Banking Regulators Signal Change in Cryptocurrency Approach

Banking Brief: Financial Services Insights

By Daniel Spungen on May 8, 2025

The current administration has indicated an intention for the U.S. to be a leader in the cryptocurrency industry, as discussed in the recent webcast Bank Regulatory Agency Update Under DOGE: What Every Financial Institution Needs to Know.

One of the first actions taken that the administration believes will further this goal was the rescission of SEC Staff Accounting Bulletin No. 121 (SAB 121).

SAB 121 required companies under the SEC's purview that safeguard cryptocurrency to recognize crypto and other digital assets as a liability *and* corresponding asset on the company's balance sheet, that many in the industry believe makes it virtually impossible for traditional financial institutions to hold crypto and comply with regulatory obligations based on its balance sheet.

The removal of SAB 121 opened the door for traditional financial institutions to safeguard crypto and other digital assets, however, financial institutions are still subject to the rules and guidance of their primary banking regulators. Recently, the Federal Reserve Board (Federal Reserve), Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) have taken steps to permit traditional financial institutions to incorporate crypto and digital asset services.

OCC Withdrawal of Interpretive Letters

On March 7, 2025, the OCC issued Interpretive Letter 1183, which withdrew interpretive letters from 2020 and 2021 that restricted the ability of national banks and federal savings associations from engaging in certain crypto activities. By withdrawing the prior interpretive letters, the OCC clarified that national banks and federal savings associations could engage in custody of crypto assets, stablecoin activities, and distributed ledger networks. The OCC also withdrew its participation in joint statements from banking regulators related to crypto issued in 2023.

FDIC Rescinds Guidance

On March 28, 2025, the FDIC rescinded guidance from 2022 that required FDIC-supervised institutions to notify the FDIC prior to engaging in crypto-related activities and provide the FDIC with any information needed to assess the institution's ability to engage in these activities. By rescinding this guidance, FDIC-supervised institutions can now engage in crypto-related activities without prior notification to the FDIC. The FDIC also withdrew its participation in joint statements related to crypto issued in 2023.

Federal Reserve Withdrawal of Supervisory Letter

On April 24, 2025, the Federal Reserve withdrew a 2022 supervisory letter that established an advance notification process for state member banks seeking to engage in crypto activities. The Federal Reserve also withdrew a 2023 supervisory letter requiring state member banks to undergo a supervisory nonobjection process to engage in dollar token activities prior to engaging in those activities. Finally, the Fed joined the FDIC and OCC in withdrawing joint statements related to crypto issued in 2023.

2023 Joint Statements on Cryptocurrency

The Federal Reserve, OCC, and FDIC issued two joint statements related to crypto in 2023 that served as warnings to regulated financial institutions that engage in crypto activities. The first statement, issued after the collapse of FTX, highlighted the risks of crypto that financial institutions should consider before engaging in crypto activities. The second statement, issued shortly after the first, served as a reminder of their risk management and mitigation obligations when engaging in crypto activities. Financial institutions took these statements as warnings that banking regulators would highly scrutinize financial institutions engaging in crypto activities. These statements, combined with prior guidance and SAB 121, effectively limited engagement of traditional financial institutions in the crypto industry.

Key Takeaways

With these recent releases, banking regulators have signaled a shift towards more pro-crypto positions that align with the current administration's goals. In the releases, the regulators note that financial institutions still need to consider the risks of engaging in such activities, as they would with any new product or service line. This includes market and liquidity risk, cybersecurity risk, operational risks, consumer protection, and anti-money laundering obligations, and also indicates that crypto activities would be analyzed similar to any other new product or service.

Regulators also mentioned that they will be working with other banking agencies to replace interagency guidance related to crypto, so the expectation is that more guidance will follow and traditional financial institutions will have a clearer picture for how to engage in crypto activities in compliance with their banking regulators.

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