

## Crypto's integration into the traditional financial system is underway

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President Trump entered the White House in January 2025 promising to make the United States the “Crypto Capital of the World.” The federal agencies and Congress are responding with unprecedented speed to make that a reality.

In the depth of crypto winter we published several [client updates](#) identifying signals of increased resistance toward crypto's integration into the traditional financial system—signals that only intensified through the end of the prior administration. Now, the federal government is amidst a historic change in course, with ambitious efforts to integrate crypto into the traditional financial system starting to kick into high gear.

### The Executive Branch

#### Working group report: “A blueprint to becoming a crypto superpower”

On January 23, 2025, just three days after the presidential inauguration, President Trump signed an executive order on [Strengthening American Leadership in Digital Financial Technology](#), which established the President's Working Group on Digital Asset Markets. Pursuant to the executive order, on July 30, 2025, the Working Group released a report (the Working Group Report) outlining the Administration's recommendations to Congress and agencies that would cement the Administration's “pro-innovation mindset toward digital assets and blockchain technologies.” The Working Group Report sets forth an ambitious roadmap for the agencies to follow.

#### The SEC: Project Crypto is full speed ahead

The day after the publication of the Working Group Report, SEC Chairman Atkins delivered a [speech](#) entitled “American Leadership in the Digital Finance Revolution” in which he announced the SEC's “Project Crypto,” a “Commission-wide initiative to modernize the securities rules and regulations to enable America's financial markets to move on-chain.” As we have [previously noted](#), “the SEC need not wait for Congress to act before adopting comprehensive and durable rules to reform the regulatory landscape.” Chairman Atkins has directed the SEC's staff to “draft clear and simple rules of the road for crypto asset distributions, custody, and trading for public notice and comment.”

Three key and complementary priorities from Chairman Atkins's speech stand out:

- First, more generally, is Chairman Atkins's full-throated support for establishing a new regulatory framework for distributions of crypto assets in the United States.
- Second is Chairman Atkins's view that “it should not be a scarlet letter to be deemed a security.” Here too, Chairman Atkins's has asked SEC staff to propose fit-for-purpose disclosures, exemptions, and safe harbors, including for “initial coin offerings,” airdrops and network rewards.

- Third, with yet broader ramifications, is Chairman Atkins’s view that securities and crypto intermediaries should be able to horizontally integrate, and that they should be able to provide products and services for both securities and non-securities alike (including crypto assets) under a single “super app” framework.

More generally, the SEC has been moving with stunning speed to provide clarity to crypto asset market participants. Within weeks of the new administration entering Washington, the SEC Commissioners or its staff:

- Withdrew SAB 121, an onerous new accounting rule for entities responsible for custody of crypto assets;
- Announced a new Crypto Task Force (which has since held a number of important and informative roundtables);
- Withdrew or voluntarily dismissed nearly all of the non-fraud related enforcement actions still pending from the prior administration;
- Withdrew proposed rules advanced under the prior administration that could have adversely impacted crypto assets and blockchains;
- Released broker-dealer and transfer agent FAQs about crypto asset activities and blockchain technology;
- Permitted a number of crypto-related IPOs and de-SPAC transactions to proceed;
- Permitted crypto-related exchange-traded products (ETPs) to utilize in-kind redemption and creation mechanisms and is considering generic listing standards; and
- Released guidance on [staking](#), [liquid staking](#), [mining](#), [meme coins](#), [stablecoins](#) and disclosure obligations for both [ETPs](#) and [offerings and registrations of securities in the crypto asset markets](#).

## Other financial federal agencies: Merging into the fast lane

The SEC has had the most abrupt about-face on crypto, in part, because it had been the most publicly antagonistic to crypto under the prior administration. Still, other federal agencies have been pivoting as well.

On August 1, the CFTC announced its “Crypto Sprint.” While the initiative remains nascent, Acting Chairman Pham announced the Crypto Sprint as the CFTC’s plan to implement the recommendations of the Working Group Report. Also like the SEC, the CFTC has held a crypto-related forum and withdrawn staff advisories released under the prior administration.

Likewise, the federal banking regulators have rescinded guidance issued under the prior administration and issued updates to clarify that various crypto asset activities are permissible for banking organizations. We [predicted](#) shortly after the last election that the federal banking agencies would likely revisit the following policies:

- their guidance about how banks can interact with public blockchains;
  - their interagency policy sprint and the resulting guidance on custody, facilitating customer transactions in crypto assets, loans collateralized by crypto assets, payments activities and holding crypto assets as principal;
  - Operation Choke Point 2.0;
  - tokenization efforts; and
  - crypto-focused bank charters.
- We expect these efforts to continue and, as a result, we are seeing banking organizations become increasingly engaged in crypto asset activities.

## Congress

On July 18, 2025, President Trump signed into law the first crypto-specific federal legislation in the United States, the GENIUS Act. The GENIUS Act was passed with significant bipartisan support and establishes a federal framework for payment stablecoin activities. See our [client update](#) for a breakdown of the key provisions of the GENIUS Act.

Although the GENIUS Act is a critical milestone for the digital asset industry, it is only one of several legislative initiatives. As Treasury Secretary Bessent has [said](#), “the next step in strengthening the crypto ecosystem is shepherding must-pass market structure legislation.” Both the CLARITY Act passed by the House and the draft Responsible Financial Innovation Act (RFIA) in the Senate represent serious, albeit evolving, legislative efforts at the challenging task of establishing a comprehensive regulatory framework for digital asset markets.

Both the CLARITY Act and the RFIA, consistent with the Working Group Report, would grant jurisdiction over most spot crypto asset markets to the CFTC, following from the footprints of FIT21, a market structure bill that passed the House (but did not advance in the Senate) during the last Congress. Both the CLARITY Act and the RFIA seek to distinguish between securities and “digital commodities” in an effort to provide clarity as to when a crypto asset is or is not a security. Even so, there are significant differences between the CLARITY Act and the RFIA, including how they police the boundaries between SEC and CFTC jurisdiction.

We view passage of a market structure law as more contentious and complex than the GENIUS Act and expect to see several further revisions before, or if, market structure legislation reaches the President's desk.

## Putting it all together

Going forward, we expect crypto regulation to proceed in three phases:

### Short term: No-action relief, exemptive relief and guidance

As a matter of administrative law, no-action relief, exemptive relief and guidance are the quickest and easiest ways in which regulators can administer the laws and regulations in their jurisdiction in accordance with the Working Group Report. Principally, these actions do not trigger the notice-and-comment requirements of the Administrative Procedure Act. The various regulators are well into this stage.

### Medium term: Formal rulemaking

The risk to the very short-term options, of course, is that they can be withdrawn as easily as they were adopted—making them a short-term solution but with uncertain longevity. One need only look at the regulators' rollbacks of the actions, such as SAB 121, taken under the prior administration. Formal rulemaking subject to APA procedures like public notice and comment has significantly more staying power.

In the absence of specific federal legislation, the SEC has broad authority to issue new rules to exempt various crypto asset activities. The federal banking regulators similarly have wide ranging discretion and authority over the regulation of banking activities and could accomplish significant regulatory change through formal rulemaking. Our view is that we are close to reaching this stage, and while agencies are issuing staff guidance in the short-term, they will soon move onto formal rulemaking.

### Longer term: Legislation and implementing rules

While the GENIUS Act marked a legislative breakthrough, broader market structure legislation remains necessary to fully modernize the regulatory framework for crypto assets. Over the long term, we expect comprehensive federal legislation to establish a durable foundation for crypto asset markets, followed by implementing rules from relevant agencies.

Both the CLARITY Act in the House and the RFIA in the Senate represent serious efforts to codify core market structure principles, including a clear division of jurisdiction between the SEC and CFTC, definitions distinguishing digital commodities from securities, and the creation of licensing frameworks for crypto asset intermediaries. Though these bills remain in flux and are necessarily quite complicated, key provisions from each are likely to materialize into law, whether in actual legislation or in agency rulemaking.

Once enacted, like with the Dodd-Frank Act after the Financial Crisis, legislation of this scope will require substantial regulatory implementation. For example, the GENIUS Act as enacted, and the CLARITY Act as it passed the House, each mandate a multitude of rulemakings, studies and reports. Agencies will need to engage in extensive rulemaking to align existing frameworks with congressional mandates—particularly, in the case of market structure legislation, around disclosure regimes, custody standards, licensing processes and capital requirements. Notwithstanding ambitious deadlines set out in the bills, this process may take years but would provide more durable legal clarity and reduce the risk of policy reversals across administrations.

Resources  
Crypto Regulation Hub

Visit our Crypto Regulation Hub for links to congressional proposals related to the regulation of crypto assets and other helpful materials.

[Explore our crypto resources](#)

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