BLOCKCHAIN 2025

SIDLEY

Back-to-School Checklist for Digital Asset Business Leaders and Lawyers

SEPTEMBER 2025

The summer may be over, but the whirlwind for digital assets is just getting started. In just a few short months, lawmakers, regulators, and markets have reshaped the terrain for crypto, blockchain, and digital finance — creating both new opportunities and new risks. Securities regulators, tax authorities, banking supervisors, and policymakers worldwide are all moving quickly, and businesses can't afford to fall behind. As we head into the fall, think of this as your back-to-school checklist: the must-know developments and action items every lawyer, policymaker, and digital asset strategist needs to stay ahead of the curve and be ready for what's next.

Market Trends

Digital asset markets are at an inflection point, marked by a surge in transactional activity — from the launch of new crypto exchange-traded products (ETPs) to the rise of digital asset treasury (DAT) companies, a growing wave of mergers and acquisitions, and even traditional initial public offerings of blockchain-focused businesses. The first U.S. federal legislation regulating digital assets (the GENIUS Act) was enacted over the summer, and market structure bills are progressing in Washington. Financial regulators have issued numerous statements, request for input, and other guidance throughout 2025, and SEC and CFTC rulemaking is on the horizon — regardless of whether market structure legislation passes this year. Federal regulators have also shifted their enforcement priorities, although state regulators have signaled a willingness to fill any perceived gaps.

This is your back-to-school reading list — essential materials for businesses navigating the next phase of digital asset market evolution, with links to primary sources and prior Sidley Updates for deeper insights where available. The checklist is organized into three modules:

1. **New Business and Product Opportunities.** New laws and guidance aren't only reshaping compliance — they're opening doors to innovation. Expect to see opportunities ranging from broker-dealer models and regulated stablecoins to ETPs with in-kind creation and redemption, expanded banking services, digital asset investments through retirement plans, and additional certainty on commercial law applications. This module highlights where the next wave of business opportunities may emerge.

2. **Compliance To-Dos: Laws That Already Apply (and Still Do).** Even as new legislation and guidance emerge, businesses cannot lose sight of the longstanding legal and regulatory frameworks that continue to govern blockchain and digital assets. From securities and commodities laws to banking regulations, Anti-Money-Laundering (AML) obligations, and both state and federal oversight, the compliance landscape is broad and unforgiving. Fraud statutes, consumer protection rules, and other baseline legal requirements remain fully applicable, and regulators have shown no hesitation in enforcing them. This module provides updates on key developments in some of these areas since the beginning of the year.

3. **What the Future May Bring — and How You Can Have a Say.** While the rules of the road are still taking shape, businesses have an opportunity to influence where digital asset regulation is headed. Pending federal legislation, directives from the White House, and active requests for input underscore that policymakers are still shaping the framework for this market. At the same time, both the SEC and CFTC are signaling potential rulemakings that could define key aspects of digital asset activity. Now is the moment for market participants, lawyers, and strategists to engage — through comment letters, industry groups, and direct dialogue — to ensure that their perspectives are heard before the next wave of regulation is finalized. This module highlights some of the most significant opportunities to engage.

New Business and Product Opportunities

Topic	Why it matters	Reading list
☐ **Expanded Offering of Crypto Activities in Compliance With Securities Laws**	SEC staff issued statements addressing certain activities that have historically created uncertainty for market participants, clarifying that it does not view these activities as involving securities transactions. Market participants considering opportunities in this space should closely review guidance to ensure products align with the facts and assumptions outlined by staff.	• SAB 122 (Jan. 23, 2025) • Statement on Meme Coins (Feb. 27, 2025) • Statement on Proof-of-Work Mining Activities (Mar. 20, 2025) • Statement on Covered Stablecoins (Apr. 4, 2025) • Statement on Protocol Staking Activities (May 29, 2025) • Statement on Liquid Staking Activities (Aug. 5, 2025)
☐ **GENIUS Act Paves the Way for New Products Integrating Regulated Stablecoins**	The GENIUS Act creates licensing and regulatory requirements for domestic payment stablecoin issuers and standards for participation in the U.S. payment stablecoin market by foreign stablecoin issuers. It also provides requirements for the custody and safekeeping of certain payment stablecoin-related assets.	• GENIUS Act Bill Text (Jul. 18, 2025) • Sidley Update: The GENIUS Act: A Framework for U.S. Stablecoin Issuance (Jul. 21, 2025)
☐ **ETPs Launch With Enhanced Capabilities Including "In-Kind" Creations and Redemptions**	SEC approval of in-kind creations and redemptions for crypto asset ETPs marks a significant policy shift. Previously, authorized participants had to buy and redeem shares the old-fashioned way (in cash), requiring ETPs to buy and sell crypto assets on the open market. Allowing crypto ETPs to purchase shares with in-kind creation units and redeem shares through in-kind redemptions (like ETFs and commodity-based ETPs) potentially creates efficiencies and lowers transaction costs.	• Press Release (Jul. 29, 2025)

New Business and Product Opportunities

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Topic	Why it matters	Reading list
☐ **SEC Broker-Dealer FAQs Present New Digital Asset Business Models Opportunities**	New guidance from SEC staff and withdrawal of prior limitations on digital asset activity opens the door for new business models for registered broker-dealers, including providing custody of crypto assets.	• FAQs (May 15, 2025) • Sidley Update: SEC Paves the Way for Crypto Asset Activities by Broker-Dealers and Transfer Agents (May 19, 2025)
☐ **Blockchain Firms Have Access to More Banking Services**	Digital asset firms should see greater access to banking services. Banks will need to refine AML and sanctions processes to balance fair access obligations with legitimate compliance concerns.	• Executive Order, "Guaranteeing Fair Banking for All Americans" (Aug. 7, 2025) • Fact Sheet (Aug. 7, 2025) • Sidley Update, President Trump Signs "Fair Banking" Executive Order Directing Financial Regulators to Remedy Past and Present Debanking Practices (Aug. 8, 2025)
☐ **Digital Asset Investments in 401K Opportunities**	The Executive Order signals a potential opening of the defined-contribution plan market to digital assets, by directing the DOL and SEC to revise guidance and consider safe harbors for fiduciaries. The initiative invites greater institutional integration of digital assets into retirement products, which could materially expand distribution channels and accelerate mainstream adoption.	• Executive Order, "Democratizing Access to Alternative Assets for 401(k) Investors" • Fact Sheet • Sidley Update, Alternative Assets – the Next 401(k) Plan Investment?
☐ **Commercial Laws Provide Certainty for Digital Assets: UCC Article 12 Adoption**	Article 12 of the Uniform Commercial Code and related amendments — which provide greater legal certainty for transactions involving digital assets — have been enacted by a majority of states (including Delaware, California, and Illinois as well as the District of Columbia). Interested businesses should review their contractual arrangements to take full advantage.	• Sidley Update, UCC Minute: Leveraging Recent Changes in Commercial Law for Digital Assets (Apr. 9, 2025)

Compliance To-Dos: Laws That Already Apply (and Still Do)

	Topic	Why it matters	Reading list
☐	**SEC Disclosure Guidance**	SEC staff has clarified disclosure expectations for offerings of crypto-related securities, including shares of ETPs with exposure to crypto assets, traditional securities in blockchain companies, crypto asset securities, or crypto assets offered as part of an investment contract. While acknowledging the SEC is in the process of developing a comprehensive regulatory framework for crypto assets, including addressing applicable registration and disclosure requirements, the guidance provides interim clarity by reducing uncertainty about how existing disclosure requirements will apply.	• Statement on Offers and Registrations of Securities in Crypto Asset Markets (Apr. 10, 2025) • Statement on Crypto Asset Exchange-Traded Products (Jul. 1, 2025)
☐	**FinCEN Crypto Kiosk Release**	The Financial Crimes Enforcement Network (FinCEN) notice highlights widespread noncompliance in the sector and warns that failures to implement effective AML programs, monitor for red flags, or properly report suspicious activity can result in enforcement actions and criminal liability. Digital asset firms — whether operating kiosks directly or providing services to them — should review the notice and strengthen controls, audit programs, and law enforcement cooperation as needed to mitigate regulatory and litigation risk.	• FinCEN Notice on the Use of Convertible Virtual Currency Kiosks for Scam Payments and Other Illicit Activity (Aug. 4, 2025)
☐	**Bank Safekeeping Guidance**	The federal bank regulatory agencies clarify how banks may provide safekeeping services for digital assets under existing regulatory and risk management frameworks and establish expectations around cryptographic key management, Bank Secrecy Act/AML compliance, third-party oversight, and audit practices.	• Interagency Statement on Crypto-Asset Safekeeping by Banking Organizations (Jul. 14, 2025)

Compliance To-Dos: Laws That Already Apply (and Still Do)

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☐	**New York State Department of Financial Services (NYDFS) Enforcement Over Paxos-Binance Partnership**	Paxos Trust Company agreed to pay a $26.5 million penalty and commit an additional $22 million investment in its AML compliance program to remedy "systemic failures," including inadequate due diligence regarding Binance and weak transaction monitoring relating to the Paxos-issued stablecoin, Binance USD. This enforcement underscores that state regulators will hold digital asset firms—and their institutional partners—to rigorous standards, including with respect to federal AML obligations and especially concerning third-party relationships and compliance infrastructure.	• NYDFS Press Release (Aug. 7, 2025) • Consent Order (Aug. 7, 2025)
☐	**DOJ Shifts Enforcement Priorities for Digital Assets**	The U.S. Department of Justice (DOJ) formally shifted its digital asset enforcement priorities, emphasizing prosecution of individuals who prey on investors or use digital assets to facilitate serious crimes such as terrorism, trafficking, hacking, and scams, while stepping back from using the DOJ as a "digital assets regulator." The change underscores the necessity for robust compliance, AML controls, and vigilant governance to guard against heightened criminal enforcement—even as other regulatory pressure on market participants may ease.	• Blanche Memo (Apr. 7, 2025) • Sidley Update, U.S. DOJ Shifts Focus in Digital Asset Enforcement (Apr. 10, 2025)

Compliance To-Dos: Laws That Already Apply (and Still Do)

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Topic	Why it matters	Reading list
☐ **SEC Enforcement and State Securities Regulator Updates**	The SEC has filed joint stipulations to voluntarily dismiss several ongoing litigation matters over alleged registration violations in 2025, often citing to "its judgment that the dismissal will facilitate the Commission's ongoing efforts to reform and renew its regulatory approach to the crypto industry." Fraud remains an enforcement priority however, and state securities regulators have indicated they are willing to fill any perceived gaps in investor protection.	• SEC Announces Cyber and Emerging Technologies Unit to Protect Retail Investors (Feb. 20, 2025) • Commissioner Hester Peirce Statement, "Getting Back on Base" (Feb. 27, 2025) • Sidley Update, State Securities Regulators Stake a Claim in Crypto Asset Markets (Aug. 14, 2025)
☐ **Tornado Cash — Sanctions and Criminal Conviction**	Following an appellate court ruling that immutable smart contracts are not properly subject to Office of Foreign Assets Control (OFAC) sanctions, OFAC announced the delisting of the Tornado Cash smart contracts from the Specially Designated Nationals and Blocked Persons (SDN) list. Subsequently, however, a jury found a developer of Tornado Cash guilty of unlicensed money transmission. Legal and regulatory obligations for noncustodial software and its developers remain open to interpretation.	• OFAC Press Release, Tornado Cash Delisting (Mar. 21, 2025) • Sidley Update, Fifth Circuit Issues Rare Finding: Office of Foreign Assets Control Exceeded Authority in Sanctioning Cryptocurrency Software (Dec. 5, 2024) • DOJ Press Release, Roman Storm Conviction (Aug. 6, 2025)

What the Future May Bring — and How You Can Have a Say

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☐	**Market Structure Legislation**	The House of Representatives passed the Digital Asset Market Clarity Act of 2025 on July 17, 2025. Shortly afterward, the Senate Banking Committee released a "discussion draft" of the Responsible Financial Innovation Act of 2025 (RFIA) along with a detailed request for information (RFI). The Senate Agriculture Committee has yet to make public its portion of the RFIA. Both proposals would establish a federal regulatory framework for digital asset activities. While the ultimate timeline remains uncertain, Senate leaders have targeted passage of market structure legislation before the end of the year.	• CLARITY Act (Jul. 17, 2025) • RFIA Draft (Jul. 22, 2025) • Senate Banking Committee RFI (Jul. 22, 2025)
☐	**President's Working Group on Digital Asset Markets Issues Recommendations Report**	Established by a January 2025 executive order, the President's Working Group on Digital Asset Markets, consisting of officials from across federal agencies, issued a report (the Report) recommending several regulatory and legislative proposals to promote the adoption of blockchain technology and digital assets in the U.S., covering market structure, banking, payments, illicit finance and tax.	• Report: Strengthening American Leadership in Digital Financial Technology (Jul. 30, 2025) • Fact Sheet (Jul. 30, 2025)
☐	**SEC's Project Crypto**	The SEC's initiative to enable capital markets to move "on-chain" could lead to significant changes in U.S. securities rules and regulations. While rulemaking is pending, the SEC staff have been instructed to use interpretive and exemptive relief as appropriate to prevent existing regulations from stifling innovation and entrepreneurship.	• Chairman Atkins Speech, "American Leadership in the Digital Finance Revolution" (Jul. 31, 2025) • Sidley Update, SEC Announces Launch of "Project Crypto" (Aug. 5, 2025)

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☐ **CFTC Crypto Sprint Initiative**	The CFTC is requesting feedback and suggestions on all recommendations for the CFTC in the Report. This request follows the CFTC's request for input announced earlier this month regarding the listing and trading of spot crypto. Comments are due by October 20, 2025, and will be published on the CFTC's website.	• Release No. 9109-25, Acting Chairman Pham Announces Next Crypto Sprint Initiative (Aug. 4, 2025) • Release No. 9105-25, Acting Chairman Pham Launches Listed Spot Crypto Trading Initiative (Aug. 21, 2025)
☐ **Taxation**	The Report advocates for a significant overhaul of the federal tax treatment of digital assets and digital asset transactions. It calls for the Internal Revenue Service to issue taxpayer-favorable guidance on a variety of issues, including the application of the corporate alternative minimum tax to digital assets. It also calls for legislative amendments that would classify actively traded digital assets as a new asset class akin to securities or commodities and for legislation that would extend rules for mark-to-market elections, wash sales, securities lending, and trading safe harbors to digital assets. These changes would bring much-needed clarity to the federal income tax treatment of digital assets and transactions involving digital assets.	• Report: Strengthening American Leadership in Digital Financial Technology (Jul. 30, 2025) • Fact Sheet (Jul. 30, 2025)

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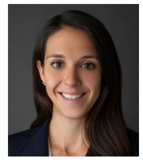

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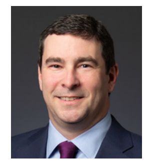

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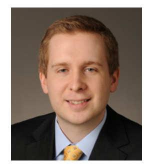

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Spanning three continents, our integrated team advises clients on the legal, regulatory, and business considerations involved in the development and implementation of blockchain technologies, as well as in investments in digital assets and virtual currencies.

Highlighted are just a few of the professionals available to serve as resources on the checklist topics.

We also gratefully acknowledge the contributions of Dan Engoren and Tyler J. Combest to the development of this publication.