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Client Alert: The GENIUS Act and Federal Regulatory Developments on Digital Assets

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I. GENIUS Act: A Foundational Policy Shift

On July 18, 2025, the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 (the "**GENIUS Act**"[1]) was signed into law by President Trump. The GENIUS Act represents a watershed in U.S. financial policy. For the first time, Congress has created a statutory baseline for the integration of blockchain and tokenized instruments into mainstream financial intermediation. Prior to this law, digital assets were addressed primarily through agency guidance and enforcement. The GENIUS Act signals a pivot from hesitation to legislative endorsement: depository institutions will now be expected to align their activities with a durable federal policy of accommodation.

The Act expressly authorizes insured depository institutions to engage in custody, settlement, and tokenization of payment and deposit liabilities under federal law, requires the prudential regulators to issue implementing rules on supervisory expectations for digital asset activities within 18 months, and directs the Treasury to establish uniform standards for tokenized money market instruments and stablecoin arrangements. It also creates an interagency council tasked with harmonizing examination manuals and supervisory guidance across the banking agencies.

In connection with the Act's passage, the Comptroller of the Currency issued a statement emphasizing that the law "places digital asset activities on the same prudential footing as other core banking services" and underscored that the Comptroller's role will be to "translate congressional intent into clear supervisory expectations." In plain terms: this statute moves digital asset activities out of the gray zone of "regulatory risk" and into the black letter of U.S. banking law—and for any CEO of a regulated depository institution, the wake-up call is that Congress just told your regulators that digital assets are now part of your business model…whether you like it or not.

II. Federal Bank and Credit Union Guidance: Authority and Admonitions

Dovetailing with the current U.S. legislative landscape, federal banking and credit union regulators have progressively moved from the restrictive postures that took root under the Biden administration toward a framework of conditional acceptance of digital asset activities. While each regulator has chosen a somewhat unique procedural path, the direction is unmistakable: crypto-asset and tokenized-dollar activities are permissible so long as they are conducted with robust risk management, safety-and-soundness controls, and

subject to ongoing supervisory oversight.

The Board of Governors of the Federal Reserve signaled this pivot on April 24, 2025, when it rescinded prior supervisory letters (SR 22-6 / CA 22-6 and SR 23-8 / CA 23-5) that had required advance notification before engaging in crypto or dollar-token activities. Banks are now supervised under ordinary examination processes, but the Federal Reserve made clear that safety-and-soundness expectations remain unchanged. Shortly before, on March 28, 2025, the Federal Deposit Insurance Corporation (FDIC) similarly rescinded FIL-16-2022, eliminating the requirement for pre-approval of crypto-related activities. FDIC-supervised institutions may now pursue such activities so long as they can demonstrate prudent management of liquidity, operational, cybersecurity, consumer protection, and Anti-Money Laundering (AML)/Bank Secrecy Act (BSA) risks.

The Office of the Comptroller of the Currency (OCC) reaffirmed its longstanding position with Interpretive Letter 1184 (May 7, 2025), confirming that national banks and federal savings associations continue to have authority to provide crypto custody and execution services—including through third-party providers—so long as the bank exercises effective vendor oversight. This release was built on prior OCC letters (1170, 1172, 1174) while providing an updated roadmap for compliance in an era of heightened supervisory scrutiny. For credit unions, the guidance of the National Credit Union Administration (NCUA) remains grounded in Letter 22-CU-07 (May 2022), which authorizes federally insured credit unions to adopt distributed ledger technology (DLT) and to work with third-party digital-asset service providers, as long as the board maintains oversight, vendors are carefully vetted, and consumers are given appropriate disclosures.

These developments culminated in a Joint Statement issued on July 14, 2025, by the OCC, FDIC, and Federal Reserve, emphasizing that institutions holding or safeguarding crypto assets must do so in a manner that is safe, sound, and fully compliant with applicable law. The message to all federally supervised institutions is uniform: digital asset activities are not prohibited, but they must be managed with the same rigor as any other core banking function.

And the regulatory shift is not confined to payments and custody. On the lending side, the Federal Housing Finance Agency has begun reshaping the mortgage market by directing Fannie Mae and Freddie Mac to begin considering cryptocurrency and other digital asset holdings when evaluating a borrower's reserves. To qualify, assets must be custodied through U.S.-regulated platforms and subject to appropriate volatility adjustments. This marks the first time digital assets are formally recognized in mortgage underwriting at the Government-Sponsored Enterprise (GSE) level and could meaningfully expand the pool of eligible homebuyers in the relative near term.

At the same time, the Securities and Exchange Commission (SEC) recently provided new clarity for regulated fiduciaries by acknowledging that registered investment advisers may now satisfy custody obligations for digital assets held on behalf of clients through the use of state-chartered trust companies acting as qualified custodians. While not without dissent—Commissioner Caroline Crenshaw warned of uneven state oversight—the release provides long-sought regulatory legitimacy to non-bank custodians and underscores the expanding role of state trust companies in institutional custody markets.

Taken together, these actions illustrate the scope of regulatory convergence: bank regulators, housing finance authorities, and securities regulators are all moving, in parallel, toward frameworks that accept digital assets as part of the financial system—provided that traditional standards of prudence, safety, and compliance are met. The signal for bank executives is clear: regardless of charter type, the supervisory environment is evolving quickly, and digital asset integration is no longer fanciful speculation from the fringes of the crypto-sphere. It's an operational reality.

III. A Systemwide Migration to DLT

The revolution in digital assets and DLT is by no means confined to regulated depository institutions and trust companies. Across the entire global financial system, exchanges, clearinghouses, and asset managers are taking visible steps to re-platform core operations onto blockchain rails, again signaling that the transition is not speculative but systemic. In September 2025, Nasdaq filed with the SEC to permit trading of tokenized securities—including equities and exchange traded products—on its markets. Under this proposal, member firms and investors can choose whether a security clears and settles in traditional digital form or in tokenized form, with the Depository Trust & Clearing Corporation (DTCC) handling the back-end recordkeeping. Nasdaq emphasized that tokenization offers efficiency gains such as faster settlement, streamlined audit trails, and expanded investor choice, all while preserving existing regulatory protections and market integrity.

Similarly, in April 2025, the DTCC, the bedrock post-trade infrastructure for global markets, unveiled its AppChain-based tokenized collateral management platform. Termed the "Great Collateral Experiment," this demonstration showcased how smart contracts and tokenized assets can dramatically increase the velocity of collateral movement, unlock capital efficiencies, and enable 24/7 real-time operations across both traditional and digital networks. DTCC leaders described collateral mobility as the "killer app" for institutional blockchain adoption, highlighting the potential for this technology to fundamentally transform post-trade operations.

Asset managers are also moving aggressively into tokenized solutions. In March 2024, BlackRock launched its first tokenized fund, BUIDL, on the Ethereum network, enabling dividends to be paid directly to investor wallets and ensuring interoperability through BNY Mellon and Securitize. In his 2025 Annual Chairman's Letter, CEO Larry Fink framed tokenization as a revolutionary leap: if the Society for Worldwide Interbank Financial Telecommunication (SWIFT) is the postal service, the tokenization of money and other assets is email. Fink emphasized that every stock, bond, and fund could ultimately be tokenized, clearing in seconds rather than days, and that trillions of dollars currently immobilized by settlement delays could be immediately redeployed into the economy. Franklin Templeton has taken a similarly proactive stance: on September 10, 2025, the firm announced a collaboration with Binance to develop tokenized products and digital asset initiatives. Executives stressed that blockchain is not a threat to legacy systems but an opportunity to reimagine them, offering efficiencies in settlement, collateral management, and portfolio construction at scale.

Taken together, these initiatives by some of the most systemically important institutions in finance illustrate the inevitability of the current shift. Nasdaq is embedding tokenization directly into U.S. equity markets, DTCC is constructing new pipelines for collateral liquidity, BlackRock is already distributing tokenized investment funds to qualified investors, and Franklin Templeton is actively bridging traditional finance with global digital trading venues. Decision makers across the industry are not merely preparing for a blockchain future—they are competing to lead it. The message is unmistakable: tokenization is not a niche experiment; it is rapidly becoming the next operating standard for the world's financial system.

IV. But Why All the Fuss About Digital Assets and DLT?

Let's take a step back to consider the underpinnings of the shift currently reverberating through the financial world. At its core, the rapid transition toward digital assets and DLT reflects a single fundamental shortcoming of the current iteration of the internet: that being, while it very effectively enables near-instant communication around the entire globe, it comes nowhere even close to providing the level of security or consensus that's required to enable instant, final settlement of money or other assets existing in tokenized form. Cryptographically secured distributed ledgers, however, fill the missing security gap—enabling

trusted, tamper-resistant transfers on a 24/7 basis without reconciliation delays or clearing accounts. The economic implications of introducing this technology into the fabric of global finance are staggering. Studies project that tokenization and DLT-based settlement could unlock **trillions of dollars in efficiencies, liquidity, and new market opportunities over the next decade**, with estimates of a $5–10 trillion tokenized asset market by 2030. However, many in the industry believe these estimates to be ridiculously conservative. This is why decision makers at BlackRock, Franklin Templeton, Nasdaq, and DTCC are already salivating at the opportunity to re-platform global finance on rails that eliminate friction, open new revenue channels, and collapse settlement times from days to seconds. For depository institution executives, the message is clear: this is not a speculative trend, but a tectonic shift in the financial system's infrastructure.

V. Conclusion

For depository institutions, 2025 has been nothing short of drinking from a fire hose. The pace at which DLT, tokenization, and digital assets are being embraced by regulators, market infrastructure providers, and global financial titans leaves little doubt that this is no passing fad. To the contrary, the shift underway is a **seismic restructuring of global finance**, and there is nothing on the horizon capable of slowing its momentum.

Community and regional banks and credit unions may not yet know exactly how their future business models will take shape in this new environment. But one thing is certain: the burying of heads in the sand is not an option. To ignore this transition is to run the risk of obsolescence. Institutions must confront these changes or risk perishing.

Even the largest digital asset firms recognize the writing on the wall. Players like Circle Internet Group, Inc. (**Circle**) and Ripple Labs, Inc. (**Ripple**)—entities once viewed as agitators standing outside the walls of the regulated banking system—have each submitted applications to the OCC to secure their own national trust bank charters. Their entry into the regulated fold signals that the lines between "traditional" finance and "digital" finance are dissolving and that banks unwilling to evolve risk being displaced by more agile competitors. Candidly speaking, the digital asset world isn't waiting for the banking sector—it's entering the arena armed for bear.

In our opinion, the best path forward for depository institutions doesn't begin with the adoption of grandiose strategies or comprehensive business plan re-writes but rather through the exploration and evaluation of foundational infrastructures, such as custodial solutions for tokenized deposits and other assets, as well as the establishment of seamless corridors into payment stablecoins and other tokenized real-world assets. Like it or not, these are likely to become baseline expectations of both business and consumer customers alike. **Secure custody and "slippery" payment rails**—those that customers can navigate effortlessly with minimal awareness of the underlying tech—are what will anchor an institution's customer base into the next chapter of finance.

Be excited by the possibilities, but act with urgency. The rails are being built now, and the choice could not be clearer: this revolution is happening with or without the banking sector. By moving now to explore the development of custody and payment capabilities, banks can turn disruption into opportunity—capturing new markets, new customers, and a future place at the center of global finance's next chapter.

If you would like more information on how the passage of the GENIUS Act might impact your institution, please free to contact David Mack at dmack@shumaker.com or 419.321.1396.

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[1] Pub. L. No. 119-27, 139 Stat. 419 (2025)

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