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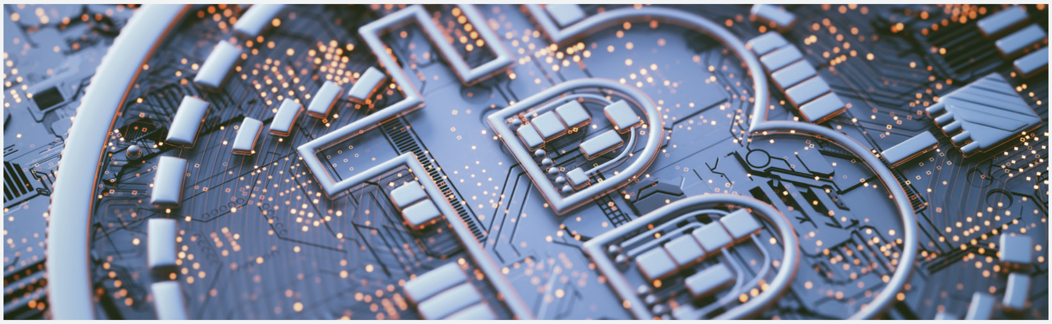
2025 DIGITAL ASSET DEVELOPMENTS

Navigating Change:

First 100 Days Under the Trump Administration

Introduction



Navigating Change: First 100 Days Under the Trump Administration

Welcome to our 100-day retrospective, where we examine the pivotal developments in the digital assets industry during the initial phase of the Trump administration. This period was marked by significant changes at various levels, including federal government actions, state and federal legislative initiatives, regulatory updates, and industry advancements. As the new administration began to shape its policies, the U.S. navigated its approach to cryptocurrency and blockchain technology, setting the stage for future financial innovation.

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White House updates

The first 100 days of the Trump administration marked a transformative shift in the federal government's approach to digital assets. The new administration has taken decisive steps to embrace cryptocurrency and blockchain technology, signaling a clear departure from the restrictive policies of previous administrations. President Trump has emphasized the importance of positioning the U.S. as a global leader in financial innovation, underpinned by digital assets and blockchain technologies. Below are the noteworthy actions the White House took with respect to digital assets during the first quarter.

KEY PRESIDENTIAL APPOINTMENTS

President Trump signaled his willingness to embrace digital assets with the appointment of many prominent figures who have either publicly endorsed digital assets or stated they own significant amounts of digital assets. These appointments include:

- Scott Bessent as the Secretary of the Treasury;
- Paul Atkins as Chairman of the Securities and Exchange Commission (SEC);
- Howard Lutnick as the Secretary of Commerce;
- Travis Hill, Acting Chairman of the Federal Deposit Insurance Corporation (FDIC);
- Rodney Hood, Acting Comptroller of the Currency;
- David Sacks as the AI & Crypto Czar; and
- Bo Hines as the Executive Director of the President's Council of Advisors on Digital Assets of the White House.

EXECUTIVE ORDER 14178 – STRENGTHENING AMERICAN LEADERSHIP IN DIGITAL FINANCIAL TECHNOLOGY

Signed on January 23, Executive Order 14178 sets forth policies designed to enhance the U.S.'s leadership in digital financial technology and establishes a federal working group, the Presidential Working Group on Digital Asset Markets within the National Economic Council, tasked with developing a comprehensive regulatory framework for the digital asset sector within 180 days. The order outlines policies to support the growth and use of digital assets, blockchain technology, and related innovations while protecting economic liberty. Key provisions include promoting open access to blockchain networks, supporting the development of dollar-backed stablecoins, ensuring fair access to banking services, and providing regulatory clarity. The order also prohibits the establishment and use of Central Bank Digital Currencies (CBDCs) within the U.S. Additionally, it revokes previous executive orders and frameworks related to digital assets and establishes the President's Working Group on Digital Asset Markets to propose a federal regulatory framework and evaluate the creation of a national digital asset stockpile.

On February 4, President Trump's crypto czar, David Sacks, held a press conference to outline the Trump administration's new approach to cryptocurrency regulation. Joined by congressional leaders, including Senate Banking Committee Chairman Tim Scott, Senate Agriculture Committee Chairman John Boozman, House Agriculture Committee Chairman Glenn "GT" Thompson, and House Financial Services Committee Chairman French Hill, Sacks announced the formation of a bicameral crypto committee that aims to create a stablecoin bill and a comprehensive federal regulatory framework for digital assets. Highlighting the need for regulatory clarity to foster innovation and protect consumers, Sacks emphasized the importance of keeping digital asset innovation onshore.

ESTABLISHMENT OF THE STRATEGIC BITCOIN RESERVE AND U.S. DIGITAL ASSET STOCKPILE

On March 6, President Trump issued a groundbreaking Executive Order establishing the Strategic Bitcoin Reserve and the United States Digital Asset Stockpile. The order mandates that these reserves be capitalized with Bitcoin and other digital assets obtained through criminal and civil forfeiture proceedings. Furthermore, the order directs the Secretary of the Treasury and the Secretary of Commerce to develop budget-neutral strategies for acquiring additional Bitcoin, ensuring that no taxpayer funds are used to bolster the reserve. This initiative positions Bitcoin as a strategic national asset, reflecting its growing importance in the global financial system.

THE INAUGURAL WHITE HOUSE CRYPTO SUMMIT

On March 7, the White House hosted the first-ever Crypto Summit, a landmark event that brought together policymakers, regulators, and industry leaders to discuss the future of digital assets in the U.S. The summit was chaired by David Sacks and Bo Hines. The event demonstrated the administration's commitment to fostering innovation while addressing the need for a balanced regulatory framework. Specifically, President Trump and attendees acknowledged the importance of regulatory clarity to promote responsible innovation, the role digital assets have in maintaining the U.S. Dollar's reserve status, and highlighted the potential economic benefits embracing digital assets and blockchain technology will have for job creation, investment, and economic growth.

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PRESIDENT TRUMP'S ENGAGEMENTS AND PUBLIC ADDRESSES

President Trump has actively engaged with the crypto industry throughout the first quarter of 2025, making public statements that underscore his administration's support for digital assets, including stating that his administration "is working to end the federal bureaucracy's war on crypto," promising to make the United States the "crypto capital of the world" and emphasizing the need for a regulatory framework that fosters innovation while protecting investors.

While speaking at the Digital Asset Summit in New York on March 20, President Trump stated that he would end the "regulatory war on crypto and Bitcoin" and the government's lawless crackdown on the industry. President Trump's pro-crypto stance stands in sharp contrast to the regulatory ambiguity of previous years, positioning his administration as potentially the most crypto-friendly in U.S. history.

CONCLUSION

The first quarter of 2025 has been pivotal in reshaping the U.S. government's stance on digital assets. The White House has taken decisive steps to foster innovation, regulatory clarity, and financial integration of cryptocurrencies. With ongoing efforts in Congress and at regulatory agencies, the foundation is being laid for an approach that supports growth while ensuring federal regulatory oversight.

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Congressional activity regarding stablecoins and blockchain

Stablecoins have gained significant popularity and regulatory attention in recent years. A stablecoin is a type of digital currency designed to maintain a stable value, usually pegged to a specific asset like the U.S. dollar or a commodity, such as gold. Unlike bitcoin, stablecoins seek to maintain price stability, making them a more stable form of digital currency.

On February 4, Sen. Bill Hagerty (R-TN) introduced the Guiding and Establishing National Innovation in U.S. Stablecoins (GENIUS) Act. On February 6, a discussion draft of the Stablecoin Transparency and Accountability for a Better Ledger Economy Act of 2025 (STABLE Act) was introduced by French Hill, chairman of the House Financial Services Committee, and Bryan Steil, chairman of the Digital Assets, Financial Technology, and Artificial Intelligence Subcommittee. On February 10, House Financial Services Committee member Maxine Waters reintroduced The Waters Stablecoin Act.

In March, the GENIUS Act cleared the Senate Banking Committee with a bipartisan vote of 18-6. This vote was significant because it included five of the 11 Senate Democrats in the committee.

The GENIUS Act aims to establish the first federal oversight framework for payment stablecoins in the U.S. The GENIUS Act would currently allow stablecoin issuers to register under either a federal or state regulatory regime depending on their market capitalization and other factors. Issuers would be required to undergo regular audits and make public disclosures of their reserves. The Act also requires issuers to hold at least one dollar of permitted reserves per every dollar of stablecoins and requires issuers to issue periodic reports of outstanding stablecoins and reserve composition. U.S. Treasury bills are among the types of high-quality liquid assets that the GENIUS Act allows stablecoins issuers to hold in reserve. Thus, the GENIUS Act could significantly increase demand for U.S. Treasuries. Among other things, the GENIUS Act would prohibit individuals convicted of certain crimes from issuing stablecoins.

The main critic of the GENIUS Act has been Sen. Elizabeth Warren (D-MA), who voted against the passage of the Act. She and other Democrats have argued that the Act as currently drafted fails to protect consumers from fraud, and that it does not prevent criminals and terrorists from using stablecoins to finance their activities. Further, Senator Warren and other critics have argued that the Act in its current form could give a significant competitive advantage to large tech firms to crush competitors. A full Senate vote took place on May 8, but the GENIUS Act failed to pass. The vote was 49 in favor and 48 against initially, but Senate Majority Leader John Thune (R-SD) then changed his vote to no, to allow the Senate to revisit the legislation in the future. Republican senators Josh Hawley and Rand Paul voted with the Democrats to oppose the bill. The Democrats have echoed the concerns of Senator Warren, described above, and have also raised concerns about conflicts of interest concerning the Trump administration's holding of digital assets. Nevertheless, lawmakers from both parties have conveyed that they are willing to continue negotiating the bill to pass it into law.

On March 26, a revised STABLE Act was introduced in the House, which can be found here. On April 2, by a vote of 32-17, the House Financial Services Committee advanced the bill for a full vote on the floor. Representative Waters led the opposition from Democrats on the House Financial Services Committee.

In early May, nine key Democrats led by Sen. Ruben Gallego (D-AZ) and two Republicans opposed the GENIUS Act in a cloture vote. If the Act passes, it will almost certainly be signed into law by President Trump and then subject to a future implementing rulemaking process by U.S. regulators. A current overview of the GENIUS Act can be found here.

Separately, on April 17, Sen. Bernie Moreno (R-OH) introduced the Deploying American Blockchains Act, a bipartisan initiative aimed at positioning the U.S. as a leader in blockchain technology development. Supported by Senators Tim Sheehy (R-MT) and Lisa Blunt Rochester (D-DE), the bill seeks to ensure the U.S. maintains a competitive edge in the rapidly evolving global blockchain marketplace. The legislation emphasizes the importance of blockchain in modernizing manufacturing processes, enhancing supply chain transparency, and fostering industrial innovation. This legislative effort is complemented by a companion bill introduced in the House on February 27, by Rep. Kat Cammack (R-FL) and Rep. Darren Soto (D-FL), which directs the Secretary of Commerce to promote U.S. competitiveness in blockchain and distributed ledger technologies. For more information, click here and here.

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Federal regulations

FDIC

On January 20, Travis Hill became the Acting Chairman of the FDIC. In his first statement, Hill highlighted various priorities and mentioned new initiatives, emphasizing a commitment to regulatory reform, innovation, and a focus on core financial risks. Hill's statement also mentioned the withdrawal of "problematic proposals" (including both the FDIC's brokered deposit proposals).

On February 5, the FDIC released 175 documents concerning its supervision of banks engaged in, or seeking to engage in, crypto-related activities. This release marks a significant step toward transparency in the regulatory oversight of cryptocurrency and blockchain technologies. Hill provided a statement regarding the document release: "I have been critical in the past of the FDIC's approach to crypto assets and blockchain. As I said last March, the FDIC's approach 'has contributed to a general perception that the agency was closed if institutions are interested in anything related to blockchain or distributed ledger technology.' Upon becoming Acting Chairman, I directed staff to conduct a comprehensive review of all supervisory communications with banks that sought to offer crypto-related products or services. While this review remains underway, we are releasing a large batch of documents today, in advance of a court-ordered deadline of Friday. Our decision to release these documents reflects a commitment to enhance transparency, beyond what is required by the Freedom of Information Act (FOIA), while also attempting to fulfill the spirit of the FOIA request."

On February 20, the Chairman of the House Financial Services Committee, French Hill, along with Subcommittee Chairmen Dan Meuser, Andy Barr, and Bryan Steil, sent a letter to Hill, providing recommendations to clarify digital asset regulations and prevent the debanking of digital asset firms. The lawmakers highlighted concerns about the Biden-Harris administration's regulators pressuring banks to deny services to these firms. They proposed five key recommendations: issuing written, public guidance; providing concrete rationales for account closures; eliminating "reputational risk" as a supervisory factor; implementing a balancing test for regulations; and ensuring uniform application of supervisory guidance. These measures aim to enhance transparency, accountability, and fairness in the regulation of digital assets.

On March 3, the FDIC announced the withdrawal of the brokered deposits proposal, which would have heightened banks' standards for accepting such deposits and labeled more third parties as deposit brokers.

In a March 24 letter to Rep. Dan Meusure (R-PA), Hill confirmed that the FDIC expects to join the Office of the Comptroller of the Currency (OCC) in ending scrutiny of reputational risk and dropping Biden-era supervisory hurdles for crypto activities at banks.

On March 28, the FDIC announced the rescission of Financial Institution Letter (FIL-16-2022) and issued new guidance clarifying the process for FDIC-supervised institutions to engage in crypto-related activities. The new Financial Institution Letter (FIL-7-2025) clarifies that institutions may engage in these activities without prior FDIC approval. Institutions are encouraged to engage with their supervisory team as appropriate. They should consider the associated risks, including market and liquidity risks, operational and cybersecurity risks, consumer protection requirements, and anti-money laundering requirements associated with the crypto-related activity.

In a speech on April 8, Hill discussed revamping the FDIC's approach to innovation with respect to digital assets and blockchain, specifically raising questions as to whether to more comprehensively identify which crypto-related activities are permissible, the use of public, permissionless blockchains by banks, tokenization of real-world assets, liabilities, and commercial bank deposits, as well as stablecoins.

On April 24, the FDIC announced it has withdrawn two joint statements regarding banking organizations' crypto-asset-related activities. This action is intended to provide clarity that banking organizations may engage in permissible crypto-asset activities and provide products and services to persons and firms engaged in crypto-asset related activities, consistent with safety and soundness and applicable laws and regulations. The withdrawn joint statements, which were issued on January 3, 2023 and February 23, 2023, addressed crypto-asset risks and liquidity risks to banking organizations resulting from crypto-asset market vulnerabilities.

OCC

On March 7, the OCC issued a significant update regarding the involvement of national banks and federal savings associations in cryptocurrency activities. Interpretive Letter 1183 confirms that national banks and federal savings associations can engage in the following cryptocurrency activities: providing custody services for crypto-assets, including holding and managing digital assets on behalf of customers; holding dollar deposits that serve as reserves backing stablecoins under certain conditions; and acting as nodes on distributed ledger networks, including verifying and processing transactions on blockchain networks. One of the most notable changes in Interpretive Letter 1183 is the rescission of the requirement for OCC-supervised institutions to obtain supervisory nonobjection before engaging in the specified cryptocurrency activities. Previously, banks had to demonstrate that they had adequate controls in place and receive explicit approval from the OCC.

The decision to stop examining banks for reputation risk comes in the wake of the introduction of the Financial Integrity and Regulation Management (FIRM) Act.

The OCC also simultaneously withdrew from two interagency statements as they apply to national banks and federal savings associations: (i) the "Joint Statement on Crypto-Asset Risks to Banking Organizations" (January 3, 2023), and (ii) the "Joint Statement on Liquidity Risks to Banking Organizations Resulting from Crypto-Asset Market Vulnerabilities" (February 23, 2023). And, the OCC stated it will be examining the activities described in IL 1170 (addressing crypto-asset custody services), 1172 (addressing holding deposits that serve as reserves backing stablecoins), and 1174 (addressing the use of stablecoins and distributed ledger technology to facilitate payments) as part of its ongoing supervisory process.

On March 20, the OCC announced that it will no longer examine its regulated institutions for reputation risk. According to the OCC's "Categories of Risk," reputation risk is the risk to earnings or capital arising from negative public opinion, which can affect an institution's ability to establish new relationships or services or to continue servicing existing relationships. The OCC also said it would remove references to reputation risk from its handbooks and guidance, though it noted it would not change its expectations on how banks handle risks. The decision to stop examining banks for reputation risk comes in the wake of the introduction of the Financial Integrity and Regulation Management (FIRM) Act, which aimed to eliminate reputational risk as a component of the supervision of depository institutions based, at least in part, on digital asset firms facing unique challenges when establishing and maintaining accounts in the U.S.

On May 7, the OCC issued Interpretative Letter 1184 confirming that national banks and federal savings associations may buy and sell assets held in custody at a customer's direction and are permitted to outsource to third parties bank-permissible crypto-asset activities, including custody and execution services, subject to appropriate third-party risk management practices.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

On February 12, Christopher J. Waller, a member of the Board of Governors of the Federal Reserve System, delivered remarks at "A Very Stable Conference" discussing the evolving stablecoin market. Waller highlighted the potential of stablecoins to enhance retail and cross-border payments, emphasizing the need for clear use cases and viable business models. He addressed the challenges of achieving scale, regulatory fragmentation, and the importance of a robust U.S. regulatory framework to ensure the safety and soundness of stablecoins. Waller underscored the necessity for both private sector innovation and public sector regulation to foster a stable and efficient stablecoin ecosystem.

During an interview on April 16, Federal Reserve Board (FRB) Chairman Jerome Powell signaled a "loosening" of crypto-related rules for banks and made positive statements about Congressional activity surrounding stablecoins, noting they "are a digital product that could actually have fairly wide appeal and should contain consumer protections of the typical sorts and transparency."

On April 24, the FRB announced the withdrawal of its guidance for banks concerning crypto-asset and dollar token activities, reflecting changes in its expectations for these activities. The FRB rescinded its 2022 supervisory letter, which required state member banks to provide advance notification of crypto-asset activities, and its 2023 supervisory letter concerning the supervisory nonobjection process for dollar token activities. Additionally, the FRB, in collaboration with the FDIC, announced it was joining the OCC in withdrawing from two 2023 joint statements with federal bank regulatory agencies on crypto-asset activities and exposures.

RECENT DEVELOPMENTS IN SEC REGULATION OF DIGITAL ASSETS

The regulation of digital assets has evolved significantly, particularly with recent enforcement dismissals, actions, and initiatives from the SEC. The SEC has taken significant steps to shift its enforcement-based regulatory approach surrounding digital assets, which has been a source of considerable uncertainty and debate within the cryptocurrency industry.

On January 23, the SEC published Staff Accounting Bulletin No. 122, which rescinds the interpretive guidance included in Section FF of Topic 5 in the Staff Accounting Bulletin Series, specifically addressing the accounting for obligations to safeguard crypto-assets an entity holds for its platform users (Topic 5.FF). This bulletin, effective January 30, clarifies that the statements in staff accounting bulletins are not rules or official interpretations of the SEC but represent the practices followed by the Division of Corporation Finance and the Office of the Chief Accountant in administering the disclosure requirements of federal securities laws.

THE SEC'S NEW CRYPTO TASK FORCE

On January 21, the SEC, led by Acting Chairman Mark T. Uyeda, announced the formation of a new cryptocurrency task force (the Task Force). Headed by SEC Commissioner Hester Peirce, the Task Force aims to create a clear regulatory framework for digital assets. This marks a shift from the SEC's previous enforcement-based approach to a more structured regulatory strategy.

On February 20, the SEC announced that it is replacing the Crypto Assets and Cyber Unit with the new Cyber and Emerging Technologies Unit (CETU) to combat fraud involving blockchain technology and crypto assets. In a statement, Acting SEC Chair Uyeda said the CETU "will complement the work of the Crypto Task Force," by "clearing the way for innovation to grow."

On February 21, Commissioner Peirce issued a statement titled "There Must Be Some Way Out of Here," addressing the need for greater clarity in the regulation of crypto assets. She emphasized the importance of public input in assisting the SEC's task force, which is working on developing a clearer regulatory framework for crypto assets. The statement outlined various questions the task force is considering, including the classification of crypto assets, the application of federal securities laws, and the potential for a safe harbor for blockchain projects. Peirce invited feedback from a wide range of stakeholders to help shape the regulatory landscape, stressing that the views expressed are her own and not necessarily those of the commission. The Crypto Task Force recently released AI-generated summaries of responses to Pierce's 48 questions. The Task Force emphasized that the "Key Points" and "Topics" generated by AI have not been reviewed for accuracy or completeness, and readers are encouraged to engage directly with the written submissions for a comprehensive understanding. The SEC hopes that sharing these unmodified submissions will foster productive dialogue and ongoing engagement. For more information, click here.

The Crypto Task Force's first roundtable, held on March 21, brought together a dozen crypto legal experts to discuss "definitional questions" about how to assess whether digital assets and transactions meet the definition of a security under *SEC v. W.J. Howey Co.* The inaugural roundtable was the first of many planned discussions under the Task Force's "Spring Sprint Toward Crypto Clarity" series.

The second roundtable on April 11 explored regulatory approaches to crypto trading. The event featured remarks from Commissioners Uyeda, Peirce, and Crenshaw, and included public participation. This ongoing engagement highlights the SEC's effort to involve industry stakeholders in shaping digital asset policy.

The third roundtable on April 25, the first since Paul Atkins was sworn in as SEC chairman, focused on "the challenges SEC registrants face when attempting to safely custody crypto assets for their customers in compliance with the federal securities laws." The panels focused on crypto asset custody under the Exchange Act, Advisers Act, and Investment Company Act to accommodate crypto assets and blockchain technology, as well as whether the "special purpose broker-dealer" regime is workable for market participants or if a new crypto asset broker-dealer framework is needed.

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SHIFT IN REGULATORY APPROACH

Prior to the current administration, the SEC primarily relied on enforcement actions for digital asset regulation, bringing over 200 cryptocurrency-related cases since July 2013. Under new leadership, the SEC has shifted its approach.

In the past three months, the agency has closed or stayed several high-profile crypto-related cases. According to SEC statements, this move is part of a broader strategy to reassess securities laws' application to digital assets and develop a coherent regulatory framework. Many of the cases have been dismissed with prejudice, preventing future similar actions against these companies. Crypto companies are leveraging the case dismissals to describe the previous regulatory approach as a "politically motivated campaign" that "stifled innovation and investment."

In March, the SEC's Division of Corporation Finance addressed proof-of-work (PoW) mining. The SEC concluded that "Protocol Mining," where individuals use their own computing resources to validate blockchain transactions, does not qualify as an "investment contract" under the Howey test because mining rewards are earned through personal effort rather than relying on others' management. Commissioner Caroline A. Crenshaw criticized the assumption that miners expect block rewards rather than profits from others' managerial efforts as "flawed" for assuming a "hypothetical situation as true".

In April, the SEC addressed reserve-backed stablecoins, concluding they generally do not qualify as securities when fully backed by fiat or liquid reserves. This clarification does not extend to algorithmic or non-reserve-backed stablecoins.

> In February, the SEC said meme coins — tokens driven by internet trends — do not meet the definition of a security under federal law.

Likewise, Commissioner Peirce has criticized the previous enforcement-based approach for its "legal imprecision and commercial impracticability," advocating for clearer regulations to foster innovation.

SEC'S RECENT GUIDANCE ON MEME COINS, MINING, STABLECOINS, AND DISCLOSURE REQUIREMENTS

Following the issuance of the President Trump's Executive Order and the creation of its Crypto Task Force, the SEC issued four staff-level, non-binding statements clarifying its current views on how federal securities laws apply to certain segments of the digital asset economy.

In February, the SEC said meme coins — tokens driven by internet trends — do not meet the definition of a security under federal law. These assets typically lack features like governance rights or profit-sharing and therefore fall outside SEC jurisdiction.

Also in April, the SEC's Division of Corporation Finance issued a Statement on Offerings and Registrations of Securities in the Crypto Asset Markets aimed at providing greater clarity on the application of federal securities laws to crypto assets. These offerings may involve equity or debt securities of issuers whose operations relate to networks, applications, and/or crypto assets. The offerings may also relate to crypto assets offered as part of or subject to an investment contract (such a crypto asset, a "subject crypto asset"). The statement does not modify or amend existing rules but instead tries to translate the traditional disclosure requirements for the unique realities of the crypto asset universe. Notably, the statement also does not address whether or not crypto assets are deemed securities for purposes of federal securities laws, rather, the statement addresses disclosure requirements for those issuers offering crypto assets as part of or subject to an investment contract.

These statements reflect the SEC's evolving approach toward providing clearer regulatory boundaries in a rapidly maturing digital asset market. In line with this approach, Commissioner Uyeda has directed a comprehensive review of existing staff statements on digital assets to ensure they align with the agency's current regulatory perspectives.

The SEC's recent statements, dismissals of enforcement actions, and the formation of the new Crypto Task Force indicate a shift towards a more structured regulatory approach for digital assets.

INVESTOR SENTIMENT AND REGULATORY CLARITY

Investor sentiment towards digital assets has strengthened recently, with many institutional investors planning to increase their holdings. A survey by EY-Parthenon and Coinbase revealed that 83% of institutional investors intend to increase their digital asset holdings in 2025. Regulatory clarity is a key driver, with investors eagerly awaiting the President's Working Group's final recommendations on digital assets.

CONCLUSION

The SEC's recent statements, dismissals of enforcement actions, and the formation of the new Crypto Task Force indicate a shift towards a more structured regulatory approach for digital assets. This shift is expected to provide clarity and support for the cryptocurrency industry, which has enhanced investor interest. However, this shift is unfolding rapidly, and the industry will be closely watching for further developments and guidance.

CFTC'S EVOLVING REGULATION

The beginning of 2025 was very busy for the Commodity Futures Trading Commission's (CFTC) evolving approach to digital asset regulation. On February 4, Acting Chairman Caroline D. Pham announced a reorganization of the Division of Enforcement's task forces aimed at better combating fraud and assisting victims, while ending the practice of regulation by enforcement. The reorganization involved simplifying the previous task forces into two new ones: the Complex Fraud Task Force and the Retail Fraud and General Enforcement Task Force. The Complex Fraud Task Force will handle preliminary inquiries, investigations, and litigations related to complex fraud and manipulation across all asset classes. The Retail Fraud and General Enforcement Task Force will focus on retail fraud and general enforcement matters involving other violations of the Commodity Exchange Act.

On February 7, the CFTC announced plans to hold a CEO forum to discuss the launch of the CFTC's digital asset markets pilot program for tokenized non-cash collateral. Pham had previously proposed a pilot program in September of 2023 (the 2023 Pilot Program). At the time, the 2023 Pilot Program aimed to establish a regulatory framework for digital asset markets by creating a safe and structured environment for their development and testing under existing laws and regulations. It focused on gathering data to establish registration and eligibility requirements, proposing rules for market integrity and risk management, and setting comprehensive disclosure and reporting requirements to ensure transparency and protect market participants. Details of the current pilot program remain scarce, but in early March the CFTC held a CEO forum with industry-leading firms, which included executives from Tether, Ripple, MoonPay, Crypto.com, Circle, and Coinbase.

On February 12, the White House announced the nomination of Brian Quintenz to be the chairman of the Commodity Futures Trading Commission (CFTC). Quintenz, who is a former CFTC commissioner, has also been nominated to be a commissioner of the CFTC for a term expiring April 13, 2029. If confirmed, Quintenz would replace Caroline Pham.

On March 28, the CFTC announced its withdrawal of Staff Advisories Nos. 18-14 and 23-07. Staff Advisory No. 18-14, issued in May 2018, provided guidance on the CFTC's priorities and expectations in reviewing new virtual currency derivatives. Staff Advisory No. 23-07, issued in May 2023, addressed the increased interest in clearing digital assets by DCOs. The withdrawal of these advisories signifies a shift towards a more streamlined regulatory approach, focusing on effective oversight and risk management.

On April 8, Pham directed CFTC staff to deprioritize actions involving violations of the registration requirements under the Commodity Exchange Act “unless there is evidence that the defendant knew of the licensing or registration requirement at issue and violated such a requirement willfully.” This directive also required the CFTC staff and the Director of Enforcement to align their actions with the president’s executive orders, administration policy, and DOJ policy on digital assets enforcement priorities. This move reflects the Trump administration’s policy to create a more efficient and fair regulatory environment for digital assets.

On April 21, the CFTC issued a request for comment to gather public input on the potential implications that 24/7 trading would have in the derivatives markets it regulates. Pham emphasized the importance of adopting a forward-looking approach to market structure changes to maintain vibrant and resilient markets while ensuring participant protection. The CFTC seeks feedback on the potential benefits, uses, and risks associated with continuous trading, including impacts on trading, clearing, and risk management, as well as concerns related to market integrity, customer protection, and retail trading. Comments will be accepted until May 21.

The CFTC’s activities in early 2025 signify a pivotal shift in its approach to digital asset regulation. By prioritizing fraud prevention and victim assistance, and aligning with broader Trump administration policy directives, the CFTC aims to adapt to the evolving landscape of digital finance and create a more supportive regulatory environment for digital assets.

OFAC SANCTIONS UPDATE

The outlook for Office of Foreign Assets Control (OFAC) sanctions policy and civil enforcement has already changed dramatically in a few key areas in 2025. The most significant development was the Trump administration’s designation of several drug cartels as Foreign Terrorist Organizations (FTOs). This multiplies the OFAC compliance challenges for all kinds of businesses, particularly those with exposure to Mexico, including financial institutions and digital asset companies. For general background on these developments, see our advisory.

While most of these cartels have long been listed by OFAC as Specially Designated Nationals (SDNs), as have affiliated individuals and companies, those designations were under OFAC’s more traditional authorities, such as for Transnational Criminal Organizations (TCOs) and drug trafficking organizations (under the Kingpin Act and related authorities). The new OFAC designations of certain cartels under the FTO and Specially Designated Global Terrorist (SDGT) authorities greatly complicate compliance.

Previously, SDN designations applied to entities 50% or more owned by the designated parties and required blocking and reporting of blocked property in which they had any “interest,” The new FTO and SDGT designations extend beyond this. Most notably, OFAC’s FTO Sanctions Regulations (FTOSR) require any “U.S. financial institution” (as broadly defined under the Bank Secrecy Act (BSA)) that “becomes aware that it has possession of or control over any funds” in which a designated FTO or its “agent” has any “interest” (a very broad term) to block the funds pursuant to specific procedures and file a report with OFAC. The challenge lies in the definition of an “agent,” which includes not only parties 50% or more owned by the designated party but also any entity owned or controlled by the designated party, and any individual or entity acting on behalf of the designated party. This broad definition necessitates a new approach to risk assessment, due diligence, and screening for OFAC compliance when dealing with these cartel risks. In other areas, OFAC has continued its active targeting in the digital asset realm, adhering to the same trend lines seen under the Biden administration. For example, on February 11, OFAC designated Zservers, a Russia-based bulletproof hosting provider, for supporting LockBit ransomware attacks, such as by leasing IP addresses to them. This was a trilateral action taken with the United Kingdom and Australia, accompanied by other actions such as a server takedown by the Dutch authorities. More generally, OFAC continues to increase its use of digital asset wallet addresses as part of its SDN designations, extending the reach of U.S. sanctions into this ecosystem.

Other big trend areas to watch in 2025 are stepped-up enforcement actions on Iran and its global networks, pursuant to the renewed “maximum pressure” campaign set out in the National Security Presidential Memorandum – 2. Treasury Secretary Scott Bessent emphasized the broad risks that players in the traditional and emerging finance sectors will face when it comes to possible Iran links in a recent Iran Maximum Pressure and Counter Terrorism (IMPACT) Financial Crimes Enforcement Network (FinCEN) Exchange event, setting out the expectation that the U.S. financial system be made “simply inaccessible” to parties associated with Iran, including its “clandestine network of financial facilitators.” Digital asset companies will need to determine an appropriate compliance approach to ensure they are meeting the government’s evolving expectations in these priority areas.

Another key question is how OFAC will approach DeFi going forward. The March 21 removal of Tornado Cash from the SDN list, following groundbreaking litigation against OFAC (see our advisory for more background on this), casts doubt on how the U.S. government plans to implement sanctions in the DeFi sector in the future. It is clear that the previous approach was not working well — Tornado Cash reportedly was scarcely affected by the OFAC sanctions that were originally imposed in 2022, still processing hundreds of millions of dollars in transactions per month. The U.S. government will need to reconsider how to target malicious actors abusing this sector and what may be achievable using the regulatory tools at its disposal.

FINCEN UPDATE

Thus far in the Trump administration, there is not much activity by FinCEN specifically relating to digital assets. However, this should not be viewed as an indication that FinCEN is taking a “hands-off” approach to regulating anti-money laundering (AML) compliance when it comes to cryptocurrency or other digital assets that are subject to AML compliance obligations.

There were a few notable actions in this space.
For example, on February 24, a Seychelles-based cryptocurrency exchange, OKX, pled guilty to one count of operating an unlicensed money transmitting business and was fined $504 million and required to retain an external compliance consultant through 2027. Financial institutions that operate wholly or in substantial part in the U.S. must register with FinCEN as money services businesses (MSBs) and comply with federal AML laws, including the BSA. OKX, according to the government, “chose not to” register with FinCEN. This case illustrates that tough enforcement against platforms for BSA/AML violations may continue at least to some degree under the Trump administration. See the DOJ section for a more detailed discussion of these developments.

CONGRESS REPEALS TAX REPORTING REQUIREMENTS FOR BROKERS OF DIGITAL ASSETS

In March, Congress acted under authority granted by The Congressional Repeal Act (the CRA) to repeal final Treasury regulations enacted under § 6045 of the Internal Revenue Code (the Regulations) and finalized in December 2024 under the Biden administration that would have required “trading front-end service providers” facilitating sales of digital assets (i.e., representations of value that are not cash and are recorded on a blockchain) to comply with certain information reporting requirements, similar to those imposed on traditional securities brokers. The Regulations were set to take effect in 2027 for reportable transactions that occurred in 2026. On April 10, President Trump signed the joint resolution to repeal the Regulations to relieve trading front-end services providers from these reporting obligations.

The Regulations would have imposed reporting requirements only on trading front-end services providers with the view that these providers are similar to traditional securities brokers, and thus should be subject to similar reporting requirements. Both (i) receive orders to sell, (ii) can verify order details, and (iii) are responsible for routing the order to a trading center (i.e., the NYSE or NASDAQ in the context of traditional securities, and DeFi trading applications with respect to digital assets). Additionally, trading front-end service providers and traditional securities brokers have the closest relationship to the customer, and therefore regulators viewed them as being in the best position to obtain customer identification information and as legal entities or individuals that can be identified by taxpayers and the IRS. Under the Regulations, trading front-end services would have been required to file the new Form 1099-DA, Digital Asset Proceeds From Broker Transactions, to disclose to the IRS the: (i) taxpayer’s name, address, and taxpayer ID number; (ii) name and number of digital assets sold; (iii) sale date; (iii) gross proceeds of the sale, after reductions for transaction fees; and (v) seller’s cost basis with respect to the digital asset.

Opponents of the Regulations argued that DeFi brokers providing trading front-end services are simply providing users with informational services, akin to a search engine, and therefore should not be considered “brokers” in the traditional sense and subject to similar reporting requirements.

The joint resolution prevents the federal regulations from going into effect and prohibits reissuing the same or a substantially similar measure, subject to certain exceptions. Sen. Ted Cruz (R-TX) authored the joint resolution to overturn the Regulations.

> The Trump administration has ushered in new approaches and priorities for Department of Justice (DOJ) criminal enforcement in the digital asset space.

DOJ’S NEW APPROACH TO DIGITAL ASSET ENFORCEMENT

The Trump administration has ushered in new approaches and priorities for Department of Justice (DOJ) criminal enforcement in the digital asset space. While there may be less aggressive criminal enforcement against legitimate platforms and providers that adopt a reasonable compliance approach, there is an increased focus on individual misconduct, criminal organizations, and platform abuse.

The biggest shake up came on April 7, when Deputy Attorney General Todd Blanche released a memorandum, Ending Regulation By Prosecution (the Blanche Memo), which outlines the DOJ’s new approach. This memo builds on President Trump’s January 23 Executive Order 14178 on Digital Assets, aiming to balance innovation with strong action against serious violations.

According to the Blanche Memo, the DOJ is not going to engage in "regulation by prosecution." Rather, the government will put the "actual regulators," as the memo calls them, such as FinCEN, in the lead "outside the punitive criminal justice framework." The DOJ will focus "on prosecuting individuals who victimize digital asset investors, or those who use digital assets in furtherance of criminal offenses such as terrorism, narcotics, human trafficking, organized crime, hacking, and cartel and gang financing." An enhanced focus on individual prosecutions may be a hallmark of this new approach (although DOJ leaders across presidential administrations have been touting more and more focus on individual cases for many years).

The flip side of focusing on individuals is a potentially more targeted approach to pursuing organizations for criminal prosecution. Specifically, the Blanche Memo states that the DOJ "will no longer target virtual currency exchanges, mixing and tumbling services, and offline wallets for the acts of their end users or unwitting violations of regulations — except to the extent the investigation is consistent with" other priorities, including investor fraud, misappropriation of customer funds on exchanges, hacking, fake digital asset development projects, and the use of digital assets by criminal organizations. The Blanche Memo further directs the immediate termination of any ongoing investigation that is inconsistent with this policy and the review of active cases for consistency. While this seems like a sweeping statement, it is full of caveats that raise questions about the extent of any real changes. For example, the DOJ generally cannot prosecute "unwitting violations of regulations," or prosecute an entity for the independent acts of an unaffiliated individual such as an end user. There may be minimal impacts here, despite what some observers have suggested.

Like the policies established in the Blanche Memo, and other bureaucratic re-shuffling such as disbanding the NCET, we would expect these changes to lead to more enforcement in key priority areas, and not a major overall decrease in enforcement.

Several days after the publication of the Blanche Memo, prosecutors in the fraud case against Do Kwon, founder of Terraform Labs, informed the court that their case would continue as planned for the time being. At least one other defendant in a separate prosecution — SafeMoon CEO Braden Karony — has already referenced the Blanche Memo in seeking to have his charges dismissed, but it remains to be seen how impactful this new policy will really be in existing and future cases.

The Blanche Memo also disbanded the National Cryptocurrency Enforcement Team (NCET). However, NCET has already made considerable progress in developing and disseminating to prosecutors' offices the enhanced capabilities in this sector that it was set up for. Dissolving this Main Justice team, particularly if it results in more of this expertise going out to the U.S. Attorneys' offices, may not reduce, and could potentially even increase, prosecutions in this area.

The Blanche Memo is consistent with the February 5 memoranda released by Attorney General Pam Bondi — including the General Policy Regarding Charging, Plea Negotiations, and Sentencing and Total Elimination of Cartels and Transnational Criminal Organizations — which detailed new priorities for the DOJ, notably the administration's focus on combatting organized crime and illegal immigration. This guidance, among other things, disbanded the DOJ Criminal Division's Money Laundering and Asset Recovery Section's (MLARS) Kleptocracy Asset Recovery Initiative, Russia-focused Task Force KleptoCapture, and other Main Justice organizations. It directed prosecutors to prioritize prosecutions and asset forfeiture actions targeting activities of cartels and other TCOs. Like the policies established in the Blanche Memo, and other bureaucratic re-shuffling such as disbanding the NCET, we would expect these changes to lead to more enforcement in key priority areas, and not a major overall decrease in enforcement.

Stakeholders in the digital asset sector may face new risks from the administration's policies toward cartels, TCOs, and terrorist organizations. For more background, see our advisory.

Even before the Blanche Memo, the DOJ under the Trump administration has shown that it remains focused on criminal enforcement in the digital asset space, with several notable case developments in 2025. These include:

- Forfeiture of more than $400 million in assets from an alleged international cryptocurrency Ponzi scheme;
- Seizure of cryptocurrency valued at approximately $201,400 allegedly intended to support Hamas terrorist activities and laundered through a series of virtual currency exchanges and transactions;
- Conviction of AML Bitcoin founder and CEO for misleading statements about the cryptocurrency and the technology behind it;
- Guilty plea by cryptocurrency financial services firm Gotbit Consulting LLC and its founder to wire fraud charges relating to Gotbit's alleged fraudulent manipulation of cryptocurrency trading volume, including forfeiture of $23 million;
- Guilty plea by Peken Global Limited, operating Kucoin, for operating an unlicensed money transmitting business, with forfeiture of $184.5 million and a $112.9 million fine; and
- Guilty plea by Aux Cayes Fintech Co. Ltd, operating OKEx, for operating an unlicensed money transmitting business, with forfeiture of $420.3 million and an $84 million fine.

Even with shifting priorities, the DOJ will continue to execute digital asset-related legal objectives for national security purposes. Earlier this year, the administration included sweeping FTO and SDGT classifications on eight specific drug trafficking cartels. See our advisory on this issue.

A bellwether case to watch is the ongoing prosecution of the developers of Tornado Cash, Roman Storm and Roman Semenov. The DOJ alleged that the creation of this decentralized crypto mixer was part of a scheme to aid in sanctions evasion and money laundering. Given the recent sanctions delisting of Tornado Cash, and the Fifth Circuit's questioning of the government's authority to enforce those sanctions, it will be interesting to see whether the criminal prosecution of these individuals is also impacted. For more on this case, see our advisory here and listen to our podcast here.

Some of the Trump administration's pardons have been interpreted as sending signals about policy and enforcement priorities, although the takeaways are less clear than many have speculated. Perhaps most notably, Ross Ulbricht, also known as "Dread Pirate Roberts," was sentenced to two life sentences without the possibility of parole for operating Silk Road, which the government alleged that he designed to allow users to purchase and sell illegal drugs and other unlawful goods and services anonymously through cryptocurrency. President Trump pardoned him on January 21. While some have interpreted this as a signal of the administration's views on criminal liability for crypto platform developers for crimes committed by users, other explanations may be more relevant, such as support for prominent libertarian causes and a reconsideration of the very harsh sentence that was imposed.

As the DOJ's priorities continue to take shape during the early months of the administration, it is apparent that it will continue to work with other agencies like OFAC at Treasury and the Bureau of Industry and Security (BIS) at Commerce, to tackle illicit crypto activity that undermines national security. To illustrate, on February 27, the DOJ filed an indictment against the Russian operators of Garantex, a cryptocurrency exchange based in Moscow alleged to have facilitated at least $96 billion in transactions for sanctions evaders, terrorists, and other illicit organizations. Garantex had been previously sanctioned by OFAC in 2022, and the DOJ-led multilateral takedown of its infrastructure along with the criminal indictment show that this administration will not shy away from aggressive action even against major platforms in this sector.

The DOJ also continues its work with BIS through the Disruptive Technology Strike Force to protect advanced technologies from illegal acquisition by foreign adversaries.

Just before the Trump administration took office, the DOJ released its final rule implementing Executive Order 14117, *Preventing Access to U.S. Sensitive Personal Data and Government-Related Data by Countries of Concern or Covered Persons*. While not specific to the digital asset sector, this rule will be relevant for many operators in that space when it comes to their data flows. For more on this, please see our advisories here and here. Importantly, the Trump administration, while providing a brief enforcement leniency period under these rules until July 8, has also established that this new regulatory regime will be among its priorities and will continue to move forward. See our most recent advisory on these developments here.

CFPB'S SHIFTING FOCUS

We previously saw the Consumer Financial Protection Bureau (CFPB or Bureau) show interest in creating additional protections for consumers using digital payments. On January 10, under former Director Rohit Chopra, the CFPB sought comment on a proposed interpretive rule on how the Electronic Fund Transfer Act and Regulation E applied to new types of digital payments. The comment period closed on March 31.

Under the new administration, the CFPB has been in a state of flux.

CFPB Acting Director Russell Vought attempted to shut down its activities including issuing a do not work order to employees, canceling contracts, and terminating employees. There is ongoing litigation with respect to these efforts, including a recent injunction. Nonetheless, executive orders assert increased control and oversight and promote deregulation.

In addition to stopping rulemaking, investigations, and enforcement efforts, the CFPB may seek to vacate prior settlements in some instances. For example, the CFPB jointly moved to vacate a stipulated final judgment entered in an enforcement action against a mortgage lender alleging redlining practices.

Also, on April 11, the CFPB announced regulatory relief from registration requirements for small loan providers. As such, it will not prioritize enforcement or supervision actions of entities that do not comply with the deadlines set under the regulation for submission of registration information. It is considering issuing a notice of proposed rulemaking to rescind or narrow the regulation. While the message here was that the Bureau would "focus its enforcement and supervision activities on pressing threats to consumers," it appears that we will instead see a trend of deregulation.

Apparently, the CFPB will focus its enforcement and supervision resources at least in part on issues related to servicemen and veterans.

See our recent advisory publications related to the CFPB here.

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Department of Commerce's role promoting cryptocurrency and blockchain

President Trump's early executive orders assigned significant responsibilities to the Department of Commerce (Commerce) within the cryptocurrency space. The two most expansive orders: Executive Order to Establish United States Leadership in Digital Financial Technology (Digital Financial Technology EO) and the Executive Order on the Establishment of the Strategic Bitcoin Reserve and United States Digital Asset Stockpile (Bitcoin Reserve EO) place some responsibility on Commerce to promote the government's role in cryptocurrency use and dissemination. The Digital Financial Technology EO establishes a Working Group on Digital Assets Market, which places the Secretary of Commerce as a member and charges the Group with responsibility in establishing a regulatory framework that will govern the issuance and operation of digital assets, including stablecoins, in the U.S. The Bitcoin Reserve EO focuses on creating policy and promoting the use and investment in the government's Bitcoin ownership. The EO requires the Secretary of Commerce along with the Secretary of Treasury to develop strategies for acquiring additional Bitcoin that is strategic and cost-effective. Both EOs signal the importance that Commerce will have in promoting cryptocurrency policies.

On the enforcement side, Commerce continues to work with BIS and other key agencies like the DOJ through the Disruptive Technology Strike Force, which focuses on protecting advanced technologies from illegal acquisition by foreign adversaries, such as China and Iran. The Strike Force's work signals its continued efforts to monitor advanced and emerging technologies, including the digital assets space, and prevent the illicit use of it for purposes of dismantling national security.

U.S. government officials believe that Commerce should be the principal advisor on blockchain technology — an important avenue for the promotion and utilization of digital assets. On February 27, a House bill was introduced titled Deploying American Blockchains Act of 2025, which would direct the Secretary of Commerce to take actions necessary to promote the deployment and use of blockchain technology. A similar bill was introduced on the Senate side on April 10. Although it is unclear whether these bills will be approved, this development signals that the U.S. government is open to promoting advanced technologies, especially those that support digital asset use and innovation.

FINRA'S CRYPTO OVERSIGHT

In January 2024, the Financial Industry Regulatory Authority (FINRA) completed a targeted review of member firms' communications with retail investors regarding crypto products and services. FINRA found 70% of materials reviewed included false and misleading statements that crypto was protected by federal securities laws. In March 2025, President and CEO Robert Cook and FINRA enforcement head Bill St. Louis participated on panels at the Securities Industry and Financial Markets Association's (SIFMA) annual Compliance & Legal Seminar. St. Louis stated FINRA had received crypto enforcement referrals and were deciding whether to move forward with them. Cook explained FINRA is currently undertaking a broad review of its rules and oversight. We are continuing to monitor how FINRA's positions on crypto enforcement may shift under the new administration.

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State legislatures

UNIFORM COMMERCIAL CODE ARTICLE 12

In the 2025 legislative session, 13 states — Arkansas, Connecticut, Florida, Maryland, Massachusetts, Montana, New York, North Carolina, Ohio, Oregon, South Carolina, Texas, and Vermont — introduced legislation to adopt Article 12 of the Uniform Commercial Code (UCC). Among other things, Article 12:

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

If adopted, these states would join 24 other states plus the District of Columbia in adopting Article 12.

STATE LEGISLATIVE OUTLOOK

As of April 30, multiple states have proposed legislation related to blockchain, cryptocurrency, and digital assets. Following is a selection of the most relevant bills introduced in state legislatures:

ALABAMA SENATE BILL SB17

Alabama Senate Bill SB17 (prohibits the state from restricting digital assets and exempts certain digital asset transactions from being classified as securities or money transfers. The bill aims to foster a regulatory environment supportive of cryptocurrency innovation and is currently pending in the Senate Banking and Insurance Committee.

ARIZONA HOUSE BILL HB2324

Arizona House Bill HB2324 amends forfeiture laws to include digital assets, directing seized digital assets to a "Bitcoin and Digital Assets Reserve Fund" to support law enforcement efforts. The bill, which passed the House and is now in the Senate, aims to integrate digital assets into the state's financial and regulatory framework.

ARIZONA HOUSE BILL HB2325

Arizona House Bill HB2325 proposes expanding the state's Fintech Sandbox program to include more extensive testing of blockchain and cryptocurrency-based financial products. The bill seeks to foster innovation by allowing entrepreneurs to test digital asset technologies under regulatory oversight.

ARIZONA HOUSE BILL HB2326

Arizona House Bill HB2326 establishes a Cryptocurrency and Blockchain Commission to position Arizona as a leader in blockchain technology and promote its adoption in various sectors. The commission would also appoint a "crypto czar" to coordinate state and federal cryptocurrency initiatives.

ARIZONA SENATE BILL 1025

On May 2, Arizona Governor Katie Hobbs vetoed Senate Bill 1025, which proposed the establishment of a digital assets reserve managed by the state, utilizing seized funds to invest in Bitcoin. The bill, which narrowly passed the state House with a 31–25 vote, aimed to make Arizona the first U.S. state to incorporate Bitcoin into its financial reserves. Governor Hobbs rejected the bill, citing concerns over the volatility and untested nature of virtual currency investments.

ARIZONA SENATE BILL 1373

On April 17, the Arizona House of Representatives took significant action on SB 1373, which aims to create the Digital Assets Strategic Reserve Fund. Representative Carbone motioned, pursuant to House Rule 12(P), to calendar SB 1373 for an Additional Committee of the Whole for further amendments, which passed by voice vote. SB 1373 establishes the fund to be administered by the state treasurer. The fund will consist of monies appropriated by the legislature and digital assets seized by the state. The state treasurer is tasked with depositing seized digital assets into the fund through secure custody solutions or exchange-traded products, administering the fund, and ensuring that no more than 10% of the fund's total monies are invested in any fiscal year. Additionally, the treasurer is authorized to loan digital assets from the fund to generate returns, provided there is no increase in financial risk to Arizona.

ARKANSAS HOUSE BILL 1467

On April 14, Arkansas enacted HB1467, amending the Uniform Money Services Act. Key changes include the addition of definitions for "elder adult," "existing customer," "new customer," and "virtual currency kiosk operator." The act mandates comprehensive disclosure requirements for virtual currency transactions, including material risks and terms and conditions. It also establishes maximum daily transaction limits and requires virtual currency kiosk operators to implement robust security measures, such as multifactor authentication and blockchain analyses. Additionally, the act introduces training requirements for authorized delegates to recognize and respond to financial abuse of elder adults.

FLORIDA HOUSE BILL 487

A proposed Florida House Bill 487 aims to establish a state Bitcoin reserve, allowing the state to hold Bitcoin as a strategic asset. The bill has advanced in committee but lacks a specific bill number in the provided context, indicating ongoing legislative development.

ILLINOIS SENATE BILL 1797

On April 10, State Senator Mark Walker advanced Senate Bill 1797, known as the Digital Assets and Consumer Protection Act, through the Illinois Senate. This legislation aims to protect Illinois consumers from digital asset fraud by establishing stringent guidelines for cryptocurrency companies. The bill mandates that these companies provide clear disclosures to consumers, demonstrate financial fitness for payouts, and register with the Illinois Department of Financial and Professional Regulation. Additionally, it requires the implementation of procedures to mitigate risks related to money laundering, fraud, and cybersecurity. Walker emphasized the importance of these measures in fostering a trustworthy environment for the digital assets industry, which has been plagued by fraudulent schemes such as “pig butchering” and “rug pulls.” With Illinois ranking sixth in the nation for crypto fraud losses in 2023, this bill seeks to enhance consumer protection while supporting the growth of legitimate digital asset businesses.

INDIANA HOUSE BILL HB1156

Indiana House Bill HB1156 addresses digital asset regulations, focusing on protecting self-custody rights, cryptocurrency mining, and node operations. The bill aims to create a supportive legal framework for blockchain technology and digital asset transactions.

KENTUCKY HOUSE BILL HB701

Known as the “Blockchain Digital Asset Act,” this House Bill HB701 establishes a comprehensive framework for the treatment of digital assets and blockchain under Kentucky state law, including comprehensive definitions and regulations for various blockchain-related terms and activities such as blockchain, blockchain network, blockchain protocol, cryptocurrency, digital assets, and smart contracts, among others. It allows individuals to accept digital assets for payment without additional taxes and ensures that the operation of nodes and staking services are permitted activities. The act also amends existing statutes to exempt certain blockchain-related activities from licensure and securities regulations. It legalizes and incentivizes cryptocurrency mining, protects the right to self-custody digital assets, amends Kentucky law to exclude home digital asset mining, digital asset mining business, and the operation of a node from money transmitter license requirements, and provides that digital asset mining or staking as a service shall not be deemed to be offering or selling a security.. It also prevents discriminatory zoning laws for digital asset mining businesses and ensures operations do not stress the electrical grid. The bill was signed by the Governor on March 24.

MARYLAND SENATE BILL 305

On April 22, Maryland passed a significant piece of legislation concerning the registration and regulation of virtual currency kiosks within the state. The Senate Bill 305 establishes comprehensive requirements for virtual currency kiosk operators, mandating registration with the commissioner of financial regulation before operation. The legislation empowers the commissioner to investigate compliance and enforce penalties for violations, ensuring that operators adhere to strict guidelines regarding transaction limits, user information collection, and fee structures. Additionally, the bill requires kiosks to display clear disclosures about the risks associated with virtual currency transactions and maintain customer support services. This regulatory framework aims to enhance consumer protection and ensure the responsible operation of virtual currency kiosks in Maryland, with the law set to take effect on July 1.

MISSISSIPPI HOUSE BILL HB1590 (BLOCKCHAIN BASICS ACT)

Mississippi House Bill HB1590, known as the Blockchain Basics Act, seeks to protect the rights to mine, protect self-custody rights, and use digital assets for payments while preventing discriminatory taxation or zoning for blockchain operations. The bill aims to establish Mississippi as a blockchain-friendly state by clarifying regulatory treatment of digital assets.

NEBRASKA LEGISLATIVE BILL LB609 (CONTROLLABLE ELECTRONIC RECORD FRAUD PREVENTION ACT)

Nebraska Legislative Bill LB609, signed into law on March 11, adopts the Controllable Electronic Record Fraud Prevention Act (CERFPA), which requires operators of kiosks for controllable electronic records (CERs) such as virtual currency to obtain a state money transmitter license. This law regulates digital asset ATMs to prevent fraud by requiring operators to be licensed and registered, enforcing transaction limits, and mandating fraud warnings.

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NEW JERSEY ASSEMBLY BILL A2249 (DIGITAL ASSET AND BLOCKCHAIN TECHNOLOGY ACT)

New Jersey Assembly Bill A2249, titled the Digital Asset and Blockchain Technology Act, aims to establish a regulatory framework for digital assets and blockchain technology, promoting innovation while ensuring consumer protections. The bill addresses licensing, taxation, and operational guidelines for cryptocurrency businesses.

NEW YORK SENATE BILL S4728 (NEW YORK STATE CRYPTOCURRENCY AND BLOCKCHAIN STUDY ACT)

New York Senate Bill S4728 establishes a cryptocurrency and blockchain study task force to assess the impact of widespread digital currency use, focusing on consumer protection, economic growth, and environmental considerations. The task force, comprising 17 members, is tasked with delivering a report to the governor and legislature by December 15.

NEW YORK ASSEMBLY BILL A7788

On April 10, New York Assembly Bill A7788, which establishes cryptocurrencies as a form of payment for state agencies, was referred to the Governmental Operations Committee. Sponsored by Assembly Member Clyde Vanel, this bill proposes that state agencies in New York be allowed to accept digital currencies such as Bitcoin, Ethereum, Litecoin, and Bitcoin Cash for payments of fines, taxes, fees, and other financial obligations. The bill aims to modernize payment methods and integrate digital assets into state financial operations. If enacted, it would require state agencies to enter agreements with cryptocurrency issuers and ensure secure and regulated transactions.

NORTH DAKOTA HOUSE BILL 1447

North Dakota HB 1447, signed into law April 11, establishes comprehensive regulations for virtual-currency kiosks in the state, aiming to protect consumers from potential fraud and establish clear guidelines for transactions through these automated machines. The bill requires operators to obtain money transmitter licenses and adhere to strict operational guidelines, including daily transaction limits, fraud warnings, and fee caps. It also mandates the use of blockchain analytics software and designates compliance and consumer protection officers.

OHIO HOUSE BILL HB116 (BLOCKCHAIN BASICS ACT)

Ohio House Bill HB116, the Blockchain Basics Act, prohibits state taxes on digital asset payments, protects mining and self-custody rights, and explores investing state retirement funds in digital asset ETFs. The bill aims to create a cryptocurrency-friendly environment while studying blockchain's potential for public finance.

OREGON HOUSE BILL HB2071

Oregon House Bill HB2071 establishes the right to own, accept, and use cryptocurrencies for transactions, protecting self-custody and payment rights. The bill seeks to promote digital asset adoption by ensuring legal clarity for businesses and individuals.

SOUTH CAROLINA SENATE BILL S163

South Carolina Senate Bill S163 prohibits state agencies from accepting central bank digital currencies (CBDCs) and bans participation in CBDC testing, while protecting digital asset mining and staking operations from discriminatory regulations. The bill ensures fair taxation and zoning for blockchain activities and clarifies that certain digital asset services are not securities.

TEXAS HOUSE BILLS

Multiple proposed Texas House bills aim to establish state Bitcoin reserves, allowing Texas to hold Bitcoin as a strategic asset to diversify financial holdings. These bills are in progress, but specific bill numbers and detailed provisions are not provided.

UTAH HOUSE BILL HB230 (BLOCKCHAIN AND DIGITAL INNOVATION AMENDMENTS)

On March 25, Gov. Spencer Cox signed Utah House Bill HB230, which prohibits state and local governments from restricting the acceptance or custody of digital assets, promoting their use in transactions and financial services. The bill supports blockchain innovation by ensuring regulatory clarity and fosters a digital asset-friendly environment by offering the state's residents fundamental custody protections and affirming their rights to mine bitcoin, operate nodes, and participate in staking, among other provisions. The final version of the bill removed a provision that would have made Utah the first state with its own crypto reserve.

OVER HALF OF U.S. STATES ARE CONSIDERING BITCOIN RESERVE BILLS

As of early 2025, 26 U.S. states have introduced legislation to establish state-level Bitcoin and digital asset reserves (SBRs). These initiatives aim to allocate up to 10% of state funds into cryptocurrencies like bitcoin, reflecting a growing trend toward integrating digital assets into public financial strategies.

One of the primary concerns on this issue is the volatility and security of the digital asset markets, with Bitcoin at times losing more than half its value within months. Digital-asset exchanges and wallets are frequent targets of cyberattacks — even highly sophisticated institutions have suffered losses due to cyberattacks. Critics argue the volatility and the security issues expose public funds to unnecessary risks compared to traditional investment vehicles.

The success or failure of early state bitcoin reserves will determine how prevalent SBRs will become.

States actively pursuing similar legislation include Alabama (Senate Bill 283), Arizona (Senate Bill 1373), Iowa (House File 246), Kentucky (House Bill 376), Maryland (House Bill 1389), New Hampshire (House Bill 302), and Texas (House Bill 4258), in addition to others mentioned above. Supporters of SBRs argue that they enhance state's financial security by diversifying their investment portfolios, shield state funds from the inflationary pressures that affect traditional currencies, and show potential for long-term financial gains. States eager to position themselves as a hub for the global digital asset industry view SBRs as an early foothold in the future of global finance.

Not all states have had success passing these SBR bills; for instance, Montana (House Bill 428), North Dakota (House Bill 1184), Pennsylvania (House Bill 2664), and Wyoming (House Bill 0201) have seen their proposed bills fail.

Critics also have concerns about the lack regulatory clarity surrounding cryptocurrency. The SEC and the IRS continue to evaluate how digital assets should be classified and taxed. If new federal regulations restrict digital asset holdings, states with SBRs could be forced to liquidate their reserves under unfavorable conditions or challenge the regulatory actions in court.

Troutman Pepper Locke will be monitoring the status of the bills, legal issues, and challenges that may arise as SBRs are adopted. In any event, the surge in state-level legislative activity indicates a significant shift in how U.S. states perceive and potentially use digital assets within their financial frameworks. The success or failure of early state bitcoin reserves will determine how prevalent SBRs will become.

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State attorneys general outlook

STATE ATTORNEYS GENERAL OUTLOOK

In the absence of comprehensive federal regulation for digital assets, State attorneys general (AGs) are becoming more influential than ever in shaping the regulatory and enforcement landscape for the digital asset industry. This trend has been particularly pronounced since President Trump's election, which ushered in a significantly more favorable regulatory environment for the industry. As discussed in previous sections, in a demonstration of support for the industry, President Trump issued executive orders early in his presidency promoting digital assets and preparing to establish federal stockpiles of these assets. And a recent DOJ memorandum announced that the agency will no longer pursue criminal enforcement actions that effectively impose regulatory frameworks on digital asset companies, focusing instead on prosecuting fraud and other criminal conduct.

Given the reduced federal enforcement efforts, State AGs — particularly Democratic AGs — are expected to play an even larger role in investigating and bringing enforcement actions against the industry. Recent developments in this space follow.

STATE AGS ALLEGE BITCOIN ATMS INCREASINGLY FACILITATE SCAMS

Recent actions by the Pennsylvania and Iowa AGs suggest increasing regulatory scrutiny of bitcoin transaction machines (BTMs) in connection with the role they allegedly play in facilitating scams. In Pennsylvania, AG David Sunday issued a consumer alert, warning Pennsylvanians that scammers are using BTMs to gain access to their money. In Iowa, AG Brenna Bird brought two lawsuits against Bitcoin Depot and CoinFlip, Iowa's two largest BTM operators, over alleged collection of illegal fees and failures that allowed Iowans to send millions of dollars to scammers through their kiosks.

These AG actions highlight a growing concern among state authorities about the role of BTM operators in facilitating financial scams. BTM operators should review current practices to ensure that baseline measures are in place to prevent fraud. Key practices include:

1. Leveraging data on the blockchain to monitor for transaction irregularities;
2. Ensuring appropriate responses take place when suspicious activity is identified; and
3. Being transparent when disclosing prices and transaction fees to avoid fraud accusations.

Troutman Pepper Locke State Attorneys General Team and Trey Smith covered the AG's increased scrutiny on BTMs in a recent Regulatory Oversight article.

NY AG REACHES $200 MILLION SETTLEMENT WITH DIGITAL HOLDINGS LTD AND RELATED ENTITIES FOR ITS ALLEGED LUNA MARKET-MANIPULATION SCHEME

In March, Galaxy Digital Holdings Ltd. and its affiliates reached a $200 million settlement with the New York Attorney General's Office (NYAG) to resolve allegations of market manipulation involving the digital asset Luna. The NYAG's investigation found that Galaxy and its founder, Michael Novogratz, promoted Luna to the public while simultaneously selling large quantities of the token acquired at discounted rates from Terraform Labs, without disclosing their intent to sell. This conduct was deemed to violate New York's Martin Act and Executive Law § 63(12), which prohibit fraudulent practices in the sale and promotion of securities and commodities.

As part of the settlement, Galaxy did not admit or deny the allegations but agreed to pay $200 million in disgorgement over three years and implement new compliance policies restricting public commentary and trading of digital assets. This case underscores the increasing role of state-level enforcement in the cryptocurrency sector, particularly as federal oversight diminishes.

NEW YORK ATTORNEY GENERAL JAMES URGES FEDERAL CRYPTOCURRENCY FRAMEWORK

On April 8, NYAG Letitia James urged lawmakers to pass legislation to create a federal regulatory framework for cryptocurrencies. In her letter to top congressional leadership, James said that the NYAG Office remains neutral on the promise of digital assets and the digital-asset industry's progress in achieving those promises. However, she underscored the risks that "must be managed to serve America's national interests," including digital assets potential to:

1. Undermine U.S. dollar dominance;
2. Weaken national security if used to finance criminal operations and fund adversarial regimes;
3. Undermine the stability of financial markets;
4. Subject investors to price manipulation and rigged markets;
5. Facilitate billions of dollars in fraud on Americans; and
6. Extract assets and investment from the American economy.

James also proposed seven “common-sense principles” Congress should incorporate in federal digital asset legislation:

1. Onshoring stablecoins to protect the U.S. dollar and the treasuries market;
2. Requiring platforms to only conduct business with anti-money laundering compliant platforms;
3. Providing the registration of issuers and intermediaries to ensure accountability, transparency, and basic protections to the public;
4. Protecting against conflicts of interests;
5. Promoting price transparency;
6. Requiring platforms and intermediaries to actively identify and prevent fraud and scams; and
7. Disallowing digital assets in retirement accounts.

James’ letter comes as the U.S. lawmakers consider several federal bills relating to digital assets, and President Trump’s March 6 Executive Order on the Establishment of the Strategic Bitcoin Reserve and United States Digital Asset Stockpile. The letter also follows the DOJ memorandum in which Deputy Attorney General Todd Blanche indicated that the agency would no longer pursue the Biden Administration’s regulation-by-enforcement strategy.

CALIFORNIA ATTORNEY GENERAL SHUTS DOWN 42 CRYPTOCURRENCY WEBSITES IN 2024

On March 10, California AG Rob Bonta announced that “through its nationally-recognized Crypto Scam Tracker and a new partnership with the California Department of Justice (DOJ), the state has shut down more than 26 different crypto scam websites and uncovered $4.6 million in consumer losses.” These actions were part of a broader initiative to combat “pig-butchering” scams, which lure victims with promises of fictitious investment returns. According to the CDOJ, these fraudulent websites were responsible for at least $6.5 million in consumer losses, with the average Californian losing approximately $146,306.

Bonta credited the success of this initiative to the collaborative efforts of the California Department of Financial Protection and Innovation (DFPI). DFPI Commissioner KC Mohseni emphasized the importance of the Crypto Scam Tracker, a tool designed to help consumers stay vigilant against such scams. Mohseni highlighted that the tracker is an essential part of their strategy to protect consumers and ensure financial security.

STATE AGS SUIT AGAINST THE SEC IS ON HOLD PENDING THE SEC’S CRYPTO TASK FORCE’S EVALUATION OF “CRYPTO-ASSET RELATED ISSUE”

In November 2024, AGs from 18 states, including Texas, Florida, and Oklahoma, filed a federal complaint against the SEC in the U.S. District Court for the Eastern District of Kentucky (case no. 3:24-cv-00069-GFVT). The state AGs allege that the SEC overstepped its authority by regulating digital assets as securities without clear congressional authorization, arguing that the SEC’s actions infringe upon state sovereignty and negatively impact state economies.

On March 14, 2025, before filing its answer, the SEC filed a consent motion asking the court to hold the case in abeyance for 60-days. This pause allows the SEC’s Crypto Task Force to evaluate “crypto-asset related issues.” Given the Trump administration’s pro-crypto policies and the DOJ’s recent announcement that it will disband its crypto-related enforcement team, we expect the SEC to seek a quick out-of-court settlement of this lawsuit.

CALIFORNIA DFPI PROPOSES AMENDMENTS

On April 14, the California DFPI issued a notice of rulemaking — the first substantive rulemaking under California’s Digital Financial Assets Law (DFAL). DFPI’s proposed regulations would clarify DFAL’s licensing process, including when digital asset activity is exempt from California’s Money Transmission Act (MTA), application requirements, and procedures for notifying the DFPI of changes. For an in-depth discussion on this topic, listen to our *Crypto Exchange* podcast episode titled Understanding the DFPI’s Proposed Rules: A Deep Dive Into California’s Digital Financial Assets Law.

California joined the crypto regulatory space when it enacted DFAL in 2023. California’s legislature enacted DFAL to require businesses or persons engaging in digital financial asset business activity to be licensed and to authorize the DFPI to license, regulate, investigate, and examine these businesses or persons. Beginning July 1, 2026, companies engaged in covered digital financial asset business activity with or on behalf of California residents must have or be awaiting licensure from DFPI to conduct digital financial asset activity.

DFAL established guidelines for what must be included in applications, but it lacks clarity for the application process. The proposed rulemaking clarifies that process through a comprehensive licensing framework. Additional information can be found here.

Post-bankruptcy litigation

While no high-profile bankruptcies in the digital asset space have been filed in 2025, the fallout from 2022's "crypto winter" continues with significant post-bankruptcy litigation.

- The joint liquidators of defunct crypto hedge fund Three Arrows Capital (3AC) won the right to file a late amended proof of claim in the FTX Trading Ltd. (FTX) bankruptcy, expanding the claims to include breach of contract, turnover, unjust enrichment, breach of fiduciary duty and restitution, and increasing the claimed amount from $120 million to $1.53 billion. The court rejected the debtors' arguments that the new claims were too dissimilar in type and scope to relate back to the original claim, and that it would be inequitable to allow such an outsized claim to be filed after the plan of reorganization had already been filed and confirmed. The court found that the debtors had failed to make a credible showing that the new claims would disrupt implementation of the plan. It is important to note that 3AC's claim, once filed, will still be subject to objections on the merits; however, if it is ultimately allowed in the asserted amount, other creditors could well end up recovering less than the debtors' plan of reorganization projected.

- Celsius Network Limited and Celsius Network LLC (Celsius) have sued Tether, issuer of the market-leading USDT stablecoin, seeking to claw back 39,542 Bitcoin (BTC), worth approximately $3.3 billion at today's prices. Celsius had posted the BTC as collateral for loans made by Tether. Celsius alleges that Tether liquidated the BTC "near the bottom of the Bitcoin market" and for less than reasonably equivalent value. Tether's motion to dismiss, based primarily on jurisdictional issues, has been fully briefed and is expected to be heard in the next quarter. If the case proceeds on the merits, it will provide important insights into the risks that counterparties may face in deciding whether to liquidate or to hold digital assets during periods of extreme volatility.
- The Delaware bankruptcy court recently reaffirmed the limits of bankruptcy court jurisdiction in I*n re Augustus Intelligence*. The debtor was (purportedly) an AI company intended to generate revenue from enhanced cryptocurrency mining. The post-confirmation litigation trustee sued a former insider for his role in an alleged scheme that fraudulently induced investors to fund over $30 million in the company. The trustee was acting as the assignee of the investors' claims, and the court determined that it lacked subject matter jurisdiction over claims held by nondebtors against a nondebtor. As a result, it dismissed all claims. Bankruptcy plans not infrequently provide for the voluntary assignment of individual claims to a litigation trust so that the claims can be pursued for the benefit of all creditors, particularly in cases involving widespread fraud. *Augustus* may render that strategy less attractive, as trustees will now be required to bring such claims outside the "home turf" of the bankruptcy court.

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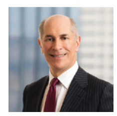
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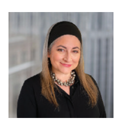
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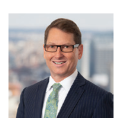
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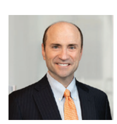
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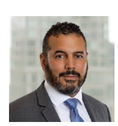
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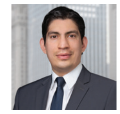
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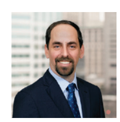
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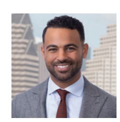
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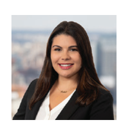
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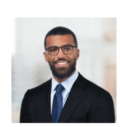
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