

FINANCIAL SERVICES

REGULATORY ROUNDUP | DEC 2025

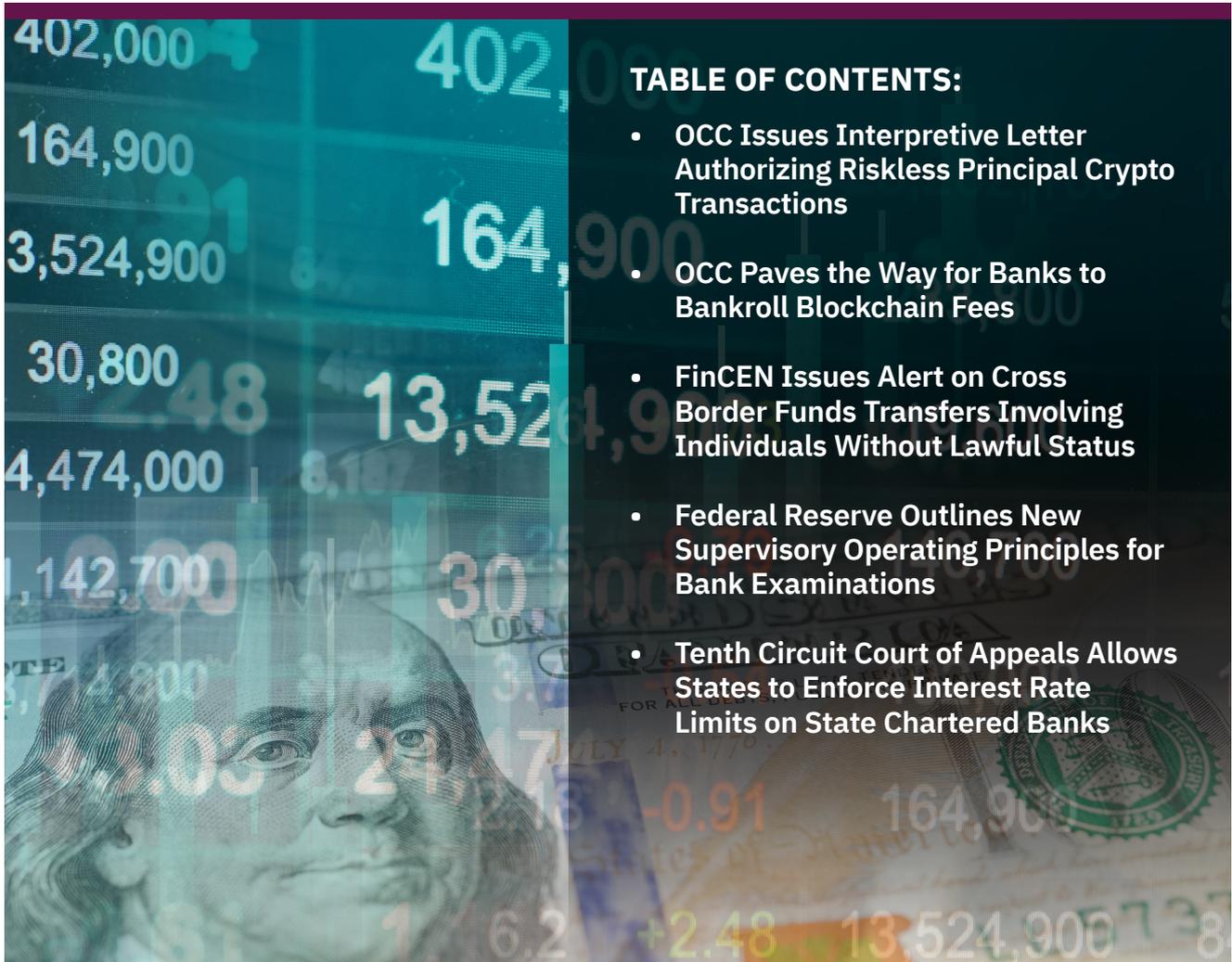


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[OCC Issues Interpretive Letter Authorizing Riskless Principal Crypto Transactions – Leel Sinai](#)

On Dec. 9, 2025, the Office of the Comptroller of the Currency (OCC) issued Interpretive Letter 1188, confirming that national banks may engage in riskless principal transactions in crypto assets as part of the “business of banking,” subject to safety and soundness expectations and compliance with applicable law.

A riskless principal transaction involves an intermediary purchasing an asset from one counterparty for immediate resale to another. The two orders are matched and executed essentially simultaneously, and the intermediary does not carry inventory except in rare settlement default scenarios. The OCC notes that banks already conduct these types of transactions in the securities markets and in certain physically settled derivatives.

For crypto assets that are securities, the OCC’s reasoning is straightforward. 12 U.S.C. 24(Seventh) permits national banks to buy and sell securities without recourse, solely on customer order and for customer accounts. The OCC explains that riskless principal securities transactions meet this standard because the bank does not assume market exposure. The fact that the underlying instrument also happens to be a crypto asset does not alter that conclusion. The remainder of the letter focuses on crypto assets that are not securities.

After a detailed application of these factors, the OCC concluded that payment of gas fees on blockchain networks, and holding crypto-assets as principal to do so, was indeed an activity “incidental to the business of banking.”

For non-security crypto assets, the OCC applies its established four factor test under 12 C.F.R. 7.1000(c) to determine whether an activity falls within the business of banking. The factors are: whether the activity is the functional equivalent or logical outgrowth of recognized banking activities; whether it strengthens the bank by benefiting customers or supporting the bank’s business; whether the risks are similar to those national banks already manage; and whether the activity is authorized for state banks.

Under the first factor, the OCC concludes that acting as a riskless principal in crypto assets is both the functional equivalent of traditional brokerage activity and a logical extension of crypto custody services. National banks already engage in brokerage-like functions when they match customer orders and interpose themselves as principal in riskless securities transactions or in derivatives that require transitory title to an underlying asset. The OCC also notes that executing crypto transactions for custody customers is economically similar to acting as their agent, which is an activity the OCC has already recognized as permissible in earlier crypto-related interpretive letters.

Under the second factor, the OCC highlights customer and business benefits. Banks emphasized that customers increasingly seek regulated avenues for crypto transactions and that riskless principal execution allows customers to transact through a highly supervised institution instead of through unregulated or less transparent venues. By standing between customers and pseudonymous or unfamiliar counterparties on crypto exchanges, a bank can help reduce operational complexity and counterparty concerns.

Under the third factor, the OCC finds that the risks associated with these transactions are familiar. Market risk is neutralized through offsetting legs of the transaction, leaving primarily counterparty and settlement credit risks. The OCC also finds that the operational issues involved in settling crypto transactions are similar to those it has previously evaluated in the context of crypto custody, stablecoin-related activities and the holding of network fees.

Under the fourth factor, the OCC observes that state regulated banks have long engaged in riskless principal securities transactions and that state crypto frameworks generally do not prohibit similar activities for crypto assets. This factor therefore does not weigh against permissibility.

The OCC concludes that riskless principal crypto asset transactions are permissible under 12 U.S.C. 24(Seventh). The agency also reiterates that banks must conduct such activities consistent with safe and sound practices and that these activities will be subject to ongoing supervisory review.

Read Interpretive Letter 1188 [here](#).

OCC Paves the Way for Banks to Bankroll Blockchain Fees – Neil Issar

On Nov. 18, 2025, the Office of the Comptroller of the Currency (OCC) published Interpretive Letter 1186 confirming that national banks may, as an activity incidental to the business of banking, pay blockchain network fees, often referred to as “gas fees,” to facilitate otherwise permissible activities and hold, as principal, reasonably necessary amounts of crypto-assets to pay such fees. Gas fees are transaction costs that users pay to execute operations on a blockchain network (e.g., Ethereum). These operations can range from simple transactions, like sending digital assets from one user to another, to more complex, self-executing transactions that involve smart contracts. The OCC also confirmed that national banks may hold amounts of crypto-assets as principal, necessary for “testing” crypto-asset-related platforms, whether internally developed or acquired from a third party.

For an activity to be considered “incidental to the business of banking,” it must be “convenient or useful” to activities that are specifically authorized for banks or otherwise part of the business of banking (12



C.F.R. § 7.1000(d)(1)). To determine whether an activity is “convenient or useful,” the OCC considers case-specific factors such as whether it facilitates the production or delivery of a bank’s products or services, enhances a bank’s ability to sell or market its products or services, improves the effectiveness or efficiency of a bank’s operations (in light of risks presented, innovations, strategies, techniques and new technologies for producing and delivering financial products and services) and whether it enables a bank to use capacity acquired for its banking operations or otherwise avoid economic loss or waste.

After a detailed application of these factors, the OCC concluded that payment of gas fees on blockchain networks (and holding crypto-assets as principal to do so) was indeed an activity “incidental to the business of banking.” It facilitates delivery and improves the efficiency of banks’ custody business, and it enhances banks’ ability to meet customers’ custody needs and demands (particularly since national banks may be well positioned to acquire crypto-assets necessary to pay some or all of customers’ gas fees). In addition, banks may not otherwise be able to conduct certain activities on blockchain networks and they could be subject to increased operational complexities, costs and delays if they had to rely exclusively on third parties to pay gas fees.

Under the same analysis, the OCC also approved holding crypto-assets as principal for testing things like transactions, controls, compliance capabilities and other crypto-asset platform functions. Testing is necessary to ensure a crypto-asset platform can provide safe and sound custody and related services. Forcing banks to engage third parties for testing purposes would, as with payment of gas fees, unnecessarily raise costs and operational risks, and could even chill robust testing.

Traditionally, blockchain networks have required gas fees to be paid in their “native” token (i.e., the asset or token that is fundamentally embedded within and operated by a particular blockchain’s own protocol). Examples include ETH for Ethereum, SOL for Solana, AVAX for Avalanche, XRP for Ripple’s XRP Ledger and ADA for Cardano. But emerging technologies and platforms are making it possible to pay these fees using non-native assets, such as stablecoins or tokens built on top of an existing blockchain that has its own separate native token. Combined with the OCC’s letter, national banks are now facing an increasingly easy path to acquire crypto-assets, both native and non-native, to pay gas fees, which could be the first step to blockchain transactions becoming part of banks’ standard suite of services

Read Interpretive Letter 1186 [here](#).

FinCEN Issues Alert on Cross Border Funds Transfers Involving Individuals Without Lawful Status – Leel Sinai

The Financial Crimes Enforcement Network (FinCEN) issued FIN-2025-Alert003 on Nov. 28, 2025, which provides updated expectations for money services businesses (MSBs) regarding cross border funds transfers conducted by individuals who lack lawful immigration status in the United States. Although the alert does not create new legal obligations, it reflects FinCEN’s continued focus on remittance activity that may involve proceeds of unlawful employment or other illicit conduct.

The alert directs MSBs to exercise increased vigilance when customers who lack lawful status initiate cross-border transfers, particularly where the transactions appear inconsistent with a customer's background or otherwise raise concerns about the source of funds. FinCEN notes that repetitive, low dollar transfers and transfers tied to unauthorized employment have previously been associated with criminal networks, including those involved in narcotics trafficking and human smuggling.

MSBs are also reminded of their obligation to file a Suspicious Activity Report (SAR) for any cross border transfer of \$2,000 or more when the institution knows, suspects, or has reason to suspect that the transaction involves funds derived from illegal activity or otherwise constitutes suspicious conduct. The alert requests that MSBs reference "FIN-2025-Alert003" in SAR field 2 and include sufficient context in the narrative to identify relevant customer circumstances and transactional patterns.

The alert follows recent executive and interagency actions aimed at disrupting illicit financial networks operating across U.S. borders. FinCEN has signaled that cross border remittance flows remain a supervisory priority and that institutions facilitating these transactions should expect enhanced scrutiny of their AML controls.

MSBs and other remittance providers should promptly review their existing anti money laundering programs to ensure that monitoring and escalation procedures adequately capture the risks highlighted in the alert. Institutions should evaluate whether customer due diligence processes sufficiently identify red flags related to immigration status, source of funds, and transaction patterns. Compliance teams should also confirm that SAR procedures reflect the updated labeling instruction and that personnel are trained to recognize indicators identified by FinCEN.

Read the FinCEN Alert [here](#).

Federal Reserve Outlines New Supervisory Operating Principles for Bank Examinations – Leel Sinai

On Nov. 18, 2025, the Federal Reserve Board released a public statement describing "enhancements to bank supervision" and published a Statement of Supervisory Operating Principles addressed to Federal Reserve supervision and regulation staff (the Operating Principles). The Operating Principles are intended to sharpen the focus of supervision on material financial risks to safety and soundness and to promote more timely and proportionate supervisory responses.

The Operating Principles implement priorities set by Vice Chair for Supervision Michelle Bowman. It calls for a significant shift from prior operating practices and instructs Federal Reserve Board and Reserve Bank staff not to assume that existing supervisory approaches should continue unchanged. Examiners are directed to use reasoned judgment, concentrate on material financial risks and escalate issues that existing tools do not adequately address.

Key Elements of the Operating Principles

Focus on Material Financial Risks

Supervisory resources are to be directed at risks that could meaningfully affect a firm's financial condition. Examiners are instructed not to devote excessive attention to processes, procedures and documentation that do not pose a material risk to safety and soundness. Lesser issues may be addressed through nonbinding supervisory observations and the Federal Reserve Board intends to amend SR 13-13 to reinstate the use of such observations.

Reliance on Primary Supervisors and Tailoring

For depository institution subsidiaries other than state member banks, examiners are reminded that the Gramm Leach Bliley Act requires maximum feasible reliance on the primary state or federal supervisor. The Federal Reserve should only conduct its own examination where it is "impossible" to rely on that supervisor, for example where sufficient information is not shared. Supervision is to be tailored to size, complexity and systemic importance, with relatively more resources devoted to large, complex organizations and relatively fewer to smaller, less complex firms.

The standard for issuing MRAs and MRIAs will also change. These tools are to be reserved for deficiencies that could have a material impact on a firm’s financial condition, rather than procedural or documentation issues that do not materially threaten safety and soundness.



For state member banks, Federal Reserve examiners are expected to work jointly with state agencies and, under alternate year examination programs, to rely as much as possible on state examination work in the alternating years.

MRAs, MRIAs and Enforcement Actions

The Operating Principles direct a change in how Matters Requiring Attention (MRAs), Matters Requiring Immediate Attention (MRIAs), and enforcement requirements are validated and terminated. Where a firm’s internal audit is rated satisfactory, examiners should rely on internal audit to validate remediation rather than performing duplicative validations. Examiners should not delay termination of an MRA, MRIA or enforcement requirement once deficiencies have been fully remediated, and should monitor sustainability after termination.

The standard for issuing MRAs and MRIAs will also change. These tools are to be reserved for deficiencies that could have a material impact on a firm’s financial condition, rather than procedural or documentation issues that do not materially threaten safety and soundness. MRAs and MRIAs may no longer be drafted in vague or overbroad terms; they must be stated with sufficient specificity that a person of ordinary intelligence can understand both the deficiency and the expected non deficient state. Work is also underway to clarify the interpretation of “unsafe or unsound practice” for enforcement purposes.

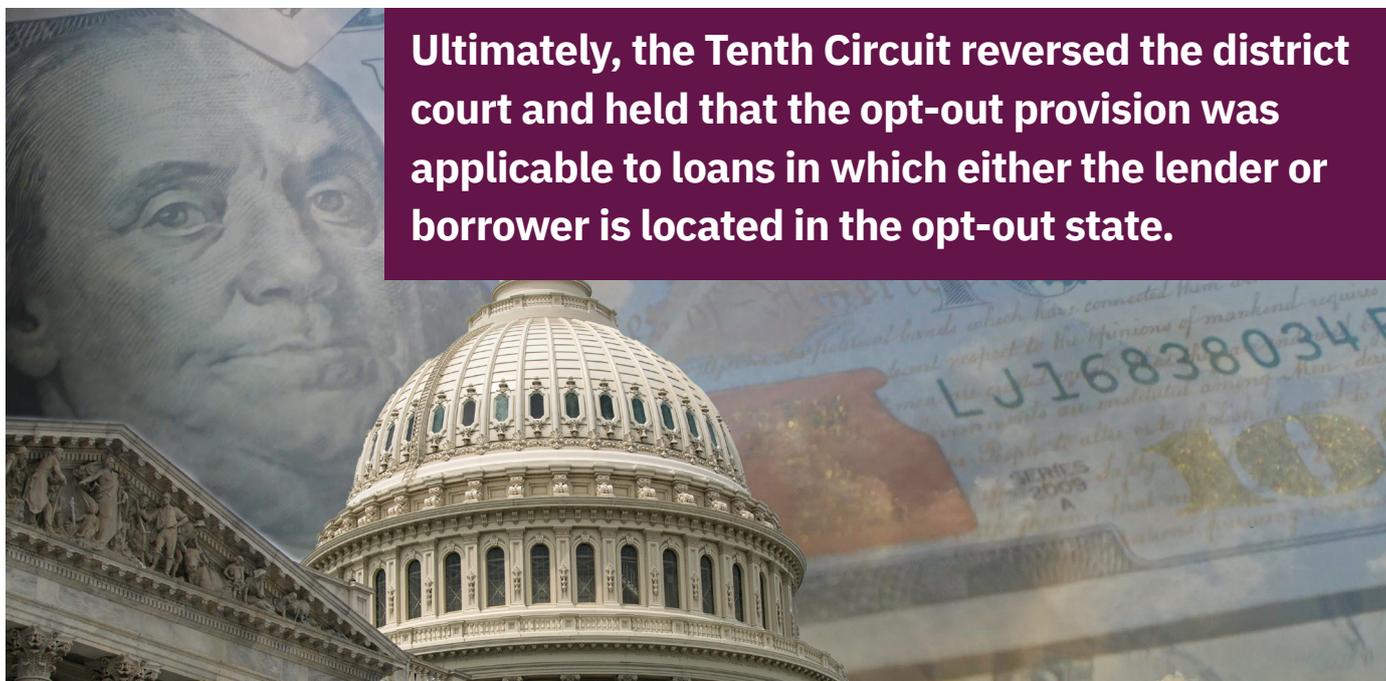
Horizontal Reviews and Ratings Practices

The large institution portfolios (LISCC and LFBO) are instructed to conduct horizontal reviews only where the Deputy Director for Supervision determines that the benefits to safety and soundness or financial stability outweigh the costs. Assessments from horizontal work should be measured against supervisory expectations rather than best practice within the peer group, and results should be confidentially shared with in scope firms, including peer comparisons.

The Statement also instructs that CAMELS and RFI/C(D) ratings should accurately reflect an institution’s financial condition and material financial risks. The management and risk management components are not to be given greater weight than other components in determining composite ratings; all components should be weighed based on their materiality.

Liquidity and Use of Official Sector Facilities

Examiners are told not to discourage or prohibit firms from considering Federal Home Loan Bank liquidity in managing liquidity risk or conducting internal stress tests, and not to require prepositioning of collateral at the discount window as a condition to future secured borrowing.



Ultimately, the Tenth Circuit reversed the district court and held that the opt-out provision was applicable to loans in which either the lender or borrower is located in the opt-out state.

Practical Implications

The Statement signals a meaningful recalibration of Federal Reserve supervision toward a more risk focused and less duplicative model. Banks can expect increased emphasis on material financial risks, more precise supervisory communications, greater reliance on internal audit and primary supervisors, and potentially faster resolution of outstanding MRAs, MRIs and enforcement requirements where remediation is complete.

The Board has indicated that it expects to refine and formalize these principles in public supervisory guidance or regulatory changes where appropriate. Institutions should monitor for follow up issuances and, in the meantime, consider how their existing supervisory interactions, remediation efforts, and internal audit capabilities align with the new operating principles.

Read the Operating Principles [here](#).

Tenth Circuit Court of Appeals Allows States to Enforce Interest Rate Limits on State Chartered Banks – Krista Garcia

On Nov. 10, 2025, the U.S. Court of Appeals for the Tenth Circuit issued an opinion in *National Association of Industrial Bankers v. Weiser* determining that Colorado can enforce its interest-rate caps on loans to borrowers residing in Colorado.

The underlying litigation centers around the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA), 12 U.S.C. § 1831d. Among other things, DIDMCA allows state-chartered banks to charge the same interest rates as national banks. However, DIDMCA also contains an opt-out provision that allows states adopt a law “asserting that the state does not want [§ 1831d] to apply with respect to loans made in such State.”

Historically, through DIDMCA, state banks received two key benefits, including: (1) “charge up to the discount-plus-one rate and to rate and to bypass any lower state interest-rate caps,” and (2) “a state bank [can] export the interest rates permitted by the state ‘where the bank is located’ to out-of-state borrowers, even if the rate charged exceeds the rate permitted by the borrower’s state.” Those provisions are meant to prevent discrimination against state-chartered banks and allow them to compete with national banks. However, the opt-out provision under DIDMCA allows states to “reassert control over their interest-rate regulation.” For state banks, this means that “any loan made in the opt-out state is subject to that state’s interest-rate caps, even if the cap is lower than the rate otherwise allowed under §1831d.”

Colorado chose to utilize this opt-out right in attempt to protect its residents from “proliferating rent-a-bank arrangements.” The “rent-a-bank arrangement” refers to nonbank lenders that partner with banks chartered in states that have high or even no interest-rate caps. In turn, the nonbank lender uses the state banks to “circumvent interest-rate caps in the borrower’s state via § 1831d.” In reliance on the opt-

out provision in DIDMCA, which applies to “loans made in such State,” Colorado interpreted this opt-out to apply to loans made in Colorado.

Following Colorado’s election to opt-out of DIDMCA, trade associations sued and obtained injunctive relief at the district court level. The trade associations argued that Colorado’s opt-out applies only to loans made by state banks located within Colorado. Colorado disagreed, arguing that this opt-out is applicable to Colorado borrowers regardless of whether the lender was an out-of-state bank.

Ultimately, the Tenth Circuit reversed the district court and held that the opt-out provision was applicable to loans in which either the lender or borrower is located in the opt-out state. In other words, this allows the states to apply their interest rate caps to loans for borrowers within the state even if the lender is an out-of-state bank.

The Tenth Circuit opinion will likely permit states to impose further regulation. As a result, lenders should review Colorado’s lending statutes to ensure their compliance.

Read the opinion [here](#).



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