



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

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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.

Building a blockchain



As each transaction occurs,
it's put into a block



Each block is connected to the one
before and after it



Transactions are blocked together,
creating an irreversible chain: a
blockchain

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?

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