

## THE NELSON MULLINS

READING THE TEA LEAVES: ANTICIPATING CRYPTO, DEFI & CBDC IN 2025

Kevin Tran

April 14, 2025

#### AGENDA

Introduction

What is distributed ledger technology?

• What are digital assets?

A (Very) Brief History of Banking and Crypto

• The door was open...

• And then it was slammed shut.

Policy Winds are Changing

• Policy changes under the Trump administration.

Regulatory Reactions

How have regulators responded to this policy shift?

• What more is expected?

What Does This Mean for You (the Bank)?

If/when the light turns green, what will actually happen?

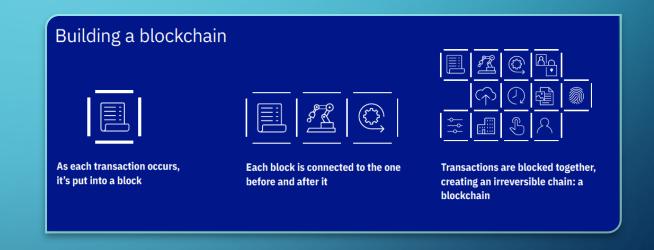
• How should banks be thinking about this paradigm shift on crypto?

Closing Remarks

• What's next and where do banks fit into this shift?

#### WHAT IS BLOCKCHAIN?

- Blockchains allow their users to store and access information relating to a given set of assets and their holders in a shared database of either transactions or account balances.
- A transaction is validated when a specified proportion of the network's validators have reached a consensus as to its legitimacy.
- Users can then extract the updated information they need for conducting their respective businesses from these locally stored databases.
- This information is distributed among users, who could then use it to settle their transfers (for example, of securities and cash) without needing to rely on a trusted central validation system.



#### WHAT IS A DIGITAL ASSET?

- How is it defined?
  - The SEC often defined a digital asset as "an asset that is issued and transferred using distributed ledger or blockchain technology."
  - The Federal banking agencies (FDIC, Fed, and OCC) use the term "crypto asset" to refer generally to any digital asset implemented using cryptographic techniques.
  - The CFTC noted that digital assets can be understood as "anything that can be stored and transmitted electronically and has associated ownership or use rights."
- Do the variations in definitions matter?
  - No, what matters are the risks these assets present according to regulators.

#### **ANCIENT HISTORY**

- Bitcoin was created in 2009 and by April 2011, it was worth a staggering one dollar.
- The Ethereum Network was launched in July 2015.
- By 2017, the big initial coin offering boom started and all sorts of digital assets started appearing.
- Total market capitalization for crypto reach a peak in 2017 of approximately \$535 billion and then, by November 2018, total market cap fell to approximately \$138.6 billion.
- Despite the volatility, crypto was gaining mainstream acceptance. Meanwhile, regulators started to react to the increased prevalence of crypto in our traditional financial systems.

#### THE DOOR SLAMS SHUT

- SEC
  - DAO Report in 2017
  - Digital Asset Framework 2019
  - Between January 1, 2013 and December 31, 2024, the SEC brought 207 crypto-related enforcement actions. Over half of these actions occurred between 2022 and 2024.
- FinCen
  - 2019 Guidance on Convertible Virtual Currencies
- Federal Banking Regulators
  - November 2021: OCC Interpretive Letter 1179 ("No Objection")
  - August 2022: FDIC FIL-16-2022 and Fed SR 22-6 ("Prior Notice")
  - January 2023: Joint Statement on Crypto-Asset Risks

#### POLICY AND LEGISLATIVE WINDS CHANGING

- \$TRUMP, \$MELANIA, and WLFI
- GENIUS Act
- FIT21 Act
- Presidential Working Group on Digital Asset Markets
- Crypto Czar and the Crypto Summit
- NO CBDC Act and January 23 E.O. banning CBDCs
- White House Support for "Anti-DeFi IRS Crypto Tax" Rule

#### **REGULATORS PIVOT**

- SEC
  - Crypto Task Force Roundtable
  - Statement on Memecoins
  - Statement on Stablecoins
  - Statement on Crypto-mining Activities
  - Cessation of enforcement actions against Binance, Coinbase, etc.
  - SAB 122 (which repealed SAB 121)
- Federal Banking Agencies
  - OCC Interpretive Letter 1183 (repealing Interpretive Letter 1179)
  - FDIC rescinds FIL-16-2022
  - OCC removes references to reputational risk
- DOJ
  - Dissolves crypto enforcement unit
  - Statement on no longer going after intermediaries
- CFTC
  - Crypto CEO Forum

#### DOES A GREEN LIGHT MEAN GO?

- Do you immediately go out and start custodying crypto, issuing stablecoins, or integrating cross-border crypto-based payment systems?
- Compliance is still a critical aspect of banking
  - Safety and soundness
  - BSA/AML
  - TPRM
  - Staffing
  - Liquidity Risk
- Don't forget how bank enforcement actions hit bank-fintech partnerships.

### **CLOSING REMARKS**



# QUESTIONS OR FOLLOW UP?

- Kevin Tran
- Partner, Financial Regulatory Practice
- Kevin.Tran@nelsonmullins.com
- 615.664.5322 (Nashville)
- www.nelsonmullins.com/people/kevin-tran

#### ABOUT THIS PRESENTATION



Nelson Mullins Riley & Scarborough LLP ("Nelson Mullins") provides this material for informational purposes only.



The material provided herein is general and is not intended to be legal advice.



Nothing herein should be relied upon or used without consulting a lawyer to consider your specific circumstances, possible changes to applicable laws, rules and regulations, and other legal issues unique to your circumstances.



Receipt of this material does not establish an attorney-client relationship.



Nelson Mullins is very proud of the results we obtain for our clients, but you should know that past results do not guarantee future results; that every case or engagement is different and must be judged on its own merits; and that the choice of a lawyer is an important decision and should not be based solely upon advertisements or marketing materials.