K.-U.S. Tech Propensity Deal on September 18, nothing solid on this front has yet been announced.

A Look Toward Future Potential Legislation

The CLARITY Act

In addition to regulating stablecoins through the GENIUS Act, Congress is considering legislation to regulate the broader digital asset market. On July 17, 2025, the House passed the Digital Asset Market Clarity Act ("CLARITY Act"), which awaits Senate consideration. Taken together, the CLARITY Act and GENIUS Act constitute Congress's compressive framework for digital asset categorization, issuance and oversight.

The CLARITY Act divides digital assets into three distinct categories: permitted payment stablecoins, digital commodities and investment contract assets.

- **Permitted Payment Stablecoins** are defined and regulated as set forth in the GENIUS ACT.
- **Digital Commodities** are defined as digital assets "intrinsically linked to a blockchain system," with value derived directly from the blockchain's functionality, operation or related services. Notably, securities, derivatives and stablecoins are explicitly excluded from this category. The Act grants the CFTC exclusive regulatory authority over digital commodities. This definition reflects Congresses' intent to draw a line between blockchain-native utility tokens and financial instruments subject to the traditional securities or banking regulatory framework.
- **Investment Contract Assets** are defined as digital commodities that can be exclusively held and transferred peer-to-peer without intermediaries, are recorded on the blockchain, and are initially sold pursuant to an investment contract. For example, commodities initially distributed through capital-raising arrangements (e.g., initial coin offerings) are investment contract assets. Investment contract assets are treated as securities and are subject to SEC oversight. However, this designation ends once the assets are resold in secondary markets, at which point they revert to digital commodities. This approach could lead to line drawing problems, resulting in serious uncertainty regarding compliance and enforcement for digital asset issuers.

The Anti-CBDC Surveillance State Act

Alongside efforts to classify digital assets and delineate regulatory authority, Congress also moved to curb government participation in the payment stablecoin marketplace through the Anti-Central Bank Digital Currency ("CBDC") Surveillance State Act, which passed the House in July 2025, and awaits Senate consideration.

The Anti-CBDC Surveillance State Act prohibits a Federal Reserve bank from offering products or services directly to an individual, maintaining an account on behalf of an individual or issuing a

central bank digital currency. Further, the Act prohibits the Board of Governors of the Federal Reserve System from using any central bank digital currency to implement monetary policy or from testing, studying, creating or implementing a central bank digital currency, with exceptions as provided by the bill.

Supporters of the Act frame it as a privacy measure (as indicated by the title of the bill) designed to prevent government monitoring of individual financial activity through a government-issued digital currency. Although, detractors note that a CBDC would facilitate cross-border transactions and reduce reliance on intermediaries. Notably, the Act would foreclose direct government participation in the stablecoin payment market, clearing the way for more private investment in a rapidly growing market.

Enforcement Updates

In our last article, we covered SEC v. Ripple Labs, Inc., 682 F.Supp. 3d 308 (S.D.N.Y. 2023), where the court applied the Howley test and held that Ripple's XRP tokens were securities subject to SEC oversight when sold to institutional buyers but not when sold via programmatic sales. Pursuant to that mixed decision, the court ordered an injunction prohibiting Ripple from selling XRP unless the sales comply with Section 5 of the Securities Act and issued a $125 million fine. Both parties subsequently appealed.

The case took a turn in May 2025, when, in a joint filing with Ripple, the SEC asked the court to lift the injunction on Ripple and reduce the fine to $50 million. The SEC argued that "such resolution will facilitate the Commission's ongoing efforts to reform and renew its regulatory approach to the crypto industry[.]" The District Court rejected the request, finding that neither side had shown the "exceptional circumstances" required to justify undoing its prior judgment and emphasizing the public interest in enforcing the original penalty. After that ruling, both the SEC and Ripple dismissed their pending appeals and the SEC granted Ripple a good cause exemption from the injunction requiring its sales of XRP to comply with Section 5 of the Securities Act.

This about-face by the SEC reflects the broader enforcement retreat under the Trump administration. For example, in recent months the Commission has dropped high-profile cases against major crypto exchanges, including Binance and its founder Changpeng Zhao, Coinbase and Kraken.