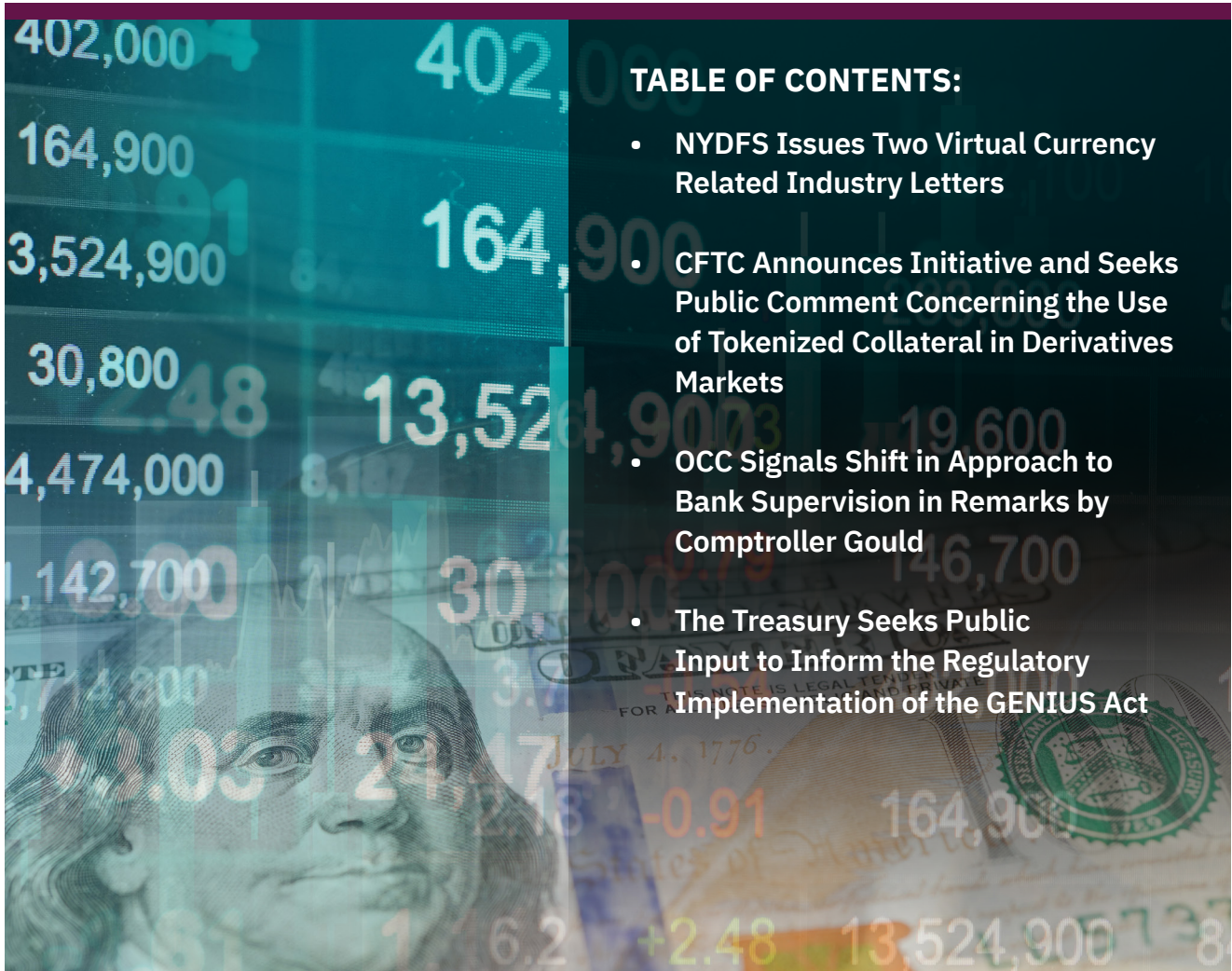


# FINANCIAL SERVICES

REGULATORY ROUNDUP | OCT 2025



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### **NYDFS Issues Two Virtual Currency-Related Industry Letters – [Leel Sinai](#)**

On Sept. 17, 2025, the New York State Department of Financial Services (NYDFS) published an Industry Letter reinforcing its expectations that New York–licensed banking organizations (including branches and agencies of foreign banks) integrate blockchain analytics capabilities into their compliance and risk frameworks, especially when engaging in virtual-currency–related activity (VCRA).

The NYDFS originally issued “Guidance on Use of Blockchain Analytics” in April 2022 (for virtual-currency licensees) and later issued a prior approval regime for banks engaging in VCRA (in December 2022). The new Letter urges “Covered Institutions” (*i.e.* banking organizations under NYDFS supervision) that already engage in or anticipate exposure to virtual currency to revisit and expand their use of blockchain analytics tools.

**“The NYDFS emphasized that analytics programs should be “tailored to a Covered Institution’s business model, risk appetite, and operations.”**



### Suggested Use Cases

The NYDFS provided illustrative, non-exhaustive use cases where blockchain analytics may play a pivotal role in risk mitigation:

- Screening wallets tied to customer disclosures or activity to assess risk exposure
- Verifying the origin of incoming funds from VASPs (virtual asset service providers)
- Monitoring the broader crypto ecosystem to detect risks of laundering, sanctions violations or other predicate crimes
- Assessing counterparties or third parties through transactional linkages
- Reconciling customers’ expected vs. actual activity (e.g. by dollar thresholds)
- Embedding intelligence from analytics into ongoing risk appetite calibration and product assessments

### Tailored, Proportional Implementation

The NYDFS emphasized that analytics programs should be “tailored to a Covered Institution’s business model, risk appetite, and operations.” The NYDFS cautioned that emerging technology and market developments demand regular reassessments of risk frameworks, customer types and adoption of new tools.

The NYDFS clarified that its guidance does not supplant or restrict other applicable laws or regulations.

### Implications for Your Institution

Firms should take appropriate steps to ensure that their VCRA aligns with the expectations of the NYDFS Industry Letter. Below are several actions we suggest you take as you evaluate your firm’s VCRA and use of blockchain analytics.

- Conduct a gap assessment of your institution’s current blockchain monitoring capabilities against the use cases outlined by NYDFS. Institutions with even limited crypto exposure—or that service clients in the virtual asset space—should evaluate whether their existing blockchain analytics capabilities suffice under the NYDFS’s heightened expectations.
- Be sure to document your risk-based analysis. In case of examinations or inquiries, showing a reasoned, documented decision process about tool selection, thresholding and exclusion criteria will be crucial.
- Review internal policies, escalation protocols and governance structures to ensure they align with the NYDFS’s expectations.



- Where gaps exist, develop a roadmap for tool acquisition / enhancement, vendor due diligence and operational integration.
- Consider integrating blockchain analytics oversight within compliance, risk, and audit functions and ensuring escalation mechanisms for anomalous findings.
- You may need to evaluate or upgrade vendor tools and ensure alignment with NYDFS expectations, including data sourcing, transparency, and interpretability of conclusions.
- Firms should confirm that their analytics regime also satisfies federal and other jurisdictional requirements (e.g. BSA/AML, OFAC, FinCEN), and document that NYDFS expectations are one input among many.
- Engage with your NYDFS contacts or relationship manager if you plan materially new or expanded virtual-asset activity in light the Industry Letter.

The NYDFS published an additional Industry Letter, entitled “Updated Guidance on Custodial Structures for Customer Protection in the Event of Insolvency,” on September 30, 2025, which updates and replaces its prior 2023 guidance on virtual currency custodial structures.

The Industry Letter provides for tighter expectations around how custodians, especially those using sub-custodians, must segregate, account for, and disclose customer assets. As discussed in the Industry Letter, (1) customer crypto must remain distinctly separated from a custodian’s own assets, (2) a custodian may not use customer assets for its own benefit or credit obligations, (3) sub-custody arrangements are treated as material changes requiring prior NYDFS approval, and (4) customer disclosures must clearly reflect how custody is structured and what limits exist, with the overarching goal of protecting customer interests in the event of insolvency.

On segregation, customer virtual currency must be kept separate (on-chain and in internal ledgers) from the custodian’s corporate assets. If omnibus wallets are used, the custodian must maintain clear audit trails and reconciliation capabilities to trace each customer’s beneficial interest. On limited interest, custodians must treat customer crypto solely as belonging to customers; not use it as collateral, to secure their own obligations, or otherwise mingle with proprietary usage. Any new sub-custody or third-party custody setup is a “material change” that requires prior NYDFS approval. A custodian must submit risk assessments, contracts, and updated policies to the NYDFS for approval. In addition, any sub-custodian must agree to adhere to NYDFS standards (e.g. titling “F/B/O,” segregation, no liens except minimal fees) and be under a supervisory regime comparable to that of the NYDFS.

The NYDFS requires that customer agreements make explicit that the relationship is custodial, not debtor-creditor. Such customer agreements must disclose the nature of segregation, on-chain accounting, sub-custody, and use of the virtual currency while in the custodian’s possession. The Industry Letter notes that NYDFS retains discretionary authority and may require exceptions only with prior written approval if any commingling is proposed.

If you would like assistance mapping this guidance to your institution’s VCRA, or developing an implementation plan, our team would be glad to help.

Read the Industry Letters [here](#) and [here](#).

### **CFTC Announces Initiative and Seeks Public Comment Concerning the Use of Tokenized Collateral in Derivatives Markets – Ed Ivey, Neil Issar**

On Sept. 23, 2025, acting Chairman Caroline D. Pham and the Commodity Futures Trading Commission (CFTC) [announced](#) a new initiative to enable the use of tokenized collateral, including stablecoins, in U.S. derivatives markets. To facilitate enabling such activities, the CFTC [is soliciting public input](#) on the use of tokenized collateral in derivatives markets, including comments specifically on the GMAC recommendation, whether the CFTC should hold observer status in industry initiatives, potential digital asset pilot programs and amendments to CFTC regulations related to collateral management consistent with guidance from the President’s Working Group.

Chairman Pham framed the initiative as part of a broader effort to modernize market infrastructure and collateral management through blockchain technology, aiming to boost capital efficiency and economic growth. She described collateral management as the “killer app” for stablecoins and emphasized that the CFTC would work closely with stakeholders to responsibly integrate tokenized collateral into regulated markets.

For years, participants in the derivatives market have recognized that near real-time settlement of assets would benefit the industry. The adoption of stablecoins has sharpened focus specifically on the implications for collateral – namely, removal of administrative and operational errors or delays and even the potential for smart contracts to help parties automate some risk management activities. Archegos Capital Management, in particular, underscored to the market that margin calls – especially when missed or intentionally delayed due to excuses or outright fraud – can impact not just a single counterparty, but ripple across markets.

Interested stakeholders and members of the public are invited to submit written comments by Oct. 20, 2025.

Unveiled by Chairman Pham, the effort builds on the CFTC’s February 2025 Crypto CEO Forum and advances the agency’s previously [announced](#) crypto “sprint” to implement recommendations from the President’s Working Group on Digital Asset Markets. It also draws on the [recommendation](#)





made last year by the Digital Asset Markets Subcommittee of the CFTC’s Global Markets Advisory Committee (GMAC) to expand the use of non-cash collateral via distributed ledger technology like blockchain.

Industry leaders voiced strong support. Circle President Heath Tarbert applauded the CFTC allowing payment stablecoins issued by licensed U.S. firms to serve as collateral in derivatives and highlighted the benefits of Circle-issued USDC, a stablecoin pegged to the U.S. Dollar. Likewise, Coinbase VP Greg Tular called stablecoins “the future of money” and praised the CFTC’s alignment with evolving legislative and administrative frameworks.

Crypto.com CEO Kris Marszalek backed the GMAC’s recommendations to permit non-cash collateral — such as Bitcoin and Cronos (the Crypto.com-issued cryptocurrency) — for regulatory margin. In addition, Ripple’s Jack McDonald highlighted the need for clear rules around valuation, custody and settlement, along with reserve and governance guardrails, to build institutional trust. Both Marszalek and McDonald credited the CFTC’s initiative with advancing necessary financial innovation.

Finally, Tether CEO Paolo Ardoino highlighted stablecoins’ scale — now approaching a \$300 billion market — and their role in faster settlement, deeper liquidity and market resilience as reasons the CFTC’s initiative was a positive step.

Through this initiative, the CFTC aims to responsibly integrate stablecoins and other tokenized assets into core market functions, enhancing efficiency, transparency and competitiveness in U.S. derivatives markets while establishing clear regulatory guardrails.

Read the Request for Input [here](#).

### **OCC Signals Shift in Approach to Bank Supervision in Remarks by Comptroller Gould** – [Leel Sinai](#)

On Sept. 10, 2025, the Office of the Comptroller of the Currency (OCC) released remarks by Comptroller Jonathan Gould delivered to the Financial Stability Oversight Council, in which he announced the OCC is undertaking a review of its post-2008 regulatory, chartering and supervisory posture and signaling a shift toward recalibrating risk tolerance in the federal banking system. We summarize below the key themes from Comptroller Gould’s remarks.

- **Resetting Risk Tolerance for the Federal Banking System:** Gould criticized what he described as an overly conservative, “low-risk” regulatory model that focused excessively on procedural compliance and risk elimination. He argued that such a posture has constrained innovation, pushed financial activity outside the banking sector and eroded the banking system’s relevance.
- **Chartering / Licensing – More Flexible Posture:** He discussed that the OCC elevated its chartering and licensing function within the agency to ensure more strategic and timely decision making. Notably, he stated there will no longer be a de facto “no” policy for de novo charters, mergers or acquisitions, indicating a willingness to approve new entrants and greater flexibility in consolidation processes.
- **Regulatory Reassessment and Tailoring:** Gould indicated the OCC intends to revisit capital, liquidity, recovery planning and other regulatory frameworks, particularly for national banks. He emphasized simplification, transparency and tailoring rather than one-size-fits-all rules. He also referenced potential adjustments to community bank regulation (e.g. leverage ratio thresholds) within the OCC’s discretionary authority.
- **Supervision Focused on Material Risks:** On the supervision front, the OCC plans to reduce burdensome, low-value examination and document requests, and instead sharpen focus on material financial risks. The OCC will prioritize reforms to its supervisory approach for community banks—including on third-party risk, capital, CRA and fair lending—and reconsider “non-material” recurring exam activities.

### What this Means for Banks

The OCC’s new direction has both strategic and operational implications. Institutions should anticipate greater openness to new charters and consolidations, suggesting now may be an opportune time to revisit growth strategies such as de novo applications, acquisitions, or new business lines. At the same time, banks should closely monitor potential changes to capital, liquidity and recovery planning frameworks, particularly as tailoring and simplification could alter existing compliance burdens.

Supervisory expectations may ease in terms of routine documentation requests but regulators are likely to focus more intensely on material risks, including stress scenarios, third-party relationships and governance. Accordingly, banks should recalibrate their supervisory readiness, identifying areas where compliance resources can be streamlined while ensuring that risk management functions remain robust, transparent and defensible.

Practical steps include conducting a review of strategic plans with an eye toward OCC licensing flexibility, benchmarking risk and capital frameworks against anticipated regulatory shifts, engaging early with examiners to understand evolving supervisory priorities and maintaining strong documentation of risk-based decision-making processes. Institutions that can demonstrate thoughtful, proactive alignment with the OCC’s new philosophy will be best positioned to benefit from reduced supervisory friction and expanded strategic opportunities.

Read the Remarks [here](#).



**“The ANPRM seeks comment on the criteria for determining whether a foreign regulatory regime is “comparable” to the U.S. framework, which would allow foreign issuers to offer stablecoins to U.S. persons.”**

**The Treasury Seeks Public Input to Inform the Regulatory Implementation of the GENIUS Act – Neil Issar**

On Sept. 19, 2025, the U.S. Department of the Treasury (the Treasury) published an Advance Notice of Proposed Rulemaking (ANPRM) to solicit public comment on the implementation of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act. The GENIUS Act, signed into law on July 18, 2025, outlined the first comprehensive

federal regulatory framework for payment stablecoins — digital assets pegged to a fiat currency and intended for use as a means of payment or settlement. The GENIUS Act also directed the Treasury to issue regulations that encourage innovation in payment stablecoins while ensuring robust consumer protection, financial stability and mitigation of illicit finance risks. The ANPRM is an initial step in that process, seeking public input to inform the development of forthcoming regulations.

The ANPRM covers a broad range of topics central to the effective implementation of the GENIUS Act. While responders can comment on any aspect of the GENIUS Act, the ANPRM lists various questions to collect feedback in six key categories, summarized below.

Stablecoin Issuers and Service Providers

The ANPRM seeks input on, among other things, the current definition and scope of “permitted payment stablecoin issuers” and “digital asset service providers,” including reserve requirements for issuers and restrictions on entities that are not considered permitted issuers. The ANPRM also requests comment on the criteria for state-level regulatory regimes to be deemed “substantially similar” to the federal framework. In addition, it includes questions about the GENIUS Act’s requirements to market a product as a payment stablecoin.

Illicit Finance

To supplement responses to the Request for Comment it issued last month regarding innovative or novel methods, techniques or strategies that regulated financial institutions use, or could potentially use, to detect illicit activity involving digital assets (summarized in our [previous issue](#)), the Treasury now seeks feedback through the ANPRM on other factors it should consider when promulgating regulations to ensure issuers of payment stablecoins have effective anti-money laundering and countering-the-financing-of-terrorism controls, programs to monitor and report suspicious activities and technical capabilities and policies and procedures to block, freeze and reject impermissible transactions.

Foreign Payment Stablecoin Issuers

The ANPRM seeks comment on the criteria for determining whether a foreign regulatory regime is “comparable” to the U.S. framework, which would allow foreign issuers to offer stablecoins to U.S. persons, subject to certain additional conditions. In particular, the ANPRM asks whether such criteria





should include interoperability and a foreign jurisdiction’s willingness and ability to enforce certain prohibitions in the GENIUS Act. It also asks about the criteria a noncompliant foreign issuer must meet for the Treasury to determine the issuer is no longer noncompliant.

#### Taxation

The GENIUS Act does not address the federal income tax characterization of payment stablecoins or any other issues relevant to the application of the Internal Revenue Code to payment stablecoin transactions. Accordingly, the ANPRM asks commenters whether guidance from the IRS on the classification of payment stablecoins would be helpful or necessary to taxpayers.

#### Insurance

To assist the Treasury in evaluating how the GENIUS Act and its implementation may affect the insurance industry, the ANPRM asks commenters for feedback concerning the notion of insurers acting as payment stablecoin issuers or digital asset service providers and how insurance industry practices, including the types and amounts of insurance coverage required, should apply to payment stablecoins.

#### Economic Data

Finally, the ANPRM requests input on economic data related to payment stablecoins. Specifically, the Treasury seeks comment on data related to, among other things, costs for issuers and service providers to comply with GENIUS Act requirements, benefits of federal versus state regulatory regimes, and benefits of regulatory clarity and increased payment stablecoin adoption.

Comments in response to the ANPRM must be submitted by Nov. 4, 2025. All comments will be publicly available at [www.regulations.gov](http://www.regulations.gov). The Treasury will use the feedback in the development of proposed regulations, which will be subject to further notice and comment before becoming final. The ANPRM represents a critical opportunity for industry participants, consumer advocates, state regulators and the public to shape the regulatory landscape for payment stablecoins in the United States.

Read the ANPRM [here](#).

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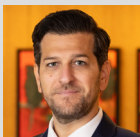
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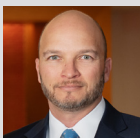
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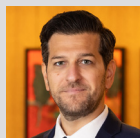
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