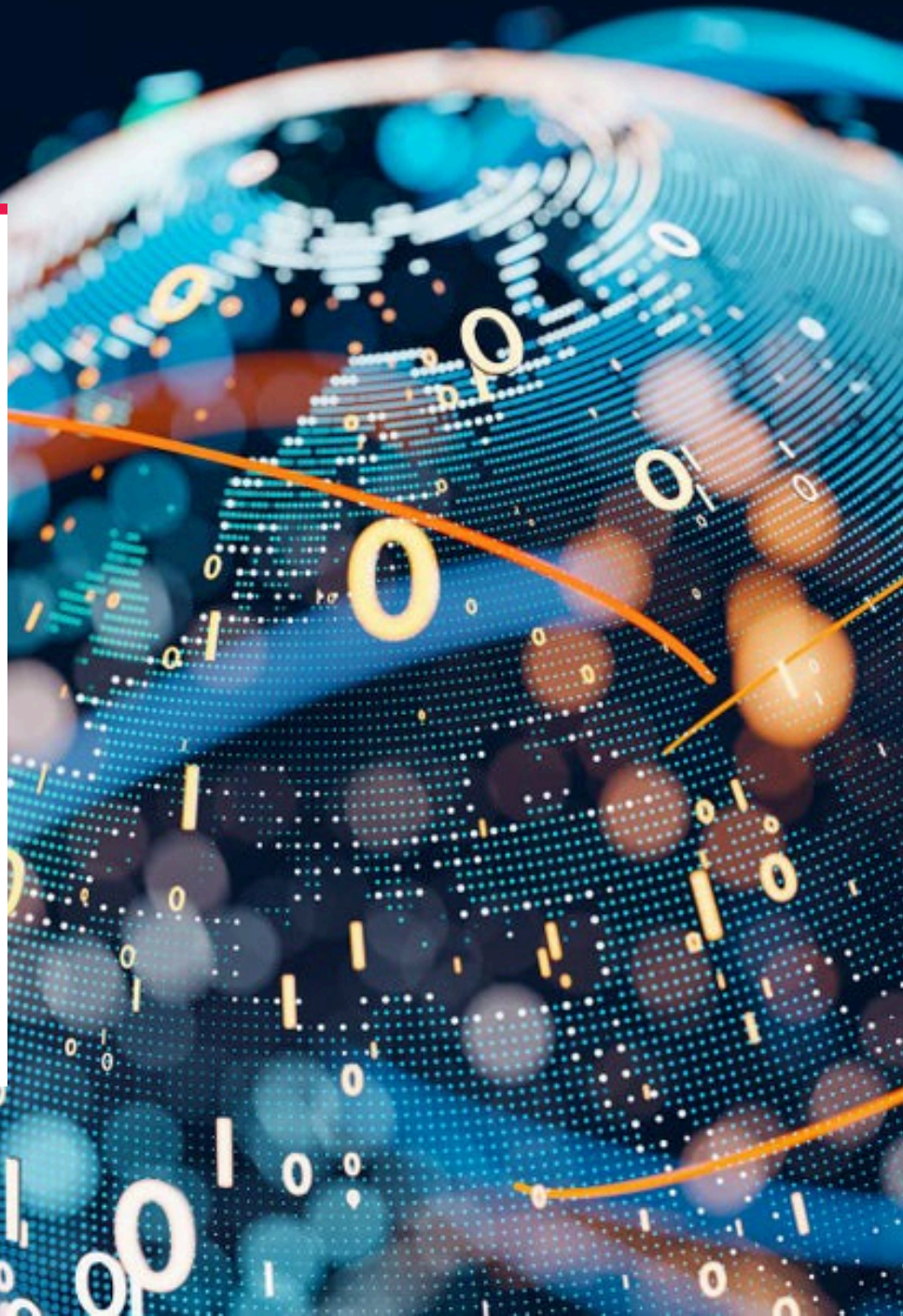
Digital Financial Assets: Market Structure, Stablecoin & Banking

May 19, 2026



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Key Takeaways: Setting the Stage

Setting the Stage: Steps Toward Legal Clarity in Digital Asset Regulation

Crypto regulation is evolving, but the status quo remains unsustainable: While a number of crypto assets are generally recognized as non-securities and therefore generally lawful to trade, the uncertain status of many still blocks broad usage in the U.S.

- **Shift in Federal Approach:** In year one of the Trump administration, there was a marked shift in the federal approach toward the crypto industry.
  - "*The digital asset industry plays a crucial role in innovation and economic development in the United States, as well as our Nation's international leadership. It is therefore the policy of my Administration to support the responsible growth and use of digital assets, blockchain technology, and related technologies across all sectors of the economy.*"[1]
- **The Digital Asset Market Clarity Act of 2025 ("CLARITY Act")** passed by the House with parallel legislation pending in the Senate, would regulate digital asset markets outside of stablecoins.
- **The U.S. Securities Exchange Commission ("SEC")** has taken a number of steps to facilitate issuance and trading of crypto securities and issued an interpretative release on March 17, 2026, articulating how existing regulatory authorities may be applied in determining whether crypto assets and transactions would be considered securities.
- **The Guiding and Establishing National Innovation for U.S. Stablecoins Act ("GENIUS Act")**, enacted July 18, 2025, regulates issuance and use of payment stablecoins in the United States.
- **Federal banking agencies** are moving rapidly to remove barriers to bank activities in a variety of digital asset types and to provide clarity.
  - The Office of the Comptroller of the Currency ("**OCC**"), the Federal Reserve Board ("**FRB**") and the Federal Deposit Insurance Company ("**FDIC**" and together with the OCC and the FRB, "**federal banking agencies**") have each rescinded prior digital asset guidance that raised obstacles to banking organization engagement in digital asset activities.
  - The OCC and the FDIC have also issued proposed rules implementing the GENIUS Act, although many legal interpretive questions remain unresolved.[2]

[1] Executive Order 14178, January 23, 2025.

[2] *See* Debevoise, *Payment Stablecoins Under the GENIUS Act*.

Setting the Stage: Steps Toward Legal Clarity in Digital Asset Regulation (*continued*)

- **Regulatory Regime for Primary Offerings and Secondary Market Transactions:** The Trump administration, current Congress and federal regulators are demonstrating a strong political will to create a regulatory regime for primary offerings and secondary market transactions in financial assets based on distributed ledger technologies ("**digital assets**"),[1] but the requirements for doing so remain complicated:
  - Characterization as a security (or securities transaction) implicates application of the current securities regulatory regime, which is poorly tailored and creates a number of barriers to trading;
  - Characterization as a commodity leaves the tokens and related contracts largely unregulated and investors largely unprotected; and
  - Establishing a clear and practical dividing line between these two types is complicated.
- **Two Paths Forward:** Either of the following two paths forward remain possible at this time, though the legislative path appears increasingly certain:
  - Congress enacts new legislation, likely along the lines of the CLARITY Act, which divides regulatory authority and provides primary authority for secondary markets to the Commodity Futures Trading Commission ("**CFTC**"); or
  - The SEC uses its authority under current securities laws to establish a sub-regime for digital assets and contracts that may be securities that is sufficiently flexible and tailored to obviate the need for legislation.

[1] We use the term "digital assets" to encompass cryptocurrency, virtual currency and crypto assets, unless specified otherwise in an order, guidance or proposed legislation, where different terminology may apply.

Digital Financial Asset Market Structure Reform

The Crypto Status Quo (Ante)

SEC Regulation – Overview and Definition of Security

- **Overview:** Bitcoin ("**BTC**") and Ethereum ("**ETH**"), as well as certain types of non-fungible tokens ("**NFTs**"), have been widely accepted as non-securities, and payment stablecoins are also now excluded; other digital assets and contracts are frequently viewed as subject to risk of securities characterization based on the *Howey* Test (investment contracts), the *Reves* Test (note-like instruments) and/or other traditional securities classifications (tokenized securities).
  - Former SEC Chair Gary Gensler stated that a "vast majority" of tokens in the crypto market are securities.[1] Chair Atkins has said the opposite.[2]

- **Definition of a Security:** Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act each define the term "security" by providing a list of various financial instruments (e.g., stocks, bonds, notes, evidences of indebtedness), including "investment contracts" and "notes."

- ***Howey* Test:** Most common basis for security characterization.
  - Court defines investment contract by analyzing whether the following factors are present: (1) an investment of money; (2) in a common enterprise; and (3) with a reasonable expectation of profits derived from the efforts of others.[3]

- ***Reves* Test:** Used to determine whether a note qualifies as a security. Applies to cryptocurrencies or crypto-programs that provide a holder with rewards or returns that are similar to those provided under a promissory note or other evidence of indebtedness (e.g., crypto lending products). To make this determination, courts use the "Family Resemblance" Test.
  - A note is presumed to be a security unless it bears a strong resemblance to an existing category of judicially determined instruments, or if the court determines a new category is justified. In making this determination, the court considers the following four factors: (1) motivation of the parties; (2) plan of distribution to the public; (3) reasonable expectation of the investing public; and (4) whether another regulatory scheme sufficiently reduces the instrument's risk.[4]

[1] Gary Gensler, Chair, SEC, *Kennedy and Crypto*, Remarks at SEC Speaks (Sept. 8, 2022).
[2] Paul S. Atkins, Chair, SEC, *The SEC's Approach to Digital Assets: Inside "Project Crypto"* (Nov. 12, 2025).
[3] *Securities and Exchange Commission v. W. J. Howey Co.*, 328 U.S. 293, 301 (1946).
[4] *Reves v. Ernst & Young*, 494 U.S. 56, 67 (1990).

The Crypto Status Quo (Ante)

SEC Regulation – Impact of Traditional Regulation

- **Key Considerations for Intermediaries:** Classification (or not) as a security raises registration and substantive regulatory requirements that are often either impractical or impossible to satisfy.
  - In 2019 and 2021, the SEC and Financial Industry Regulatory Authority ("**FINRA**") formally signaled strong skepticism that broker-dealers could satisfy securities custody requirements under the SEC's Customer Protection Rule (Rule 15c3-3) and effectively limited custody to broker-dealers that custody exclusively cash and digital asset securities. This issue has only been partially resolved by recent interpretive guidance.
  - In addition, numerous other uncertainties under traditional securities laws remain, including as to:
    - Offering and periodic disclosure requirements for issuers;
    - Registration and substantive requirements for providers of exchange-like venues;
    - Application of market structure rules (e.g., Sections 12g and 13 registration, Regulation NMS for equities);
    - Applicability of clearing agency and transfer agent requirements; and
    - Custody requirements for investment advisers.

The Crypto Status Quo (Ante)

CFTC Regulation – Overview and Impact of Regulation

- **Overview:** Digital assets that are not securities (e.g., BTC and ETH) are generally susceptible to characterization as "commodities" under the Commodity Exchange Act ("**CEA**"), meaning that the CFTC has jurisdiction to regulate certain contracts in those digital assets (such as futures contracts and other derivatives) but would generally be limited to anti-fraud regulation and enforcement as to "spot market" transactions.
  - Under CEA section 2(c)(2)(D), certain "retail commodity transactions" are treated "as if" the transactions are futures contracts. However, the statute contains an exception for contracts of sale that result in "**actual delivery**" within 28 days from the date of the transaction. Based on 2020 CFTC guidance, "actual delivery" of digital assets that serve as a medium of exchange is determined based on the following two factors:
    - (1) no later than 28 days after the transaction, a customer secures (i) possession and control of the entire quantity of the commodity (regardless of whether it was purchased on margin, using leverage or through any other financing arrangement), and (ii) the customer has the unrestricted ability to use the commodity freely in commerce; and
    - (2) the offeror and counterparty seller do not retain any interest in, legal right or control over any of the commodity after the 28 days.
- **Impact:** Limited CFTC regulatory authority in spot market means that secondary market intermediaries (brokers, dealers, exchanges, other clearing and custody intermediaries) would be generally unregulated, as would be market structure and market conduct (though many intermediaries have registered as money transmitters in various states and as money services businesses with the Financial Crimes Enforcement Network ("**FinCEN**")).

Shifting Landscape

Shift in Tone

- Under the Trump administration, there is a marked shift in tone toward the crypto industry, specifically as signaled through Trump's issuance of Executive Order 14178—Strengthening American Leadership in Digital Financial Technology on January 23, 2025.[1]
  - To promote innovation and economic development, Trump's administration seeks to "support the responsible growth and use of digital assets," including by:
    - "**promoting and protecting the sovereignty of the United States dollar**, including through actions to promote the development and growth of lawful and legitimate dollar-backed stablecoins" and
    - "providing **regulatory clarity** and certainty built on technology-neutral regulations . . . and **well-defined jurisdictional regulatory boundaries** . . ."
  - The Executive Order also establishes the President's Working Group on Digital Asset Markets, which is tasked with, among other things, proposing a federal regulatory framework to govern the issuance and operation of digital assets, including stablecoins.
    - The chair of the working group shall be the Special Advisor for AI and Crypto, and the group shall also include, among others, the SEC Chairman and the CFTC Chairman.

[1] Executive Order 14178, January 23, 2025.

Shifting Landscape in 2025–2026

Potential Paths Forward

There are a number of **potential paths forward** with respect to regulating the digital asset market, including the following:

1. Evolution of SEC (and CFTC) regulatory approach under **existing authorities.**
   - The SEC has general exemptive authority under Section 28 of the Securities Act and Section 36 of the Exchange Act.
   - SEC Chairman Paul Atkins recently stated: "Policymaking will be done through notice and comment rulemaking not through regulation-by-enforcement. The Commission will utilize its existing authorities to set fit-for-purpose standards for market participants. The Commission's enforcement approach will return to Congress' original intent, which is to police violations of these established obligations, particularly as they relate to fraud and manipulation."[1]

2. **Legislation** by Congress (e.g., the eventual adoption of the "CLARITY Act" or other market structure legislation by Congress, and the development of a new regulatory regime based on such legislation).

3. A **combination** of the above, with the SEC, CFTC and other regulators filling any regulatory gaps pending legislation.

[1] *Oversight Hearing of the U.S. Securities and Exchange Commission Before the United States H. Appropriations Subcomm. on Fin. Servs. & Gen. Gov't*, 119th Cong. 3 (May 20, 2025) (statement of Paul S. Atkins, Chairman, Sec. & Exch. Comm'n).

Shifting Landscape in 2025–2026

Evolution Under Existing Authorities – SEC – Key Statements, Events and Actions

- The SEC created a Crypto Task Force, headed by Commissioner Peirce, to consider actions that the SEC could take to create a regulatory space for digital asset-based business activity, including extensive consultations with industry participants, several round tables with experts and a number of initial actions. In July 2025, Chair Atkins launched "Project Crypto" with a fulsome agenda.
  - But even in the years prior to Trump's 2024 election, Commissioner Peirce was known for her support of the industry as "Crypto Mom." Among other things, she promoted potential safe harbors that might be developed for industry participants engaged in offerings of digital assets.
- Series of statements by the SEC staff about activities deemed not securities (i.e., staking, mining and meme coins).
  - **Protocol staking** activities on networks that use proof-of-stake ("**PoS**").
    - Includes (i) staking covered crypto assets on a PoS network; (ii) activities undertaken by third parties involved in protocol staking (e.g., node operators, validators, custodians, delegates and nominators); and (iii) the provision of certain ancillary services (e.g., where a service provider offers "slashing" coverage, early unbonding, alternate rewards payment schedules/amounts and/or aggregation services).[1]
  - **Liquid staking activities.**
    - A type of protocol staking where owners of covered crypto assets deposit them with a third-party protocol staking service provider and in return receive newly minted crypto assets (staking receipt tokens) that evidence the deposited crypto assets and any staking rewards that accrue to the deposited crypto assets.[2]
  - **Mining of crypto assets** that are intrinsically linked to the programmatic functioning of a public, permissionless network and are used to participate in and/or earned for participating in such network's consensus mechanism or otherwise used to maintain and/or earned for maintaining the technological operation and security of the network.[3]
  - **Meme coins** akin to collectibles.[4]

[1] SEC Division of Corporation Finance – Statement on Certain Protocol Staking Activities, May 29, 2025.
[2] SEC Division of Corporation Finance – Statement on Certain Liquid Staking Activities, Aug. 5, 2025.
[3] SEC Division of Corporation Finance – Statement on Certain Proof-of-Work Mining Activities, Mar. 20, 2025.
[4] SEC Division of Corporation Finance – Statement on Meme Coins, Feb. 27, 2025.

Shifting Landscape in 2025–2026

Evolution Under Existing Authorities – SEC – Key Statements, Events and Actions (*continued*)

- **Repeal of critical prior positions blocking developments:** Broker-dealer custody, investment contracts and accounting positions.
  - Staff Accounting Bulletin No. 121 rescinded, which had previously stated that companies that custody crypto assets should record a liability and corresponding asset on their balance sheets at fair value.[1]
  - Updated staff views on how certain bankruptcy protections might be afforded to non-security crypto assets held in custody by a broker-dealer and circumstances in which a transfer agent for an issuer of a crypto asset security might be required to register with the SEC.[2]
  - On December 17, 2025, the Division of Trading and Markets updated 15c3-3 guidance, which permits all broker-dealers to provide custody of crypto securities, but still sets a relatively high bar:
    - Fulsome diligence of the relevant distributed ledger technology and associated transfer network to identify significant weaknesses or operational issues;
    - Custody is effectively lost if the broker-dealer is aware of any material security or operational problems or weaknesses in the DLT or other material risks to its business;
    - Use of industry best practices to protect private keys; and
    - Additional requirements for various scenarios (malfunctions, hard forks, federal seizure orders).
- **Statements on Investment Contracts:** After several statements by Chair Atkins, on March 17, 2026, the SEC issued an interpretative release regarding the application of the federal securities laws to certain types of crypto assets and transactions involving crypto assets, based primarily on the *Howey* Test. (*See slides 15–17* for more discussion).
- More key statements, events and actions can be found in *Appendix A*.

[1] SEC – Office of the Chief Accountant and Division of Corporation Finance, Staff Accounting Bulletin No. 122, Jan. 23, 2025.
[2] SEC Division of Trading and Markets – FAQ Relating to Crypto Asset Activities and Distributed Ledger Technology, May 15, 2025.

Shifting Landscape in 2025–2026

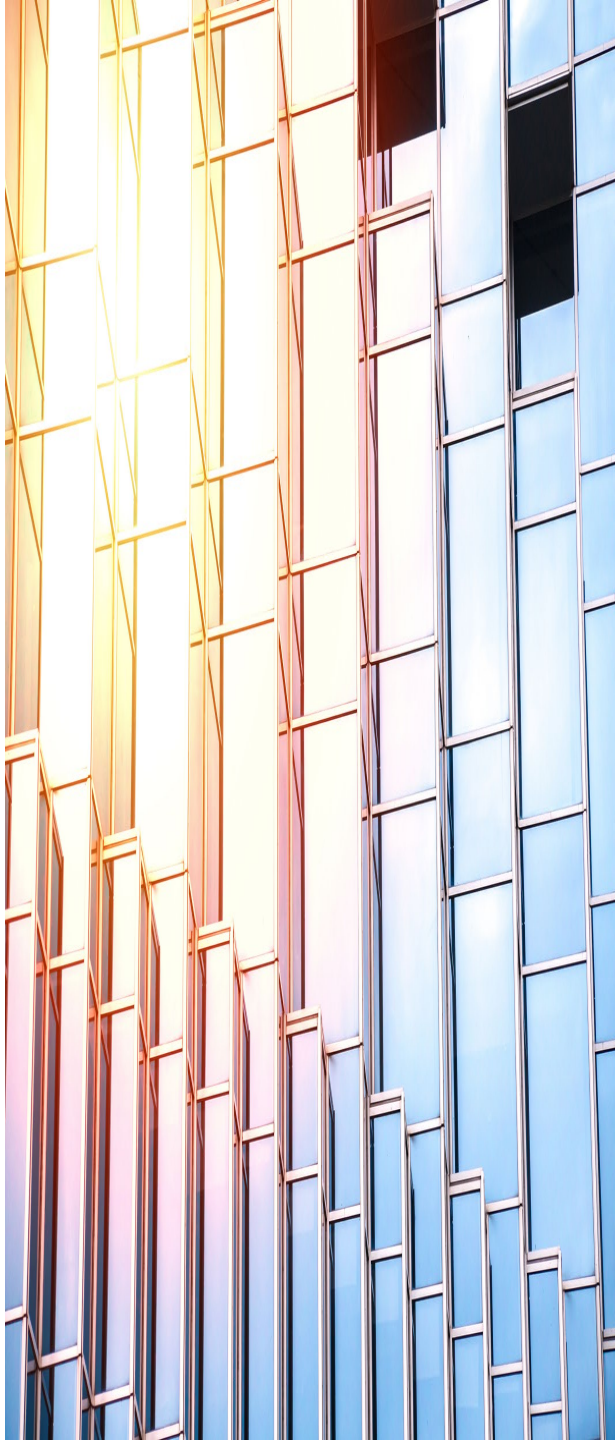
Evolution Under Existing Authorities – SEC

- In order to create a workable regime, the SEC would need to resolve several issues, including the following:
  - Establishing clear and practicable guidance on when digital assets will (and most importantly will not) be deemed investment contracts;
  - Managing the issue of over/underinclusiveness for the test by establishing workable SEC rules for digital assets deemed potential securities and conditions on those deemed not;
  - Addressing disclosure requirements and private placement exemptions for issuers and primary offerings of digital assets deemed securities or offered as part of an investment contract;
  - Addressing registration and other safety and soundness regulations for intermediaries; and
  - Addressing market structure and market conduct rules for both centralized and decentralized exchange-like venues.

Shifting Landscape in 2025–2026

Evolution Under Existing Authorities – SEC – Interpretative Release

- On March 17, 2026, the SEC issued an interpretive release that articulates the SEC's view as to how the *Howey* Test applies to crypto assets and transactions involving such assets (i.e., whether they are subject to an "investment contract").
  - CFTC asserts that it will administer the CEA consistent with the interpretative release.
  - Could be partially superseded by later market structure legislation, including the CLARITY Act (discussed further beginning at *slide 18*).
  - As an interpretative statement, this will not be binding on courts interpreting the definition of "security" under the federal securities laws in the context of civil litigation.
  - SEC is soliciting public comment and may refine, revise or expand upon the interpretative release based on feedback.
- The interpretative release adopts an expressly transaction-specific and temporal approach and addresses three principal areas:
  - **Investment Contract Formation and Separation.** Provides guidance into how the SEC will consider the circumstances under which a non-security crypto asset may be deemed to be subject to an investment contract, and when such status may cease.
  - **Token Taxonomy.** Classifies crypto assets into five categories.
  - **Common Crypto Activities.** Concludes that protocol mining, protocol staking, wrapping and certain types of airdrops, as such activities are described in the release, do not involve the offer and sale of securities.



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[1] *Securities and Exchange Commission, Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets*, Securities Act Release No. 33-11412 (Mar. 17, 2026); *see also* Debevoise In Depth, *Crypto Unchained: The SEC's Pivotal Interpretive Release* (Mar. 19, 2026).

Shifting Landscape in 2025–2026

Evolution Under Existing Authorities – SEC – Interpretative Release – Investment Contracts

- The SEC's interpretative release provides guidance on how a non-security crypto asset may become, or cease to be, subject to an investment contract under the *Howey* Test.

- **Investment Contract Formation:** A non-security crypto asset becomes subject to an investment contract when an issuer offers it by inducing an investment of money in a common enterprise **through representations or promises to undertake essential managerial efforts from which a purchaser would reasonably expect to derive profits**.
  - Must be based on representations or promises (i) made by or on behalf of the issuer, including affiliates and agents of the issuer or a promoter, rather than unaffiliated third parties or holders of the relevant crypto asset and (ii) conveyed to the purchaser prior to or contemporaneous with the offer or sale.
  - More likely to create an expectation of profit when they are clear and specific (e.g., when they describe milestones, timeline, personnel, funding, manner of profit).

- **Investment Contract Duration:** The associated investment contract continues to transfer with the asset in secondary market transactions as long as purchasers continue to reasonably expect to derive profits from the issuer's promised essential managerial efforts.
- **Investment Contract Separation:** Once purchasers no longer reasonably expect the issuer's representations or promises to remain connected to the crypto asset, subsequent transactions in the asset may fall outside the securities laws. As such, a non-security crypto asset is no longer subject to the initial investment contract:
  - Once the issuer has fulfilled the essential managerial efforts it represented or promised it would undertake because purchasers would no longer reasonably expect to derive profits from those efforts.
    - Efforts may include, e.g.: developing promised functionality, achieving roadmap milestones, or open-sourcing related code, and that fulfillment depends on how the issuer itself described those efforts.
  - If the purchasers would no longer reasonably expect the issuer to be able to fulfill or continue the essential managerial efforts it represented or promised it would undertake.

Shifting Landscape in 2025–2026

Evolution Under Existing Authorities – SEC – Interpretative Release – Token Taxonomy

- The SEC's interpretative release sets out a five-category framework for classifying crypto assets based on their characteristics, uses and functions.

Crypto Asset	Description	Security?
Digital Commodities	Crypto assets whose value is derived intrinsically from the operation of a functional crypto system, as well as supply and demand.	No – no reasonable expectation that a profit would result from the essential managerial efforts of others given the crypto asset's connection to a functional crypto system.
Digital Collectibles	Crypto assets designed to be collected and/or used and may represent or convey rights to artwork, music, videos, memes, characters, current events, etc.	No – value depends on supply and demand, which may depend on the subject matter, popularity or scarcity of the collectible, rather than on the essential managerial efforts of others. However, interests in fractional pools may constitute an investment contract.
Digital Tools	Crypto assets that perform a practical function, such as a membership, ticket, credential, title instrument or identity badge.	No – these are acquired and valued for their practical functionality/use, rather than for profit based on others' managerial efforts.
Stablecoins	GENIUS Act will exclude payment stablecoins from the definition of a "security"; SEC's current position[1] is that offer and sale of "covered stablecoins" does not involve the offer and sale of securities.	Depends – stablecoins other than covered stablecoins and payment stablecoins may be securities, depending on facts and circumstances.
Digital (Tokenized) Securities	Securities represented by crypto assets, where ownership is recorded, in whole or in part, on one or more blockchain networks.	Yes – security remains a security whether ownership is recorded on-chain (on a blockchain) or off-chain (through traditional, non-blockchain recordkeeping).

[1] SEC Div. of Corp. Fin., *Offerings and Registrations of Securities in the Crypto Asset Markets* (Apr. 10, 2025).

Market Structure Legislation

The CLARITY Act – Overview

- On May 29, 2025, bipartisan leaders in the House introduced the CLARITY Act. It was subsequently passed by the House on July 17, 2025. (For a discussion regarding parallel legislation pending in the Senate, *see slide 27*.)
- The CLARITY Act builds on the Financial Innovation and Technology for the 21st Century Act, which was passed in May 2024 by the House but was not ultimately enacted by Congress.
- Specifically, the CLARITY Act would classify digital assets and **allocate authority between the SEC and CFTC** over persons and transactions involving "digital commodities."
  - Accordingly, the CLARITY Act would (1) distinguish a token that is a digital commodity that is not a security from the "investment contract" that it might be issued under and (2) dictate that a secondary market transaction in a digital commodity originally sold as part of an investment contract is separated from the investment contract if not sold by the issuer, an underwriter or agent.
  - The SEC would have primary jurisdiction over most **initial offerings**, as well as digital commodity issuers until such time as the related blockchain system becomes sufficiently decentralized, whereas the CFTC would have primary authority over **secondary** market digital commodity transactions and intermediaries.

Outline of Key Components:

- The CLARITY Act defines several key terms, including:
  - Digital asset;
  - Digital commodity;
  - Decentralized finance trading protocol;
  - Blockchain system;
  - Digital commodity related and affiliated persons;
  - Digital commodity broker and Digital commodity dealer; and
  - Investment contract assets.
- The CLARITY Act would also:
  - Create a private placement exemption for issuances of investment contracts involving digital commodities below a threshold size if the related blockchain system is mature or intended to be mature within four years;
  - Authorize the SEC to impose initial and periodic issuer disclosure requirements in connection with such issuances;
  - Impose resale restrictions and requirements on digital commodity related persons and digital commodity affiliated persons (issuer insiders);
  - Impose a comprehensive regulatory regime for secondary markets in digital assets under the Commodity Exchange Act, including CFTC registration requirements for digital commodity brokers, dealers and exchanges, SRO membership requirements, and prudential and conduct regulation;
  - Identify certain activities relating to operation of a blockchain system or DeFi trading protocol that do not subject persons to SEC or CFTC registration or general oversight.

Market Structure Legislation

The CLARITY Act – Key Defined Terms

Defined Term	Description
Digital Asset	Any digital representation of value that is recorded on a cryptographically secured distributed ledger or similar technology (such as blockchain).[1]
Digital Commodity	A digital asset that is intrinsically linked to a blockchain system, and the value of which is derived from or is reasonably expected to be derived from the use of the blockchain system.[2] • Certain financial instruments and assets are expressly excluded from the definition, including, among others, securities, derivatives and NFTs.
Blockchain System	Any blockchain, together with its blockchain protocol or any blockchain application or network of blockchain applications.[3] • A "**mature blockchain system**" is a blockchain system, together with its related digital commodity, that is not controlled by any person or group of persons under common control.[4] – "Maturity" would be established by a self-certification process where the SEC could accept or reject a certification from an issuer or other insider. The CLARITY Act would set out criteria for deeming a blockchain system mature. The SEC could establish additional criteria as alternatives but would be prohibited from adding requirements.[5] – Specific criteria would include the following: ▪ Token value is derived from use and function of the blockchain system; ▪ The blockchain system is fully functional; ▪ Openness of its governance system; ▪ Distributed ownership and absence of control rights for any single person or group; and ▪ Public accessibility of source code and transaction history. – Reaching mature status reduces issuer disclosure requirements and permits insiders to sell in the secondary market under a reduced set of requirements modeled on Rule 144.

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[1] Section 101 of the CLARITY Act.
[2] Section 103 of the CLARITY Act.
[3] Section 101 of the CLARITY Act.
[4] Section 101 of the CLARITY Act.
[5] Section 205 of the CLARITY Act.

Market Structure Legislation

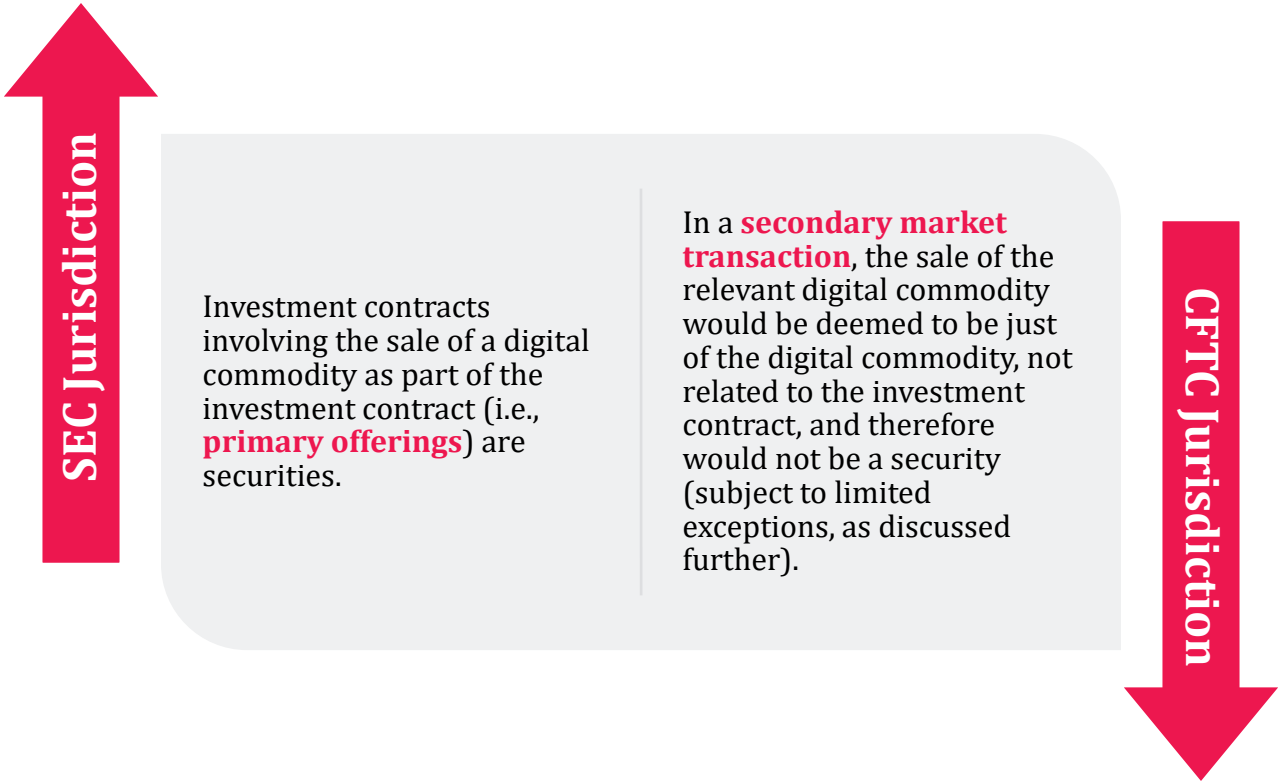
The CLARITY Act – Key Defined Terms (*continued*)

Defined Term	Description
Decentralized Finance Trading Protocol	A blockchain system through which multiple participants can execute a financial transaction in accordance with an automated rule or algorithm that is predetermined and nondiscretionary; and without reliance on any other person to maintain control of the digital assets of the user during any part of the financial transaction.[1]
Digital Commodity Related Person	A person who, with respect to a digital commodity issuer: • served as a promoter, senior employee, advisory board member, consultant, advisor or in a similar capacity within the last six months; or • acquired or has a right to acquire one percent or more of the total outstanding units of such digital commodity from the issuer. • This does not include a decentralized governance system.[2]
Digital Commodity Affiliated Person	A person, including a Digital Commodity Related Person, who, with respect to any digital commodity: • acquires or has any right to acquire five percent or more of the total outstanding units of such digital commodity from the issuer; • is a founder of the digital commodity issuer; or • served as an executive officer, director, trustee, general partner, or in a similar capacity, of the digital commodity issuer within the last 12 months. This does not include a decentralized governance system.[3]
Digital Commodity Broker	Defined generally to include persons engaged, as a regular business, in soliciting or accepting orders from customers for the purchase or sale of a digital commodity and in connection therewith, accept or maintain control over the funds of any customer and/or the execution of transactions of any customer.[4]
Digital Commodity Dealer	Defined generally to include a person who, as a regular business, is, or offers to be, the counterparty to a person for the purchase or sale of a digital commodity and, in conjunction therewith, accepts or maintains control over the funds of any counterparty.[5] • The Act includes carveouts for banks engaged in banking activities with respect to the digital commodity, which is intended to replicate carveouts from banks being deemed a broker or dealer under the Exchange Act.
Investment Contract Asset	A digital commodity that can be exclusively possessed and transferred without reliance on an intermediary, is recorded on a blockchain and is transferred pursuant to an investment contract.[6]

[1] Section 103 of the CLARITY Act.
[2] Section 101 of the CLARITY Act.
[3] Section 101 of the CLARITY Act.
[4] Section 103 of the CLARITY Act.
[5] Section 103 of the CLARITY Act.
[6] Section 201 of the CLARITY Act.

Market Structure Legislation

The CLARITY Act – Overview on Key Distinctions of Jurisdiction



Market Structure Legislation

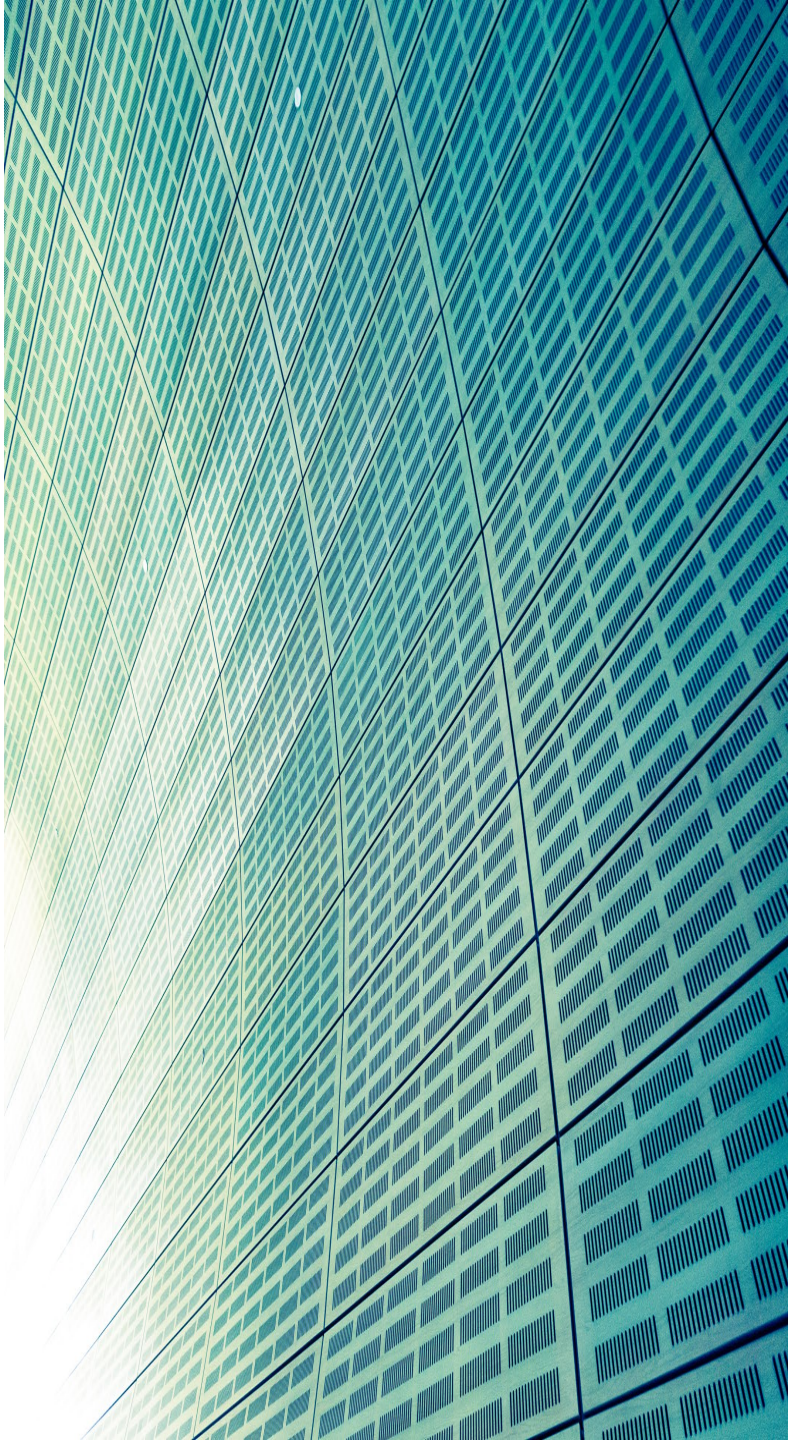
The CLARITY Act – Primary Offerings

- The Securities Act grants the **SEC exclusive jurisdiction** over issuers and issuances of securities in most public offerings and investment contracts sold by issuers (i.e., **primary offerings**) are fully subject to Section 5 registration statement and prospectus requirement.
- Section 202 of the CLARITY Act would create a Section 5 **exemption for primary offerings** of investment contracts involving the sale of a digital commodity, subject to the following statutory limits:
  - blockchain system is certified as mature or issuer intends it to be mature within four years;
  - total offering size of $50 million or less (in any 12-month period);
  - no purchaser may aquire 10% or more of the outstanding digital commodity; and
  - U.S. issuers only.
  - Offering statement with specified information must be filed with the SEC (more limited than traditional securities offering statement):
    - (i) maturity status; (ii) source code; (iii) transaction history; (iv) digital commodity economics; (v) plan of development; (vi) related person ownership disclosures; and (vi) risk factor disclosures.
  - **Pre-Maturity Disclosures:** Until a blockchain system meets "mature" status, the issuer must make periodic filings analogous to public company filings:
    - Reports every six months with an updated timeline for development and the amount of money raised (including financial statements); and
    - Current reports reflecting any material changes since last report filed.
  - **Post-Maturity Disclosures:** Once a blockchain system is certified as "mature," if the issuer has filed an offering statement and is actively engaged in efforts related to the blockchain system, they must disclose the following (at a frequency yet to be determined by the SEC):
    - Participation in a decentralized governance system of such a blockchain system and alterations to the functionality or operation of such blockchain system;
    - Use or planned use of any funds raised in reliance on the exemption;
    - Amount of units of the digital commodity, or rights thereto, owned and controlled by such issuer and any use, sale or trading; and
    - Any affiliations of such issuer material to efforts.

Market Structure Legislation

The CLARITY Act – Primary Offerings (*continued*)

- **Requirement for persons acting as intermediaries to be brokers or dealers:** A person acting as an intermediary in connection with the primary offering or sale of an investment contract involving digital commodities, shall:
  - Register with the SEC as a broker-dealer and
  - Be a member of a national securities association registered under the Exchange Act (i.e., FINRA).[1]
- **Consequences of Failure to Mature:** SEC would be required, within 270 days of enactment, to implement additional requirements for issuers of blockchain systems that fail to mature and would be permitted to limit such an issuer's reliance on the exemption to raise additional funds. Such requirements shall include:
  - Disclosures regarding failure to mature, development plans and risk factor disclosures; and
  - Applicable transaction reporting and beneficial ownership disclosure obligations.[2]



Debevoise & Plimpton

[1] Section 202 of the CLARITY Act.
[2] Section 202 of the CLARITY Act.

Market Structure Legislation

The CLARITY Act – Secondary Markets

- Generally, a secondary market sale of a digital commodity, originally part of an investment contract, by a person other than the issuer will not be deemed an investment contract (and therefore generally would not be a securities transaction).[1]
  - The CFTC has exclusive jurisdiction with respect to digital commodity transactions (including transactions in the cash or spot market).[2]
  - As discussed on *slide 25*, there is an exception for secondary sales by insiders of the issuer prior to maturity of the related blockchain system.
- **Imposes specific registration requirements and standards for digital asset exchanges and intermediaries:** The CLARITY Act would require digital commodity exchanges ("**DCEs**") and digital commodity brokers and dealers to register with the CFTC.
  - ***Digital Commodity Exchange*** – would establish a set of Core Principles, including trade monitoring, recordkeeping and reporting, addressing antitrust considerations and minimizing conflicts of interest.[3]
    - Commingling of assets would be prohibited, unless a client waives.
    - Bankruptcy code would be required to be updated to account for funds held by DCEs but would omit funds waived from the commingling prohibition.
  - ***Digital Commodity Brokers and Dealers*** – similar to DCEs, would be subject to comprehensive oversight by the CFTC, including segregation of funds.[4]
  - ***Provisional Registration*** – firms that plan to become registered DCEs, brokers and dealers may file a notice of intent and operate provisionally while the CFTC develops its final rules.[5]
    - During this time, they would need to comply with certain requirements, such as protecting customer assets and allowing the CFTC to access their books and records, in order to be considered compliant with provisional regime.
    - Provisional registration would sunset once CFTC's full regulations take effect.

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[1] Section 203 of the CLARITY Act.
[2] Section 401 of the CLARITY Act.
[3] Section 404 of the CLARITY Act.
[4] Section 406 of the CLARITY Act.
[5] Section 106 of the CLARITY Act.

Market Structure Legislation

The CLARITY Act – Offers and Sales by Insiders

- **Offers and Sales by Insiders:** Generally, the SEC views insiders as issuers (i.e., a digital commodity affiliated person or a digital commodity related person who offers or sells a digital commodity which was acquired directly from the issuer pursuant to an investment contract), and therefore retains jurisdiction over offers or sales of such digital commodities.
  - Offers and sales of such digital commodities are permitted if the insider meets conditions similar to those set out in Rule 144 of the Securities Act.
  - Such conditions apply for so long as the related blockchain system has not been certified as mature, and for three months following such certification.
  - If an insider fails to comply with such requirements, the insider is treated as an issuer of the investment contract and subject to the limitations applicable to an issuer.[1]

Debevoise & Plimpton

[1] Section 204 of the CLARITY Act.

Market Structure Legislation

The CLARITY Act – Additional Important Issues

- **DeFi Exclusion:** Sections 309 and 409 identify certain activities relating to the operation of a blockchain system or decentralized finance ("**DeFi**") trading protocol that do not subject persons to SEC or CFTC registration or general oversight.
  - The Act excludes from the requirements of the Act certain decentralized finance (and related) activities but does not exclude such activities from the SEC's and CFTC's anti-fraud and anti-manipulation authorities.
  - Excludes (as long as not performing traditional intermediary functions) activities, such as:
    - Compiling network transactions or relaying, searching, sequencing, validating or acting in a similar capacity;
    - Providing computational work, operating a node or oracle service, procuring, offering or utilizing network bandwidth or other similar incidental services;
    - Providing a user interface that enables a user to read and access data about a blockchain system;
    - Developing, publishing, constituting, administering, maintaining or otherwise distributing a blockchain system or DeFi trading protocol.
  - However, if it does rise to the level of performing a function that resembles that of an intermediary, then the usual registration requirements will be required—either with the SEC or CFTC depending on the asset and activity. Leaves open the door for future regulation of DeFi activities as the Act calls for a study on decentralized finance and associated risks.
- **Eligibility of ATS to trade digital commodities:** Section 304 permits an alternative trading system ("**ATS**") registered with the SEC, subject to certain limitations, to trade any digital commodity that meets listing standards. Treatment of dual registrants:
  - Dual registrants with the CFTC shall establish, maintain, and as applicable, enforce and comply with written policies and procedures reasonably designed to mitigate any conflicts of interest, including with respect to transactions or arrangements with affiliates registered with the SEC.
  - SEC shall enter into a memorandum of understanding with the CFTC to ensure:
    - Non-duplicative supervision and enforcement with respect to registrants of the SEC dual-registered with the CFTC; and
    - Appropriate information sharing between the commissions to further the purposes of and compliance with this section.

Market Structure Legislation

Overview of the Senate's Draft Legislation

- **Overview:** An updated "discussion draft" of the Responsible Financial Innovation Act of 2025 ("**RFIA**") was released by the Senate Banking Committee on September 5, 2025.[1] On January 12, 2026, the Senate Banking Committee released a draft amendment (in the nature of a substitute) to the House version of the CLARITY Act, retitling it as simply the Digital Asset Market Clarity Act; and on March 12, 2026, it released a further updated draft ("**Senate Draft Amendment**").[2] The Senate Draft Amendment incorporates many of the provisions included in the draft RFIA, with some updates to definitions and some notable additions (e.g., provisions on decentralized finance, protections for developers, and stablecoin rewards and related prohibitions). The Senate Draft Amendment was advanced out of Committee on May 14, 2026.
- On January 21, 2026, the Senate Agriculture Committee published an updated draft of the Digital Commodity Intermediaries Act ("**DCIA**"),[3] which was advanced out of Committee on January 29, 2026. While the DCIA expands on the House-passed CLARITY Act in some respects, it broadly tracks the provisions of the CLARITY Act on DCEs, digital commodity brokers and digital commodity dealers.
- Procedurally, the Banking Committee's bill must be reconciled and merged with the Agriculture Committee's bill before being put to a full Senate vote. Any Senate-approved bill ultimately must be reconciled with (or supersede) the House version of the CLARITY Act before a vote in the House on a final bill can be undertaken. For simplicity, this outline will continue to reference the Senate Draft Amendment as the RFIA.
  - The combined RFIA/DCIA and the House-passed version of the CLARITY Act are conceptually similar in a number of regards, for example:
    - Both contemplate a bifurcated approach to enforcement and regulation as between the SEC and CFTC;
    - Both distinguish between primary and secondary market transactions, specifically clarifying that secondary market transactions involving digital assets originally tied to an investment contract do not constitute investment contracts (with exceptions for certain resales by insiders); and
    - Taking the DCIA into account, both incorporate provisions on registration and regulation of DCEs, digital commodity brokers and digital commodity dealers.

[1] U.S. Senate Committee on Banking, Housing, and Urban Affairs, Responsible Financial Innovation Act of 2025 Discussion Draft (draft Sept. 5, 2025).
[2] U.S. Senate Committee on Banking, Housing, and Urban Affairs, Digital Asset Market Clarity Act Amendment (draft May 12, 2026).
[3] Digital Commodity Intermediaries Act, S. 3755, 119th Congr. (2026).

Market Structure Legislation

Certain Differences between CLARITY Act and Senate Draft Legislation

Despite their conceptual similarities, the bills contain several differences, including:	
Key Areas	Discussion
Certification of Network Tokens as Non-Ancillary Assets	Similar in concept to an "investment contract asset" under the CLARITY Act, "ancillary asset" is defined in the RFIA as a "network token, the value of which is dependent upon the entrepreneurial or managerial efforts of an ancillary asset originator or a related person, as those concepts are further specified by the [SEC] by regulation."[1]
	A "network token" is a "digital commodity that is intrinsically linked to a distributed ledger system and that derives, or is reasonably expected to derive, its value from the use of such distributed ledger system."[2] Except as otherwise provided, a network token is treated as a non-security and a secondary market sale of a network token is treated as not involving a security.
	Originators of a network token may self-certify with the SEC that the token does not constitute an ancillary asset; otherwise there is a rebuttable presumption that it does constitute an ancillary asset.
	The SEC has 60 days to review and object to the certification, and if there is no objection then the self-certification is deemed to be effective.
	Effectively, this grants the SEC a potentially more active role in reviewing the treatment of network tokens as non-ancillary assets (and thus not subject to treatment as securities when sold by an originator or insider) than is granted under the CLARITY Act, though the self-certification process is not mandatory and the presumption of ancillary asset status may be rebutted.
Illicit Finance Matters	Both the CLARITY Act and the RFIA treat DCEs, digital commodity brokers and digital commodity dealers as financial institutions for purposes of the Bank Secrecy Act, and thus subject to anti-money laundering, sanctions, customer identification and customer due diligence requirements thereunder. However, whereas the CLARITY Act places DCEs, digital commodity brokers and digital commodity dealers largely within the scope of existing sanctions and anti-money laundering laws and regulations,[3] the RFIA takes a more prescriptive approach. For example, it would direct the Secretary of the Treasury to establish a pilot program under which covered federal agencies (i.e., DOJ, FBI, DEA, FinCEN and DHS) and certain designated private sector companies in the money services business, digital asset and banking industries securely share information about potential illicit finance violation, threats and emerging risks. It would also establish an Independent Financial Technology Working Group to Combat Terrorism, Narcotics Trafficking, and Illicit Financing to conduct research and develop legislative and regulatory proposals.[4] The RFIA also creates a new "special measure" that lets Treasury prohibit or place conditions on certain fund transfers by U.S. financial institutions when those transfers involve foreign jurisdictions, institutions or transaction types that Treasury has designated as a primary money-laundering concern involving digital assets.[5]

[1] Section 102 of the RFIA.
[2] *Id.*
[3] Section 110 of the CLARITY Act.
[4] Sections 203 & 204 of the RFIA.
[5] Section 303 of the RFIA.

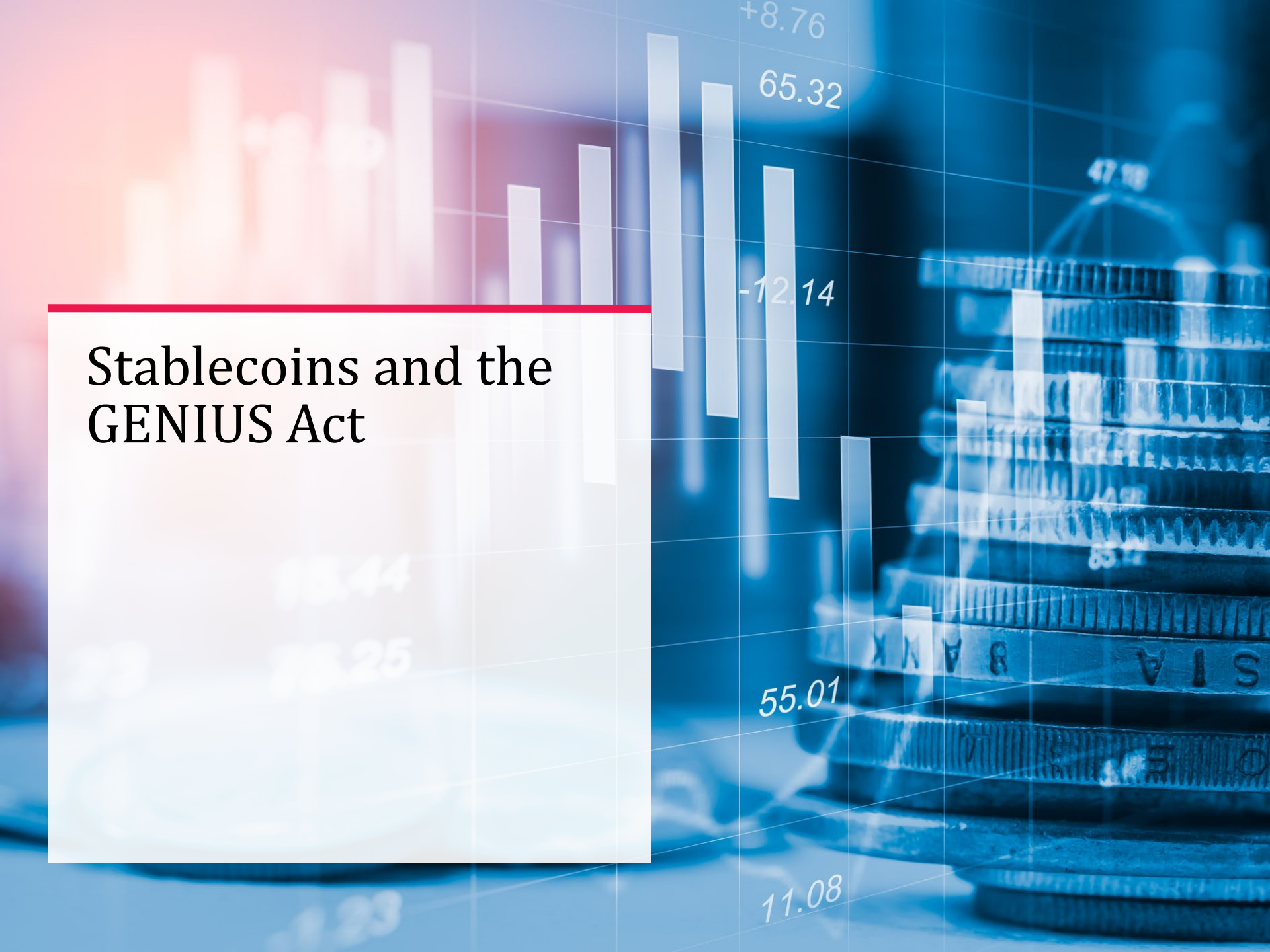
Market Structure Legislation

Impact on Antifraud and Related Enforcement Authority

- The Senate proposed legislation incorporates several provisions that touch on antifraud matters and related enforcement authority, including (among others):
  - **Preservation of Anti-Fraud Authorities:** While the legislation preempts certain state law requirements applicable to digital assets, it preserves state anti-fraud authorities. In addition, it expressly indicates that the provisions shall not be construed to limit SEC authority to pursue fraud, manipulation or deceptive practices involving digital assets or substantially similar technology.[1]
  - **Preservation of Insider Trading Laws:** The legislation preserves existing federal insider trading laws for securities transactions involving ancillary assets.[2]
  - **Mandated Risk Management Programs:** The legislation requires digital asset intermediaries, before routing or conducting trading activity through a DeFi trading protocol, to put in place robust risk management programs that analyze and mitigate money-laundering, sanctions evasion, fraud, market manipulation and operational/cyber risks (including customer-facing plain-language disclosure and tools, such as blockchain analytics, to detect and respond to those risks).[3]
  - **Coordination of Supervision and Enforcement Efforts:** The legislation requires the SEC and CFTC to enter into a memorandum of understanding to coordinate supervision, enforcement and information sharing for shared and overlapping registrants. It also clarifies that the SEC retains anti-fraud and anti-manipulation authority, including insider trading, while the CFTC retains market integrity authority over commodities markets.[4]
- Certain of these provisions are also addressed in the House-passed version of the CLARITY Act, but the RFIA addresses them with more specificity.

[1] Section 108 of the RFIA.
[2] Section 109 of the RFIA.
[3] Section 308 of the RFIA.
[4] Section 902 of the RFIA

Stablecoins and the GENIUS Act



GENIUS Act: Legal Framework for Payment Stablecoins

Overview

- On July 18, 2025, the GENIUS Act[1] was signed into law by President Trump, following its passage in the House and Senate with broad bipartisan support.
- The GENIUS Act establishes a comprehensive regulatory framework for **payment stablecoins**.[2] While the GENIUS Act addresses only a limited segment of the digital asset ecosystem, its enactment establishes a first-of-its-kind federal framework in the digital asset space.
- The GENIUS Act will:
  - **Regulate** issuance and use of stablecoins in the United States by defining a category of "payment stablecoins" and establishing regulations governing payment stablecoin issuers and intermediaries (known as digital asset service providers).
  - **Make it unlawful** for any person other than a permitted payment stablecoin issuer ("**PPSI**") to issue a payment stablecoin in the United States.
  - **Prohibit** digital asset service providers from offering or selling payment stablecoins in the United States unless the stablecoin is issued by (i) a permitted payment stablecoin issuer or (ii) a comparably regulated foreign payment stablecoin issuer ("**FPSIs**").
- **Exempt Transactions:** The GENIUS Act will not regulate direct peer-to-peer (non-intermediated) transfers or self-custody of payment stablecoins.
- **Rulemaking:** The GENIUS Act directs applicable federal and state regulators to promulgate implementing regulations through notice and comment procedures within one year of enactment.
- **Effective Date:** The GENIUS Act will take effect on the earlier of the following:
  - 18 months after its enactment; or
  - 120 days after the primary federal stablecoin regulators issue final regulations implementing the GENIUS Act.

[1] 12 U.S.C. 5901 *et seq.*

[2] For simplicity, we use the term "stablecoins" to refer to payment stablecoins, except where the GENIUS Act is described or quoted directly.

Understanding the GENIUS Act

What Is a Payment Stablecoin?

Payment Stablecoin:

- Digital asset that is, or is designed to be, used as a means of payment or settlement where the issuer:
  - Is obligated to convert, redeem or repurchase the digital asset for a fixed amount of monetary value; and
  - Represents (or creates a reasonable expectation) that the digital asset will maintain a stable value relative to the value of a fixed amount of monetary value.
- Excludes digital assets that are:
  - A national currency;
  - A deposit (including deposits tokenized on a distributed ledger); or
  - A security (and the GENIUS Act separately clarifies that payment stablecoins are not securities).

Prohibitions on Interest Payments:

- PPSIs and FPSIs will be prohibited from paying any form of interest or yield—whether in cash, tokens or other consideration—"solely in connection with the holding, use, or retention of such payment stablecoin."
  - The interpretation of this restriction has been the subject of significant debate given significant market interest to use rewards programs and other incentives as a differentiating factor to drive consumer demand.
  - The GENIUS Act does not expressly apply to affiliates or business partners of a stablecoin issuer, nor does it clarify when interest or a yield might be payable for reasons other than the holding, use or retention of a stablecoin.

No Insurance:

- Payment stablecoins will not be subject to deposit insurance or otherwise backed or guaranteed by the federal government, and the GENIUS Act will make it unlawful to represent otherwise.

Note: The Treasury Secretary is directed to conduct a study of nonpayment stablecoins, including algorithmic stablecoins, and submit a report to the Senate Banking Committee and the House Financial Services Committee within one year of the GENIUS Act's enactment.

Understanding the GENIUS Act

How Can Entities Become Permitted Stablecoin Issuers?

The GENIUS Act establishes parallel federal and state pathways for eligible entities to be licensed as a PPSI. Applications to the appropriate payment stablecoin regulator will be required.

Path for Federal Qualified Issuers

- **Eligibility:**
  - Subsidiaries of insured depository institutions ("**IDIs**");
    - IDIs themselves may issue tokenized deposits that operate similarly to payment stablecoins.
  - Nonbank entities;
  - Federal branches of foreign banks;
  - Uninsured national banks.
- **Primary Regulator:**
  - For a subsidiary of an IDI, the IDI's appropriate federal banking agency.
  - For other federal qualified stablecoin issuers, the OCC.

Path for State Qualified Issuers

- **Eligibility:**
  - State issuers with less than $10 billion in outstanding payment stablecoins.
    - Once outstanding payment stablecoins exceed $10 billion, state issuers must transition to federal oversight within 360 days, unless granted a waiver (presumptively approved for qualifying preexisting state regimes).
- **Primary Regulator:**
  - State agency with primary regulatory and supervisory authority in the state over entities that issue payment stablecoins, if the state regulator certifies that its regulatory regime is substantially similar to the federal regime, based on principles to be established by the Treasury Secretary.[1]
    - Certifications will be reviewed by the Stablecoin Certification Review Committee (comprised of the Treasury Secretary, the Chair (or Vice Chair for Supervision) of the FRB and the Chair of the FDIC), which must unanimously approve or deny the certification within 30 days if the state-level regulatory regime meets or exceeds the standards and requirements of the federal regime, providing reasons and an opportunity to cure if denied.

Ineligible Issuers:

- Issuers organized outside the United States (*see slide 39* for treatment of foreign stablecoin issuers).
- Public companies that are not predominantly engaged in financial activities, and their majority-owned subsidiaries, unless unanimously approved by the Stablecoin Certification Review Committee.

[1] The Treasury issued a notice of proposed rulemaking on April 1, 2026.

Understanding the GENIUS Act

Key Features by Issuer Type

Issuer Type	Primary Supervisor / Licensing Authority	Limits on Affiliation	Reserves and Prudential Standards	Potential for Federal Payment System Access*
Subsidiaries of IDIs (including credit unions)	Primary federal regulator of IDI parent	Parent of IDI subject to Bank Holding Company Act ("**BHC Act**") activity and affiliation limits	Yes; federal regime applies	Only if eligible for master account access under the Federal Reserve Act ("**FRA**")
Nonbank entities under federal licensing regime	OCC	If parent is public, must be predominantly engaged in financial activities**	Yes; federal regime applies	Only if eligible for master account access under FRA
Uninsured national banks	OCC	If parent is public, must be predominantly engaged in financial activities**	Yes; federal regime applies	National banks are eligible for master account access
Federal branches of foreign banks	OCC	Subject to existing U.S. law regarding foreign banking organization control	Yes; federal regime applies, potentially adjusted for branches	Federal branches of foreign banks are eligible for master account access
State-licensed issuers (subject to $10 billion issuance cap)	Appropriate state regulator, with FRB or OCC backup supervisory authority	If parent is public, must be predominantly engaged in financial activities**	Yes; home state regime applies; must meet or exceed federal standards	Only if eligible for master account access under FRA

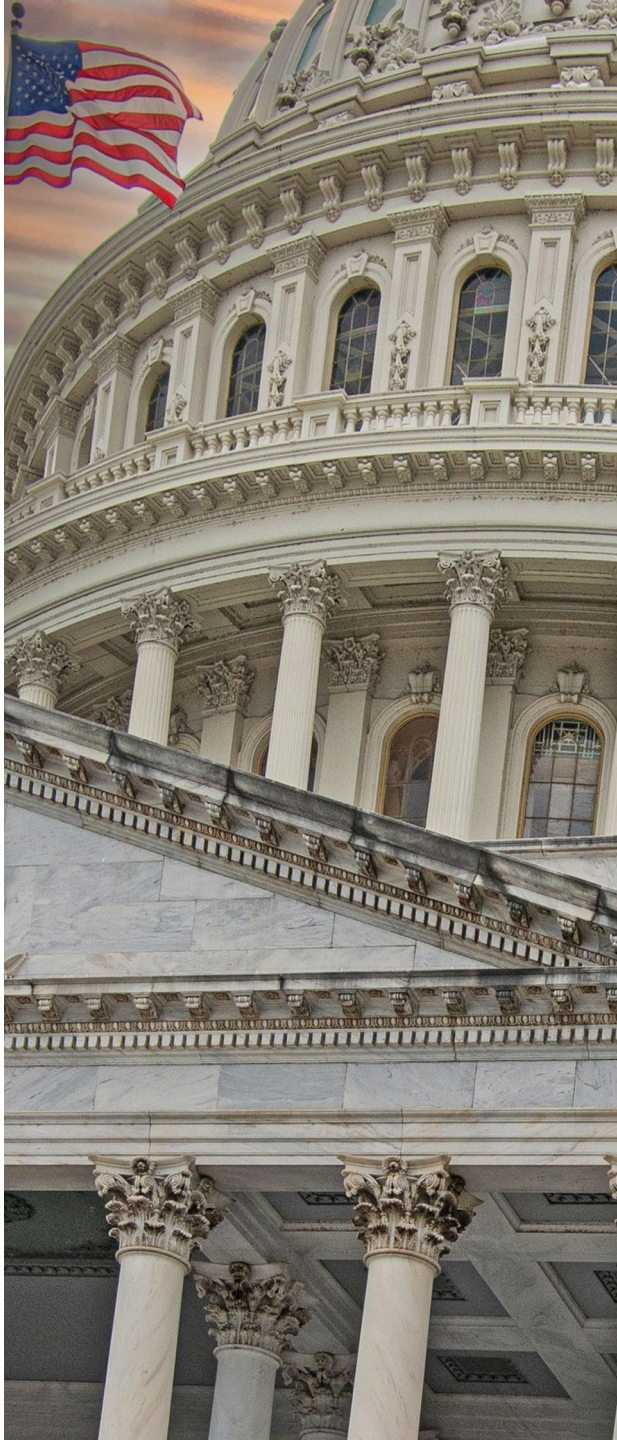
*The GENIUS Act does not change preexisting legal eligibility requirements or FRB guidance regarding its discretion in granting master account access.
**Unless approved by the Stablecoin Certification Review Committee.

Understanding the GENIUS Act

Federal and State Standards for PPSIs

The GENIUS Act mandates that federal regulators create standards for PPSIs. State qualified payment stablecoin issuers will be subject to "substantially similar" requirements imposed by their home state.

- **Key Requirements:**
  - Reserve requirements (*see slide 36*);
  - Capital and liquidity requirements;
  - Standards for reserve asset diversification and rate risk management;
  - Operational, compliance and IT risk management;
  - Anti-money laundering ("**AML**") and customer due diligence requirements ("**CDD**") (*see slide 38*);
  - Audit and reporting requirements.
- **Activity Limits:**
  - PPSIs will only be authorized to:
    - Issue and redeem payment stablecoins;
    - Manage related reserves;
    - Provide custodial or safekeeping services for payment stablecoins, required stablecoin reserves or their private keys; and
    - Perform other functions that directly support these core activities.
  - Issuer's primary stablecoin regulator could authorize an issuer to engage in other payment stablecoin or DASP activities.
- **Key Prohibitions:**
  - Prohibition on paying interest;
  - Prohibition on tying;
  - Prohibition on the use of deceptive names.



Understanding the GENIUS Act

Reserve and Public Disclosure Requirements

One-to-One Reserve:

- PPSIs will be required to maintain identifiable reserves backing their outstanding payment stablecoins on at least a one-to-one basis.

Permitted Reserve Composition	
1	U.S. cash and currency and balances held at a Federal Reserve Bank.
2	Funds held as demand deposits (or other deposits that may be withdrawn upon request) at an IDI.
3	Short-term Treasury bills, notes or bonds with a remaining maturity or issued with a maturity of 93 days or less.
4	Money received under overnight repos on short-term Treasuries.
5	Reverse overnight repos overcollateralized by Treasuries.
6	Securities issued by a registered investment company or government money market fund that invests only in the assets listed in 1-5 above.
7	Other similarly liquid U.S. government-issued asset if approved by the issuer's primary regulator.
8	Tokenized versions of the above assets.

- PPSIs will be prohibited from pledging, rehypothecating or reusing these reserves except in limited circumstances.

Public Disclosure:

- PPSIs will be required to:
  - Publicly disclose redemption policies with clear, conspicuous procedures for timely redemption of outstanding payment stablecoins;
  - Publicly, clearly and conspicuously disclose in plain language all fees associated with purchasing or redeeming the payment stablecoins; and
  - Publish a monthly reserve report detailing the total number of outstanding payment stablecoins issued and reserve amount and composition, including the average tenor and custody location of each reserve category.
- PPSI Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") must certify the accuracy of each monthly report, and prior-month reserve reports will be audited by a registered public accounting firm.

Understanding the GENIUS Act

Payment Stablecoin Reserves Custody, Collateral and Private Keys

- **Eligibility:**
  - Limited to regulated financial institutions supervised by a federal banking agency, the SEC, the CFTC or the state banking supervisor.
- **Permitted Activity:**
  - Eligible financial institutions will be allowed to engage in the business of custodial or safekeeping services for payment stablecoins reserves, payment stablecoin used as collateral or the private keys used to issue payment stablecoins.
- **Requirements:** Custodian will be subject to customer protection requirements that require the custodian to:
  - Treat the customer's stablecoins, private keys, cash and other property as the property of the customer;
    - Payment stablecoins, reserves, cash and other property of customers may be commingled and deposited in an omnibus account at an IDI or a trust company.
  - Take steps to protect the assets from claims of creditors of the custodian; and
  - Avoid commingling of customer assets, subject to certain exceptions.

Understanding the GENIUS Act

Anti-Money Laundering and Sanctions

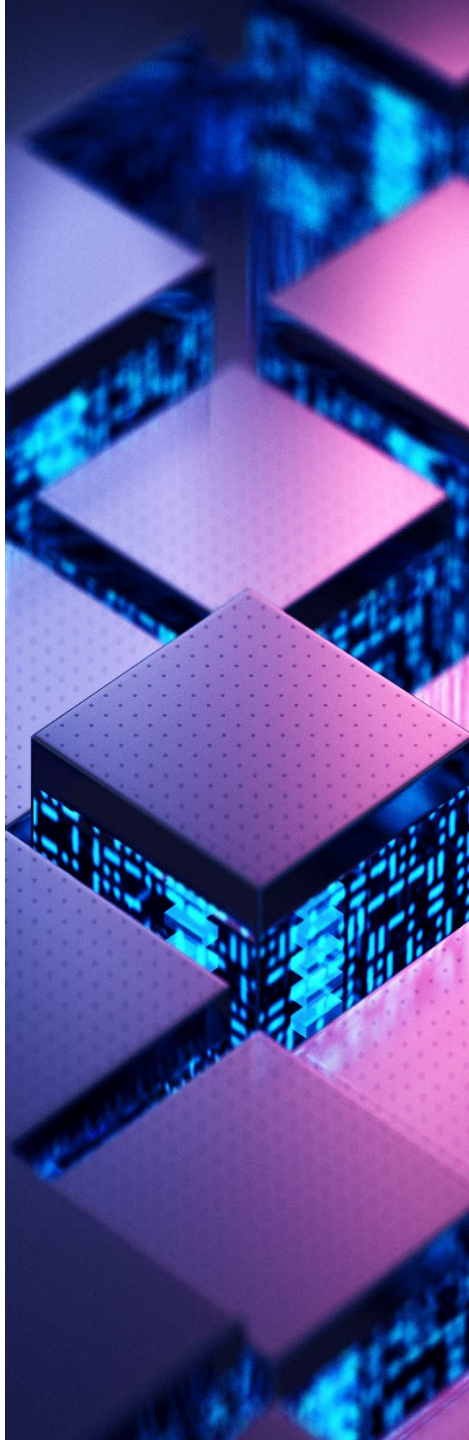
- Both federal- and state-qualified payment stablecoin issuers are deemed financial institutions for purposes of the Bank Secrecy Act ("**BSA**") and will be subject to all federal laws applicable to financial institutions in the United States related to economic sanctions, AML and CDD.
- This includes requirements to maintain an effective AML program, retain appropriate records, monitor for and report suspicious transactions, implement technical capabilities to block impermissible transactions and maintain effective customer identification and sanctions compliance programs.
- Treasury - FinCEN must adopt rules, tailored to the size and complexity of PPSIs, to implement these requirements.
  - FinCEN and Office of Foreign Assets Control issued joint proposed rule for public comment on April 8, 2026.[1]
- Each issuer will be required to submit an annual certification to its regulator that it has implemented AML and economic sanctions compliance programs reasonably designed to prevent the issuer from facilitating money laundering and the financing of terrorist activities.
- Federal, state and foreign stablecoin issuers will need to have the technological capability to comply with the terms of any lawful order to seize, freeze, burn or prevent the transfer of payment stablecoins they had issued.

[1] Debevoise client update forthcoming.

Understanding the GENIUS Act

Treatment of Foreign Stablecoin Issuers

- **Prohibited Issuance in the United States:** The GENIUS Act does not permit issuers organized outside of the United States to be licensed as PPSIs or to issue stablecoins in the United States.
  - Issuers organized in the United States but domiciled outside the United States can still be PPSIs; however, if they are not predominantly engaged in one or more financial activities, they are subject to Section 4(a)(12) certification requirements.
- **Prohibited Offering, Selling or Making Stablecoins Available in the United States:** DASPs will be prohibited from offering, selling or making available U.S. payment stablecoin issued by a FPSI, unless the issuer:
  - Is subject to a comparable non-U.S. regulatory regime (as determined by the Treasury Secretary);
  - Is registered with the OCC under Section 18(c);
  - Holds reserves in the U.S. sufficient to meet U.S. customer liquidity demands (unless otherwise permitted under a reciprocity agreement);
  - Is not domiciled or regulated in a jurisdiction that is subject to comprehensive U.S. economic sanctions or is designated by the U.S. as a jurisdiction of primary money laundering concern; and
  - Complies with lawful orders to seize, freeze, burn or prevent the transfer of outstanding stablecoins.
- **Comparability:** The Treasury Secretary may make a comparability determination only upon a recommendation from each other member of the Stablecoin Certification Review Committee.
  - "Treasury's role in approving comparable jurisdictions is arguably significant, because weaker restrictions on foreign issuers could limit the [GENIUS Act's] scope and reduce incentives to issue under a U.S. regime."[1]
- **Reciprocity:** The Treasury Secretary is also empowered to enter into reciprocal arrangements or other bilateral agreements with jurisdictions that have comparable regulatory regimes, but the full scope of what those arrangements might address is not defined in the GENIUS Act.



[1]Marc Labonte & Paul Tierno, Cong. Rsch. Serv., IF12984, Key Issues in Stablecoin Legislation in the 119th Congress (2025).

Understanding the GENIUS Act

Other Notable Provisions

Issuer Insolvency and Bankruptcy: The GENIUS Act amends the Bankruptcy Code to streamline the process by which stablecoin holder claimants can recover from issuers.

- Stablecoin holders' claims against issuer's reserves will have priority—on a ratable basis with claims of other stablecoin holders—over claims by issuer and any other creditors.
- Priority of holder's claims will apply only to claims arising directly from holding payment stablecoins.

Preemption: Preempts state law requirements for chartering, licensing or other authorization to conduct business in state (but explicitly does not preempt state consumer protection laws).

Federal Regulation Limits: Federal banking regulators and the SEC are prohibited from requiring any depository institution, credit union, trust company or affiliate to:

- Include digital assets (including but not limited to payment stablecoins) held in custody as a liability on financial statements; or
- Hold regulatory capital against digital assets or reserves held in custody, except to address operational risk.

Public Involvement: The Treasury Secretary must seek public comment and conduct research on innovative or novel methods, techniques or strategies that detect illicit digital asset activity. Treasury completed this process and issued a report to Congress in March 2026.[1]

Coin Interoperability: Federal and state regulators must consider prescribing standards to promote compatibility and interoperability of payment stablecoins with other permitted stablecoin issuers and the broader digital finance ecosystem.

Annual Reporting: Annual regulator reporting to Congress and the Treasury Department's Office of Financial Research on the status of the payment stablecoin industry and its financial stability risks.

Ethics: Provisions clarifying that existing ethics rules and laws prohibit any member of Congress or senior executive branch official from issuing a payment stablecoin while in office, and amending the Ethics in Government Act of 1978 to require disclosure of payment stablecoin holdings over $5,000.

[1] Treasury, Report to Congress from the Secretary of the Treasury on Innovative Technologies to Counter Illicit Finance Involving Digital Assets (Mar. 2026).

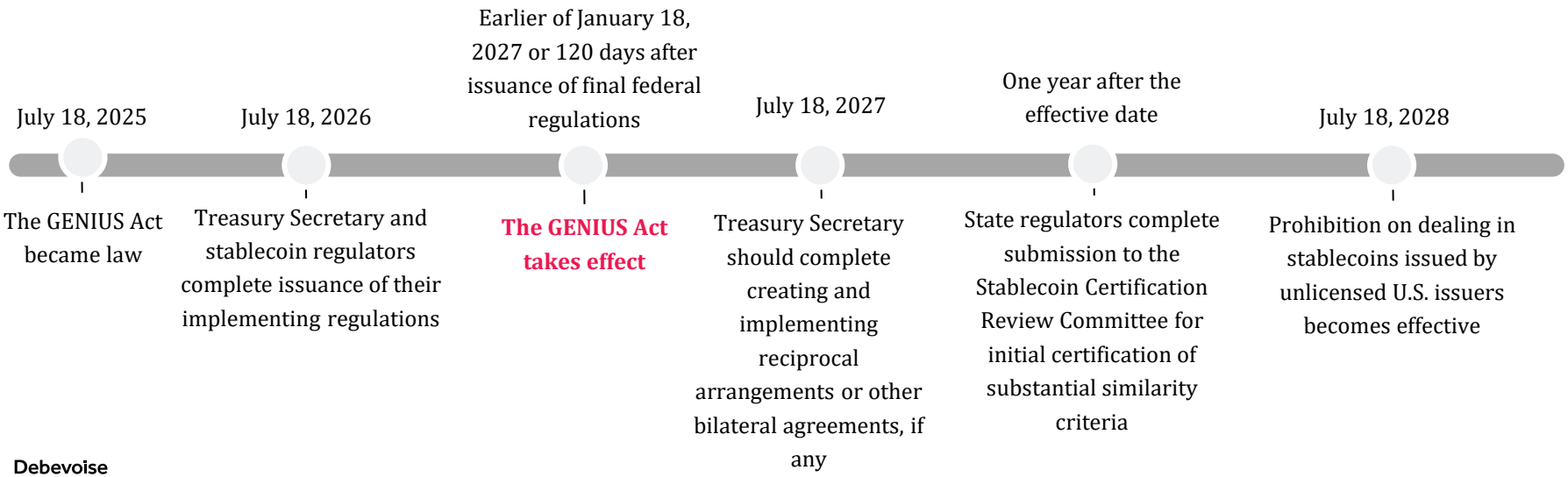
Understanding the GENIUS Act

Effective Dates and Rulemaking

- **Implementing Regulations:** Primary federal payment stablecoin regulators, the Treasury Secretary and each state payment stablecoin regulator are directed to promulgate implementing regulations through notice and comment procedures **by July 18, 2026**.
- **Upon effectiveness**, the prohibition on unlicensed issuance of payment stablecoins will take effect.
  - Prohibition on dealing by DASPs in payment stablecoins issued by unlicensed issuers will not take effect until **three years after enactment**.

The GENIUS Act will take effect on the earlier of:
• January 18, 2027 (18 months after enactment); or
• 120 days after the date on which the primary federal payment stablecoin regulators issue any final regulations implementing the GENIUS Act.

Key Timeline



Future of Banking: Implications and Opportunities

Accelerating Towards Regulatory Clarity and Openness to Innovation

Federal Banking Agencies' Actions

- Federal banking agencies are moving rapidly to remove barriers and provide clarity for banking organizations[1] interested in digital asset activities.
  - Starting 2025, the OCC, FRB and FDIC have each rescinded prior digital asset guidance that raised obstacles to banking organization engagement in digital asset activities, including certain interpretive letters and supervisory statements viewed as part of Chokepoint 2.0.
  - The agencies have also moved to provide further clarity and guidance on activities permissible for banking organizations and updated risk management expectations, and have transitioned review of digital asset activities to the "normal supervisory process."
    - The SEC released guidance in March 2026 clarifying security crypto assets from non-security crypto assets, and signaled more guidance is to come on how issuers can raise capital.
  - The OCC and the FDIC issued proposed rules implementing the GENIUS Act.
    - The NCUA and the FDIC issued proposed rules regarding the licensing of stablecoin issuers that would fall under their respective purviews of regulation.[2]
- Although many legal interpretive questions remain unresolved, these actions signal a strong desire to provide a more coherent and permissive regulatory environment for banking organizations.

[1] For the OCC, "banking organizations" includes national banks, federal savings associations, and federal branches and agencies of foreign banks. For the FRB, "banking organizations" includes all U.S. bank holding companies, state member banks, Edge and agreement corporations, and uninsured state-licensed branches and agencies of foreign banks. For the FDIC, "banking organizations" includes all insured state nonmember banks, insured state-licensed branches of foreign banks, and insured state savings associations.

[2] *See* 90 Fed. Reg. 59,409 and 91 Fed. Reg. 6,531.

Currently Applicable Banking Regulatory Guidance

Current Guidance

Issuance Date	Agency	Title	Topic	Applicability
July 22, 2020	OCC	*Interpretive Letter #1170: Authority of a National Bank to Provide Cryptocurrency Custody Services for Customers*	Concludes that it is legally permissible for national banks and federal savings associations to provide cryptocurrency custody services.	National banks; federal savings associations; federal branches
September 21, 2020	OCC	*Interpretive Letter #1172: OCC Chief Counsel's Interpretation on National Bank and Federal Savings Association Authority to Hold Stablecoin Reserves*	Concludes that it is legally permissible for national banks and federal savings associations to hold dollar deposits serving as reserves backing stablecoins.	National banks; federal savings associations; federal branches
January 4, 2021	OCC	*Interpretive Letter #1174: OCC Chief Counsel's Interpretation on National Bank and Federal Savings Association Authority to Use Independent Node Verification Networks and Stablecoins for Payment Activities*	Concludes that it is legally permissible for national banks and federal savings associations to use distributed ledgers and stablecoins to engage in and facilitate payment activities, including by (1) acting as nodes on an independent node verification network (i.e., distributed ledger) to verify customer payments and (2) using stablecoins to facilitate payment transactions on a distributed ledger, including by issuing and exchanging stablecoins.	National banks; federal savings associations; federal branches
November 23, 2021	FDIC, FRB, OCC	*Joint Statement on Crypto-Asset Policy Sprint Initiative and Next Steps*	Describes results of interagency "policy sprints" on crypto asset activities and identifies a "roadmap" of areas for further guidance, including (1) traditional and ancillary custody services, (2) facilitation of customer purchases and sales, (3) lending against crypto assets, (4) stablecoin issuance and distribution and (5) holding crypto assets on balance sheet.	Banks; savings associations; branches of foreign banks and their holding companies
March 7, 2025	OCC	*Interpretive Letter #1183: OCC Letter Addressing Certain Crypto-Asset Activities*	Reaffirms that national banks and federal savings associations may engage in crypto asset custody, distributed ledger and stablecoin activities per Interpretive Letters 1170, 1172 and 1174. Rescinds Interpretive Letter 1179.	National banks; federal savings associations; federal branches

Currently Applicable Banking Regulatory Guidance

Current Guidance (*continued*)

Issuance Date	Agency	Title	Topic	Applicability
March 28, 2025	FDIC	*FIL-7-2025: FDIC Clarifies Process for Banks to Engage in Crypto-Related Activities*	Rescinds FIL-16-2022 and affirms that FDIC-supervised institutions may engage in permissible crypto-related activities without prior FDIC approval, provided they adequately manage the associated risks.	State nonmember banks; state-licensed insured branches; state savings associations
May 7, 2025	OCC	*Interpretive Letter #1184: Clarification of Bank Authority Regarding Crypto-Asset Custody Services*	Confirms that national banks and federal savings associations may provide and outsource cryptocurrency custody and execution services, including buying and selling assets held in custody at the customer's direction. Outsourcing is permitted, subject to appropriate third-party risk management practices.	National banks; federal savings associations; federal branches
July 14, 2025	FRB, OCC, FDIC	*Joint Statement on Crypto-Asset Safekeeping by Banking Organizations*	Provides guidance on how existing laws, regulations and risk management principles apply to crypto asset safekeeping activities.	Banks, savings associations, branches of foreign banks and their holding companies
November 18, 2025	OCC	*Interpretive Letter #1186: Authority of National Banks to Hold Crypto-Assets as Principal and Pay Crypto-Asset Network Fees as Incidental to a Permissible Banking Activity*	Confirms that a national bank may pay blockchain network ("gas") fees to facilitate otherwise permissible activities and may hold, as principal, *de minimis*/necessary amounts of crypto-assets on balance sheet to pay fees for which it anticipates a reasonably foreseeable need, and to test otherwise permissible crypto-asset platforms.	National banks; federal savings associations; federal branches
December 9, 2025	OCC	*Interpretive Letter #1188: National Bank Engagement in Riskless Principal Transactions in Crypto-Assets*	Confirms that a national bank may engage in riskless principal crypto asset transactions with and on behalf of customers.	National banks; federal savings associations; federal branches
December 17, 2025	FRB	*Policy Statement on Section 9(13) of the Federal Reserve Act*	Rescinds and replaces the FRB's 2023 policy statement interpreting Section 9(13) of the Federal Reserve Act, which limited state member banks' ability to engage in crypto activities. Expresses a policy of facilitating innovation by insured and uninsured state member banks.	State member banks

Shifting Market Dynamics and Industry Responses

Chartering Applications by Digital Asset-Native Firms:

- Nonbank financial institutions are increasingly pursuing OCC charters (particularly national trust charters) as a compliant path forward. The OCC has moved quickly to conditionally approve several such applications.
  - E.g., Coinbase National Trust Company; First National Digital Currency Bank; Ripple National Trust Bank; BitGo Bank & Trust, National Association; Fidelity Digital Assets, National Association; Paxos Trust Company, National Association.
- Motivations often include:
  - Regulatory legitimacy under an evolving supervisory regime;
  - Ability to hold stablecoin reserves on their own books;
  - Potential (though not guaranteed) access to FRB master accounts;
  - Improved alignment with institutional clients and payment infrastructure;
  - Preemption of money transmitter laws.

Incumbent Payment Network Upgrades:

- Payment networks are upgrading rails to allow issuance, distribution and redemption of digital assets, including stablecoins, across their networks.

Implications to the Traditional Banking Sector

For banking organizations, this trend creates both:

- **Competitive pressure** from fast-moving nonbank competitors.
  - Some are concerned that the digital assets market would evolve into a shadow banking system, lacking consumer protections and undermining community banks' role in local credit.
  - Banking industry groups have questioned whether digital asset firms actually qualify for a trust charter, arguing that custody services rely on core banking powers and are not true fiduciary activities.
- **Strategic opportunities** to leverage their regulatory credibility, deposit infrastructure and compliance frameworks through partnerships or direct entry into digital asset services.
  - For example, banking organizations may enter into a custody partnership with a nonbank, advancing institutional use cases such as cross-border payments and liquidity management.

Strategic Opportunities for Banking Organizations

Active Engagement in Permissible Digital Asset Activities

Activity Category	Examples
Traditional Banking Services for Digital Asset Clients or Involving Digital Assets	• Providing corporate loans, deposit accounts and payments for customers engaged in digital asset-related businesses. • Facilitating customer participation in digital asset exchange or trading, including by carrying fiat currency on behalf of customers (e.g., in an omnibus account). • Lending activities collateralized by digital assets. • Underwriting a loan, debt product or equity offering effected partially or entirely on a public blockchain. • Controlling, administering, issuing or holding digital assets as principal.
Custody and Reserve Management	• Providing digital wallets or other custody or agent services for digital assets and ancillary custody services (whether done directly or through a third party). • Holding stablecoin reserves.
Payments and Settlement Innovation	• Transmitting or receiving digital assets for transmission. • Integrating digital assets, including stablecoins, into B2B payment rails or real-time treasury solutions. • Participating in blockchain-based clearing and settlement platforms.
Bank-Issued Stablecoins or Tokenized Deposits	• Using for purposes of intrabank transfers and real-time cross-border liquidity management. • Replacing traditional wire transfers for cross-border payments, enabling 24/7 settlement without reliance on cutoff times or prefunding. • Integrating with smart contracts; trade finance.
White-Labeled Partnerships	• Partnering with licensed stablecoin issuers to provide custody, technology solutions, compliance infrastructure or advisory services. • Supporting issuance or redemptions for partners, including by facilitating ongoing collection and disbursement of fiats.

What to Watch and Next Steps

Compliance and Risk Management Considerations

- Digital asset safekeeping risk management considerations, including operational and cybersecurity risk.
- BSA/AML.
- Reserve asset management, potential impact on deposit base, liquidity and capital treatment.
- Third-party/vendor risk associated with partnerships with tech platforms.
- Audit and accounting.
- Additional regulatory reporting and examination processes.

Regulatory and Legislative Developments to Monitor

- Federal banking agencies' rulemaking to implement the GENIUS Act (including commenting process) and regulatory or legislative resolution of open issues including, extraterritoriality, interest on stablecoins and preemption issues.
- Parallel or reactive state legislative and regulatory developments.
- Potential for the FRB to create a new form of special purpose Reserve Bank "payment account" potentially available to novel charters.

Preparing Now

- Assess strategic interest in issuing, holding or using stablecoins.
- Enhance cybersecurity and data protection measures.
- Map risk management compliance gaps under potential bank-like framework.
  - E.g., Interagency Guidelines Establishing Information Security Standards.
- Review reserve and public disclosure practice.
- Engage with regulators and trade associations (e.g., participating in the public commenting process for federal banking agencies' rulemaking).
- Consider pilot programs.

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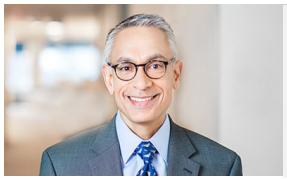

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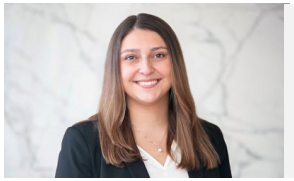

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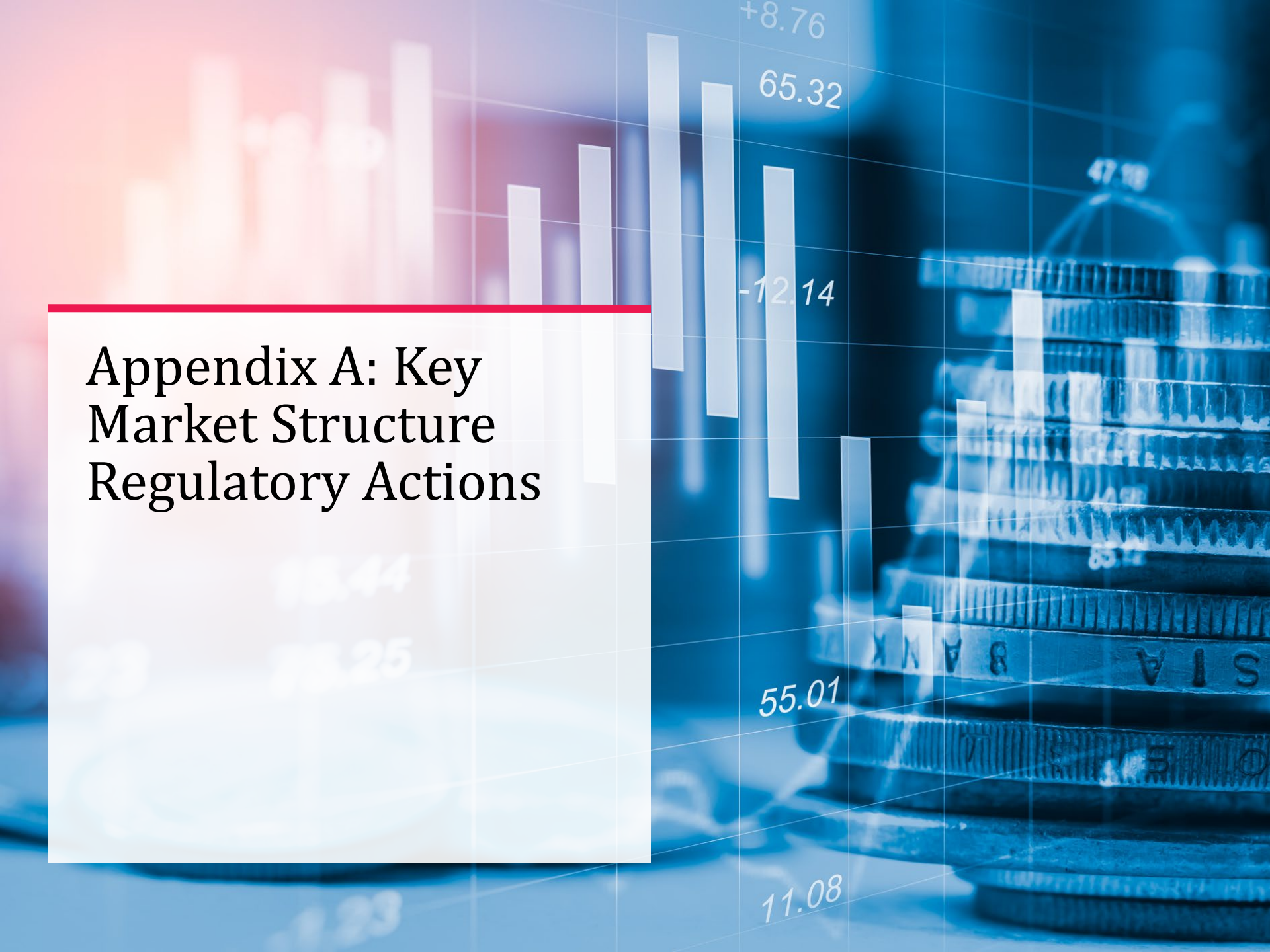

Appendix A: Key Market Structure Regulatory Actions

Appendix A

Shift in tone toward crypto industry following Trump's election

Action / Event / Statement	Description
Trump Executive Order 14178, January 23, 2025	Among other things, establishes the President's Working Group on Digital Asset Markets and charged it with submitting a report to the President within 180 days recommending regulatory and legislative proposals to support responsible and use of digital assets, blockchain technology and related technologies.
SEC – Office of the Chief Accountant and Division of Corporation Finance, Staff Accounting Bulletin No. 122, January 23, 2025	Rescinds Staff Accounting Bulletin No. 121, which had previously stated the SEC staff's view that companies that custody crypto assets should record a liability and corresponding asset on their balance sheets at fair value.
Speeches by SEC Commissioner Hester Peirce, February 4 and February 21, 2025	Kicks off the newly-formed Crypto Task Force (led by Commissioner Peirce) and raises a number of crypto-related questions for consideration by industry participants and the public.
SEC Division of Corporation Finance - Statement on Meme Coins, February 27, 2025	Concludes that typical meme coins are akin to collectibles and that the offer and sale of a meme coin is generally not viewed as the offer and sale of a security.
SEC Crypto Task Force, March 3, 2025	Initial announcement of a series of roundtables accessible to members of the public on topics such as: (i) defining security status, (ii) crypto trading, (iii) crypto custody, (iv) tokenization of real-world assets and (v) DeFi.
SEC Division of Corporation Finance – Statement on Certain Proof-of-Work Mining Activities, March 20, 2025	Concludes generally that proof-of-work ("**PoW**") mining activities (i.e., mining of crypto assets that are intrinsically linked to the programmatic functioning of a public, permissionless network and are used to participate in and/or earned for participating in such network's consensus mechanism or otherwise used to maintain and/or earned for maintaining the technological operation and security of the network) do not involve the offer or sale of securities.
SEC Division of Corporation Finance – Statement on Stablecoins, April 4, 2025	Concludes that fully-reserved, one-for-one USD-backed stablecoins are not securities.
SEC Division of Corporation Finance – Statement on Offerings and Registrations of Securities in the Crypto Asset Markets, April 10, 2025	Summarizes SEC staff views on how certain disclosure requirements under federal securities laws should be applied to offerings and registrations of securities in the crypto asset markets (e.g., offerings/registrations of equity or debt securities of issuers whose operations relate to networks, applications and/or crypto assets, as well as crypto assets offered as part of or subject to an investment contract). Addresses disclosure topics such as "Description of Business," "Risk Factors," "Description of Securities," "Directors, Executive Officers, and Significant Employees," "Financial Statements" and "Exhibits."

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Shift in tone toward crypto industry following Trump's election (*continued*)

Action / Event / Statement	Description
SEC Division of Trading and Markets – FAQ Relating to Crypto Asset Activities and Distributed Ledger Technology, May 15, 2025	Provides updated staff views on certain matters, including how certain portions of the Customer Protection Rule (SEC Rule 15c3-3) apply to broker-dealers holding crypto assets in custody, how certain bankruptcy protections might be afforded to non-security crypto assets held in custody by a broker-dealer, and circumstances in which a transfer agent for an issuer of a crypto asset security might be required to register with the SEC.
SEC Division of Trading and Markets – Withdrawal of Joint Staff Statement on Broker-Dealer Custody of Digital Assets, May 15, 2025	Withdraws a prior joint statement of the Division of Trading and Markets and the Office of General Counsel of FINRA on broker-dealer custody of digital asset securities issued in 2019. Among other things, the prior statement noted issues with the ability of a broker-dealer to satisfy the requirements of the Customer Protection Rule with respect to the holding of digital asset securities.
Speech by SEC Commissioner Mark T. Uyeda, "SEC Speaks" Conference, May 19, 2025	Highlights, among other things, a number of recent SEC "course-corrections" in the crypto space, including creation of the Crypto Task Force, dismissal of many ongoing or pending enforcement actions (where generally the only alleged violation was the failure to register the offer and sale of a token, particularly where the status of the token would be an open question being deliberated by the Crypto Task Force), the withdrawal of Staff Accounting Bulletin No. 121, and certain other matters.
Speech by SEC Commissioner Hester M. Peirce, "New Paradigm: Remarks at SEC Speaks", May 19, 2025	Highlights anticipated ways in which the SEC intends to "move expeditiously to codify [its] thinking through notice-and-comment rulemaking," including consideration of a number of ways in which a crypto asset originally offered as part of an investment contract might later be deemed to have separated from that investment contract.
SEC Division of Corporation Finance – Statement on Certain Protocol Staking Activities, May 29, 2025	Concludes that certain types of protocol staking activities on networks that use PoS as a consensus mechanism do not involve the offer and sale of securities. Covered activities addressed by the Statement include: (i) staking covered crypto assets on a PoS network, (ii) activities undertaken by third parties involved in protocol staking (e.g., node operators, validators, custodians, delegates and nominators) and (iii) the provision of certain ancillary services (e.g., where a service provider offers "slashing" coverage, early unbonding, alternate rewards payment schedules/amounts, and/or aggregation services).
Speech by SEC Chair Paul S. Atkins, Crypto Task Force Roundtable on Decentralized Finance, June 9, 2025	Outlines initial thoughts on areas in which the SEC may take steps to adopt regulations based on its existing authorities, and referencing the possibility of an "innovation exemption" (a type of conditional exemptive relief framework, sometimes referred to as a "sandbox") to allow registrants and non-registrants to bring on-chain products and services to market expeditiously.

Appendix A

Shift in tone toward crypto industry following Trump's election (*continued*)

Action / Event / Statement	Description
SEC Division of Corporation Finance – Statement on Crypto Asset Exchange-Traded Products, July 1, 2025	Summarizes staff views on the application of certain disclosure requirements under the federal securities laws to offerings and registrations of securities by issuers of crypto asset exchange-traded products ("**ETPs**"). Addresses disclosure topics such as "Prospectus Summary," "Risk Factors," "Description of Business," "Description of Securities," "Plan of Distribution," "Directors, Executive Officers, and Significant Employees," and "Financial Statements."
Report of the President's Working Group on Digital Asset Markets, July 30, 2025	Highlights recommendations for immediate actions and longer-term considerations in a number of areas relating to digital asset markets, including (i) market structure, (ii) banking, (iii) insurance, (iv) stablecoins and payments, (v) countering illicit finance, (vi) taxation and (vii) certain miscellaneous matters.
Speech by new SEC Chair Paul Atkins before the America First Policy Institute – "American Leadership in the Digital Finance Revolution," July 31, 2025	Announces the launch by the SEC of "Project Crypto," a SEC-wide push to modernize securities rules for the crypto market. (*More on this below*.)
CFTC Releases on behalf of Acting Chair Caroline Pham, August 1 and August 4, 2025	Announces on August 1 the kick-off by the CFTC of a "crypto sprint" aimed at providing regulatory clarity and fostering innovation in the digital asset markets, and indicating the CFTC's intention to work closely with SEC Chair Atkins and SEC Commissioner Peirce to achieve Project Crypto. The August 4 release indicates that the CFTC's first initiative in its crypto sprint will relate to the trading of spot crypto contracts that are listed on a CFTC-registered futures exchange, suggesting that the CFTC can use existing authority to develop a framework to support (and regulate) spot crypto asset trading on registered futures exchanges.
SEC Division of Corporation Finance – Statement on Certain Liquid Staking Activities, August 5, 2025	Expresses staff views on a type of protocol staking not addressed by the May 29 statement—"Liquid Staking" (i.e., a type of protocol staking where owners of covered crypto assets deposit them with a third-party protocol staking service provider and in return receive newly minted crypto assets (staking receipt tokens) that evidence the deposited crypto assets and any staking rewards that accrue to the deposited crypto assets. As with the protocol staking activities addressed by the May 29 statement, the staff concludes that such liquid staking activities do not involve the offer and sale of securities.

Appendix A

Shift in tone toward crypto industry following Trump's election (*continued*)

Action / Event / Statement	Description
SEC-CFTC Joint Staff Statement (listing of certain spot crypto asset products on a CFTC- or SEC-registered exchange), September 2, 2025	Provides the view of the SEC Division of Trading and Markets and CFTC Divisions of Market Oversight and Clearing and Risk that current law does not prohibit CFTC- or SEC-registered exchanges from facilitating trading of spot retail commodity transactions on digital assets, and indicates that the Divisions will promptly review related applications and requests.
SEC Division of Investment Management – No-Action Letter to Simpson Thacher & Bartlett LLP, September 30, 2025	Provides no-action relief permitting registered advisers and regulated funds to maintain custody of crypto assets and related cash and cash equivalents with certain state-chartered financial institutions (trust companies).
SEC Division of Trading and Markets – No-Action Letter to DTC, December 11, 2025	Provides no-action relief from Regulation SCI, and various provisions of the Exchange Act and SEC rules thereunder applicable to registered clearing agencies, to permit DTC operation of a tokenization service that permits members to hold securities at DTC in tokenized form on conforming distributed ledgers.
SEC Division of Trading and Markets – Statement on the Custody of Crypto Asset Securities by Broker-Dealers, December 17, 2025	Summarizes staff views that "physical possession" of crypto asset securities can be established under Rule 15c3-3(b)(1) in circumstances where the broker-dealer (i) maintains access and capability to transfer, (ii) conducts, documents and periodically updates diligence of the DLT and related transfer network on various risk and performance related matters, (iii) withdraws from custody if material security or operational problems are identified, (iv) uses industry best practices to protect private keys and (v) implements reasonable measures to identify and address various potentially disruptive scenarios.
SEC Division of Corporation Finance, Division of Investment Management, Division of Trading and Markets – Statement on Tokenized Securities, January 28, 2026	Provides views on taxonomies associated with tokenized securities, more specifically to help market participants as they seek to comply with the federal securities laws and prepare to submit any necessary registrations, proposals or requests for appropriate action to the SEC.
Speech by SEC Chair Paul S. Atkins, Opening Remarks at Joint SEC-CFTC Harmonization Event – Project Crypto, January 29, 2026	Lays out a shift toward clearer, innovation-friendly crypto regulation—creating a formal system to classify digital assets, coordinating oversight with the CFTC and moving away from enforcement-driven ambiguity.

Appendix A

Shift in tone toward crypto industry following Trump's election (*continued*)

Action / Event / Statement	Description
SEC Division of Trading and Markets – FAQ Relating to Crypto Asset Activities and Distributed Ledger Technology, February 19, 2026	Among other things, provides FAQs relating to the treatment of payment stablecoins under the broker-dealer net capital rule, including that the staff would not object if a broker-dealer were to apply a 2% haircut on proprietary positions in a payment stablecoin when calculating its net capital.
Speech by SEC Chair Paul S. Atkins, Fostering Regulatory Harmony Between the SEC and CFTC, March 11, 2026	Discusses reduction of regulatory friction between the SEC and CFTC by coordinating rules, exams and enforcement so firms aren't subject to duplicative or conflicting oversight. Furthermore, announces support for closer alignment—through tools like substituted compliance and a new interagency MOU—which will lower costs, improve clarity and better support innovation while maintaining each agency's core mandate.
SEC Clarifies the Application of Federal Securities Laws to Crypto Assets, March 17, 2026	SEC issued interpretative guidance clarifying how the federal securities laws apply to certain crypto assets and transactions involving crypto assets.
Statement by SEC Commissioner Hester M. Peirce, Interfacing with our Inner Demons: Comments on the Division of Trading and Markets' Statement on Certain User Interfaces, April 13, 2026	Calls for a more permanent regulatory approach that addresses the definition of "broker" and whether registration is required, particularly with respect to self-custodial crypto wallets and DeFi front-end interfaces.