

The 2025 Roundup: GENIUS, CLARITY, and the New Playbook for Crypto Payments

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Chris Boone helps clients navigate the regulatory environments that govern payment processing and provides counsel on all manner of agreements, including merchant processing and sponsorship. He works with banks, processors, independent sales organizations (ISOs), payment facilitators, merchants, and fintech businesses to address the legal, operational, and business challenges of payment and transaction processing, including payment structures and forms of mobile and digital payments. A cornerstone of Chris's practice focuses on regulatory compliance issues related to cryptocurrencies, token platforms, and NFTs. Chris is regularly sought out for his robust technical knowledge of blockchain systems and his experience with emerging legal issues in the cryptocurrency space.

Megan Barbero, a former general counsel of the U.S. Securities and Exchange Commission (SEC) and a seasoned appellate litigator, advises clients on regulatory, appellate, and enforcement matters. Megan is a skilled attorney with two decades of government and private sector experience counseling clients and litigating across a wide range of issues, including questions of constitutional and administrative law, securities law, and federal court jurisdiction. Most recently, as the SEC's chief legal officer, Megan counseled SEC commissioners and agency leadership on rulemakings and enforcement cases. Megan's years of public service have uniquely informed her perspective as a leader in her field.

Agenda

- Digital Asset & Stablecoin Basics
- The Regulatory Landscape
- Legislative Updates (GENIUS, CLARITY & Senate Drafts)
- Rulemakings & Guidance
- Looking Forward
- FAQs & Concluding Thoughts



Digital Asset Basics

- Cryptocurrencies are decentralized digital assets that use distributed ledger technology and allow peer-to-peer payments.
- Stablecoins are a form of cryptocurrency that peg their value to an asset, such as the U.S. dollar.
- 8% of U.S. adults use cryptocurrency for investments or financial transactions.
- Most crypto transactions are motivated by payee's preference.

Main reason people used cryptocurrency for financial transactions

Reason	Percent
Preferred by the recipient	35
To send the money faster	18
Cheaper	13
Privacy	12
Safer	5
Don't trust banks	3
Other	13

Note: Among adults who used cryptocurrency for financial transactions.

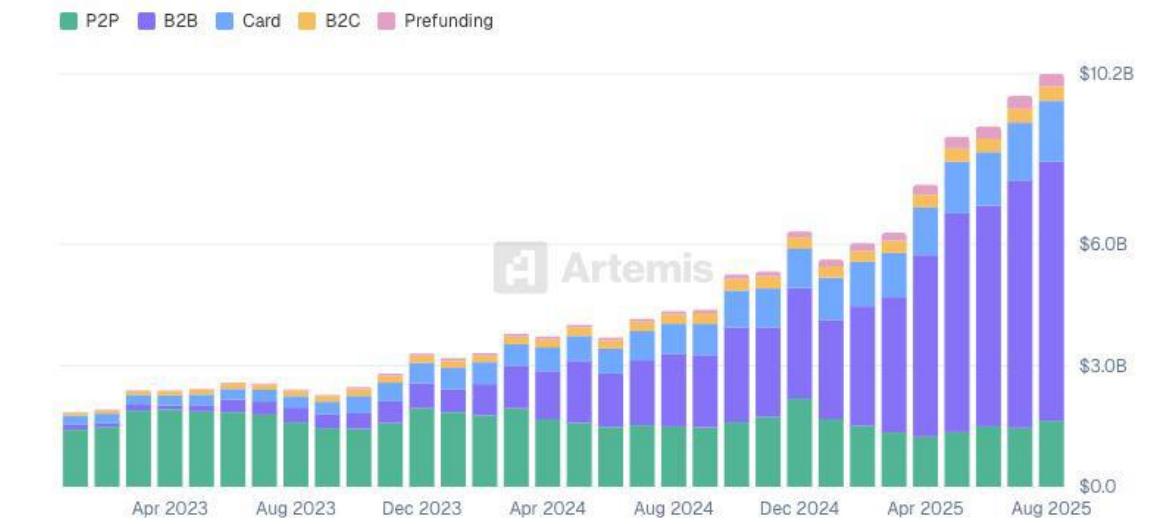
Source: Board of Governors of the Federal Reserve System, Report on the Economic Well-Being of U.S. Households in 2024 - May 2025

Crypto/Digital Assets

Stablecoins background

- Supply around \$300 billion, up from \$10 billion 5 years ago
- More than 99% reference dollar
- Stablecoin payments more than tripled in three years
- Tether's USDT most popular with payment cos. (85% market share)
- Tron and Ethereum most popular networks for settlement

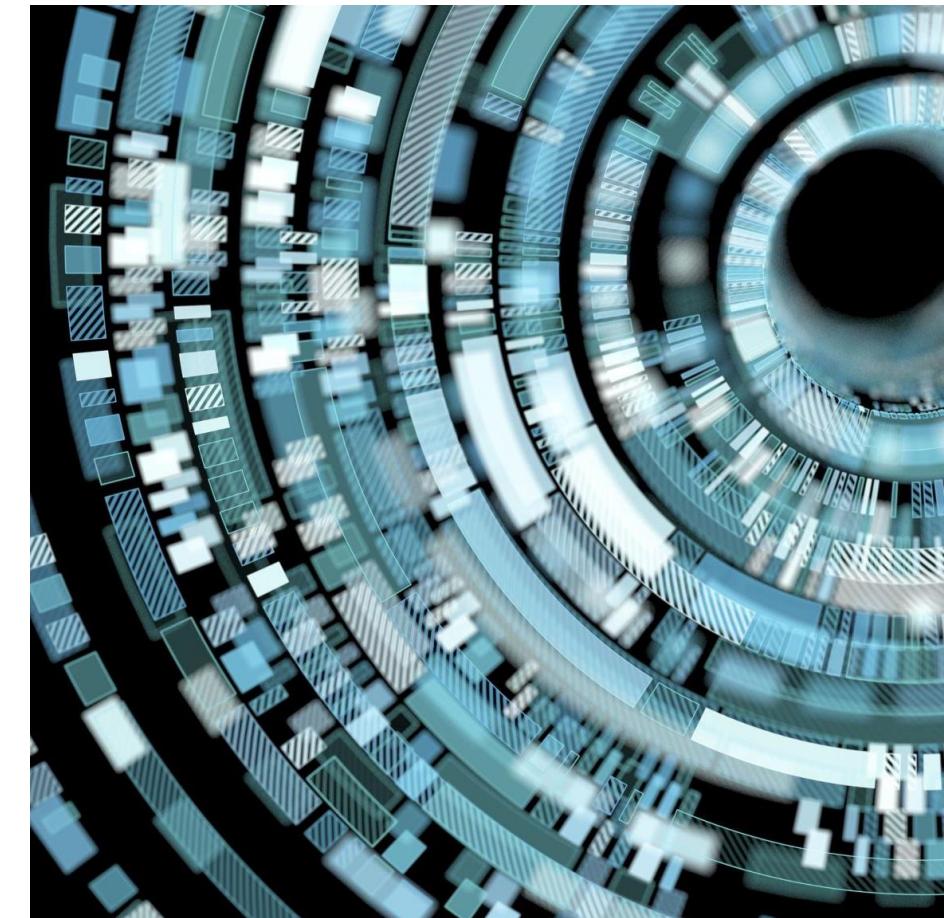
Stablecoin Payments by Type (Jan 2023 - Aug 2025)



Powered by  Artemis

How Fiat-Backed Stablecoins Work

- **Minting and redemption:** Users deposit fiat (e.g., USD) with the issuer; the issuer mints an equivalent number of tokens (e.g., USDC) and sends them to the user's blockchain wallet. Redemption works in reverse, tokens are burned, and fiat is transferred back.
- **Reserves:** Reserves are held in cash or near-cash instruments (e.g., Treasury bills).
- **Programmability and interoperability:** Stablecoins can work across compatible wallets, blockchains, and DeFi protocols, enabling automated payments, escrow, yield distribution, and seamless cross-platform use.
- **Primary use cases:** Payments (especially cross-border), remittances, merchant settlement, DeFi collateral, treasury management, and digital dollar access in high-inflation regions.



The Regulatory Landscape

Policy Goals Under the Trump Administration

Stated Goals of the Administration:

- Reducing regulatory burdens on the cryptocurrency industry
- Promoting digital asset adoption
- Make the United States “the crypto capital of the planet”

Key Indicators of Policy Direction:

- Executive orders and statements related to digital assets
 - Digital assets executive order
 - End of “Operation Choke Point 2.0”
- Appointments to agencies (e.g., SEC, CFTC, Treasury, etc.)

Digital Assets Executive Order

- **Key Takeaways**
 - **Revocation of Previous Executive Orders and Treasury Guidance**
 - Rescinds President Biden's digital assets executive order.
 - Directs Treasury to rescind its "Framework for International Engagement on Digital Assets."
 - **Establishment of the Working Group on Digital Asset Markets**
 - Interagency group is tasked with developing a federal regulatory framework for digital assets and evaluating the potential creation of a national digital asset stockpile.
 - **Opposition to the Central Bank Digital Currencies (CBDC)**
 - Rejects the establishment, issuance, circulation, and use of a CBDC within the United States.

DOJ Memo: Ending Regulation By Prosecution

Deputy Attorney General Memo to all DOJ employees (April 7, 2025)

- Prosecutors told to stop (and wind down) cases that “have the effect of superimposing regulatory frameworks on digital assets.”
- Ordered disbandment of the National Cryptocurrency Enforcement Team (NCET) and closure of ongoing investigations inconsistent with the new priorities.
- Exchanges, mixers, custodians, wallet providers to not be charged for users’ misconduct or “unwitting” regulatory violations
- **New focus:** underlying crime, not gray-area regulatory violations.
 - Use of digital assets for terrorism, narcotics, human trafficking, organized crime, cartels, sanctions evasion.



SEC Crypto 2.0: A Shift Toward Policy Clarity

- **Formation of Crypto Task Force (Jan 2025)**
 - Crypto Task Force, led by Commissioner Peirce, to develop clear policies and registration paths, moving away from enforcement-first regulation.
- **Prior Frameworks Withdrawn**
 - Multiple Biden-era guidances withdrawn or rescinded (SAB 121, etc.).
 - Outstanding proposed rules withdrawn (Rule 3b-16, etc.).
- **Enforcement Reset:**
 - The agency has closed or dismissed multiple pending investigations and lawsuits tied to crypto exchanges, NFT platforms, staking services, and token issuers.
 - Pause on new crypto enforcement actions as the agency develops clearer registration pathways, disclosure standards, and a consistent regulatory framework.

New SEC Positions on Crypto Activities

- **Statement on Protocol Staking Activities (May 29, 2025)**
 - Staff clarified its view that certain proof-of-stake (PoS) blockchain protocol “staking” activities are not securities transactions.
 - Statement applies to non-custodial and custodial staking-as-a-service providers that facilitate staking on behalf of others.
- **Statement on Mining Activities (March 20, 2025)**
 - Staff clarified its view that certain proof-of-work network protocol mining activities are not securities transactions.
 - Applies to proof-of-work (PoW) blockchain protocols.
 - Applies to solo mining and mining pools.
- **Statement on Stablecoins (April 4, 2025)**
 - Stablecoins that are designed to maintain a stable value relative to USD are not securities.
 - Must be backed 1-to-1 by low-risk reserves that are readily liquid.
 - Reserves can't be lent, pledged, or rehypothecated.

New SEC Positions on Crypto Activities

- **Staff Statement on Meme Coins (Feb. 27, 2025)**
 - Staff views meme coins as collectibles, not securities (when purchased for entertainment or speculation with value driven by market sentiment):
“The value of meme coins is derived from speculative trading and the collective sentiment of the market, like a collectible.”
 - Labeling a crypto asset a “meme coin” does not shield it from federal securities laws if it otherwise functions as a security.
- **Broker-dealer FAQs (May 2025)**
 - Possession and control rules apply only to securities; broker-dealers can hold non-security crypto assets without triggering these requirements.
- **Disclosure Guidance for Crypto Securities Offerings (April 10, 2025)**
 - Existing securities disclosure rules apply to crypto assets that are securities.
 - Issuers must clearly describe business, risks, and crypto securities offered.

Banking Regulatory Changes

- **OCC Interpretive Letters (IL)**
 - IL 1183 (Mar 7, 2025) allows national banks to offer crypto custody and stablecoin services and participate in verification networks without prior OCC non-objection.
 - IL 1184 (May 7, 2025) confirms banks may buy/sell assets held in crypto custody and outsource crypto execution services, contingent on strong third-party risk controls.
- **FDIC Update**
 - FIL 7 2025 (Mar 28, 2025) rescinds previous FDIC notification requirements (FIL 16 2022), allowing state nonmember banks to engage in crypto activities without prior approval, provided that they adequately manage risks.
- **Federal Reserve**
 - On Apr 24, 2025, the Fed withdrew supervisory letters (SR 22 6, SR 23 8) that had mandated advance notice and non-objection for state member banks; now crypto activities are reviewed via standard supervision.

Legislative Updates

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GENIUS Act: The Basics

- Signed into law by President Trump on July 18, 2025.
- Establishes a high-level regulatory framework for digital assets classified as payment stablecoins
- Banks, payment companies, and stablecoin issuers must prepare for significant changes in the regulatory landscape.
- Set to take effect by the earlier of 18 months from its enactment or 120 days after the primary federal stablecoin regulators issue rules implementing the act.
- The Act clarifies that stablecoins properly issued under this regulatory framework are **not** considered securities or commodities.



GENIUS Act: Key Takeaways

- **Licensing Required:** All U.S. stablecoin issuers must register as Permitted Payment Stablecoin Issuers (PPSIs).
 - Eligible issuers: banks/credit unions (through a subsidiary), nonbank companies, or state-licensed firms (if state regime meets standards)
 - Shot Clock for application decisions: If a regulator doesn't act on a licensing application in 120 days → deemed approved.
- **1:1 Reserves and Redemption Guarantee**
 - Backing required: cash, Treasuries, insured bank deposits, etc.
 - Reserves must be segregated and audited.
- **Ban on Interest-Bearing Stablecoins**
 - Stablecoin Issuers cannot offer yield, interest, or staking rewards on a payment stablecoin.
- **Regulatory Oversight Split by Size**
 - \$10B in circulation → mandatory federal oversight.
 - Less than \$10B → may operate under certified state regimes.

GENIUS Act: Digital Asset Service Providers (DASPs)

- Three years after enactment, DASPs may offer or sell payment stablecoins in the U.S. **only if** the stablecoins are issued by a permitted issuer (or by foreign issuers meeting equivalence standards).
- **DASPs are business that:**
 - (1) are compensated for exchanging digital assets for money or other digital assets;
 - (2) transfer digital assets to a third party;
 - (3) act as custodian of digital assets; or
 - (4) are participating in financial services relating to digital asset issuance.
 - Excludes: Entities that develop a distributed ledger protocol, operate a distributed ledger, validate transactions, or participate in a pool providing liquidity for peer-to-peer transactions.
 - With certain exceptions, custodians must maintain separate accounting for payment stablecoins and reserves, which cannot be commingled with other assets.

CLARITY Act (H.R. 3633)

- Passed the U.S. House in July 2025. Currently in committee in the Senate.
- Would establish comprehensive market structure regulation for digital asset activities.
- **Defines “Digital Commodities” vs. “Securities”**
 - Codifies that a digital asset sold under an investment contract is not itself a security.
 - SEC retains jurisdiction over the contract (initial fundraising); CFTC regulates digital commodities in secondary markets.
 - Attempts to resolve long-standing uncertainty over token classification.
- **Creates Exempt Pathway for Token Offerings**
 - Developers may raise capital without full SEC registration if they meet disclosure requirements.
 - Once a blockchain project reaches “maturity,” its tokens are treated as commodities.
 - Disclosure regime includes team info, tokenomics, risks, and governance.

CLARITY Act: Overview

- **CFTC Given Primary Authority Over Spot Markets (trading of crypto tokens that are not securities)**
 - Establishes new registration categories for exchanges, brokers, dealers.
 - Applies AML, customer protection, segregation of assets, and membership in registered futures associations.
- **Provisional Registration Available**
 - Allows existing platforms to operate legally while CFTC finalizes full rules.
- **Alternative Trading System (ATS)/ Broker Dealer (BD) Crossover Rules**
 - SEC-registered firms may handle limited digital commodities activity without dual registration.
 - Thresholds: $\leq 25\%$ of trading volume or \$50B/quarter for ATSs; $\leq 10\%$ of revenue for BDs.
- **DeFi and Infrastructure Clarity**
 - Non-custodial actors (e.g., developers, validators) are not treated as financial intermediaries or money transmitters. Non-custodial developers and validators are explicitly exempt from money transmission and are not treated as financial intermediaries.

Responsible Financial Innovation Act (RFIA)

Banking Committee

- On September 5, the Senate Banking Committee released an updated Discussion Draft of the Responsible Financial Innovation Act of 2025.
 - Provides an SEC-focused market-structure framework.
 - Creates an “ancillary asset” category.
 - Qualifying ancillary assets are not securities.
 - Primary distributions are handled under a new disclosure regime (with limits).
 - Secondary trading is outside securities laws.
 - Directs the SEC to define “investment contract” with specific requirements.
 - Provides that non-controlling software developers are not money transmitters solely for publishing code.
 - Establishes an SEC-CFTC “micro-innovation sandbox,” with a two-year participation period.

Responsible Financial Innovation Act (RFIA)

Agriculture Committee

- On November 10, the Senate Agriculture Committee released a bipartisan discussion draft that would create a comprehensive CFTC-led regime for spot trading in “digital commodities.”
- The bill would require digital commodity exchanges, brokers, dealers, and custodians to register with the CFTC and to comply with core principles covering trading rules, risk management, governance, conflicts of interest, customer disclosures, segregation of customer assets, recordkeeping, and reporting.
- As of December 2025, this text remains a discussion draft rather than a formally introduced bill; the Agriculture Committee has not yet scheduled a markup and is actively soliciting comments.

Looking Forward

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Treasury Issues Advanced Rulemaking Notice

- In September, Treasury issued an ANPRM seeking comments on implementing the GENIUS Act.
- First step in rulemaking process. Asks 58 questions in 6 broad areas. Comment period closed November 4.
- Asked for input on a wide range of issues, including:
 - How to design rules that encourage innovation while protecting consumers;
 - How to apply Bank Secrecy Act anti-money-laundering and sanctions requirements;
 - What marketing practices should be restricted; and
 - How to balance state supervision with new federal oversight.



Implementing the GENIUS Act – Key Issues



- **Fraud Prevention**
 - Importance of effective fraud detection
 - Regulatory scrutiny / consumer protection laws
- **Capital, liquidity, and risk management requirements**
 - Studies show largest stablecoin issuers have significant share of deposits in illiquid assets
 - Potential systemic risk
- **Risk of use for illicit financial activities**
 - Need to address potential illegal finance activity
 - Consider technology solutions

Frequently Asked Questions

- When do the GENIUS Act requirements go into effect?
- How does GENIUS and CLARITY fit together? How Does the Senate's Responsible Financial Innovation Act (RFIA) fit in?
- What are the requirements for DASPs? Do I need to register as a DASP?
- Are PayFacs, ISVs, and merchant acquirers automatically DASPs if they let merchants accept stablecoins?



Frequently Asked Questions

- Who must become a “permitted payment stablecoin issuer” under GENIUS?
- If we become a permitted payment stablecoin issuer, do we still need state money-transmitter or trust licenses?
- Are interest-bearing or yield-bearing stablecoins now banned in the U.S.?



Frequently Asked Questions

- Can U.S. platforms still list offshore stablecoins?
- How does GENIUS change BSA/AML and sanctions obligations?
- How do Travel Rule and on/off-ramp issues play out when stablecoins are used at the point of sale?



Concluding Thoughts

- U.S. crypto policy is shifting from regulation-by-enforcement toward rulemaking, transparency, and industry engagement.
- Federal and state frameworks are evolving, digital asset bills are advancing, but compliance remains complex.
- Crypto activities are still seen as novel: Even as barriers drop, regulators remain cautious and will scrutinize activities through standard safety, soundness, and compliance lenses.
- Stablecoins are transitioning from niche crypto assets to integral components of mainstream banking infrastructure.
- Staying ahead means proactive risk management, multi-jurisdictional compliance, and active engagement with regulators.

Thank You



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