

How Crypto Embrace Will Affect Banks And Credit Unions

By **Jay Spruill** (October 20, 2025)

The second Trump administration has moved aggressively to promote crypto-friendly reforms and initiatives.

From appointing pro-crypto advocates to key executive branch posts, to issuing executive orders deregulating policies put in place by the previous administration, the Trump administration has taken swift action to dramatically change the regulatory landscape in the U.S. The goal: reduce legal and regulatory uncertainty and encourage broader adoption of digital assets in the marketplace.



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Congress has worked in tandem with the executive branch's crypto reform efforts. The Guiding and Establishing National Innovation for U.S. Stablecoins, or GENIUS, Act, enacted on July 18, establishes the first comprehensive framework for the issuance and use of stablecoins.

The Digital Asset Market Clarity Act, which passed the House of Representatives in July, and the Responsible Financial Innovation Act, companion legislation under consideration in the Senate, establish a crypto oversight framework for the U.S. Securities and Exchange Commission and the U.S. Commodity Futures Trading Commission.

The Senate bill also includes provisions authorizing financial holding companies and national banks to engage in crypto activities.

Here is a look at developments thus far in Trump's second term and their implications for community banks and credit unions.

Executive Orders and Reports

Executive Order on Pro-Crypto Policy

Executive Order No. 14178 on American leadership in digital financial technology was issued just three days after Trump took office in January and established the president's Working Group on Digital Asset Markets.

The group was charged with evaluating existing and proposed regulations affecting cryptocurrency and digital assets and making recommendations for a more accommodating regulatory framework. The group released its 160-page report on July 30, setting forth a comprehensive governmental approach for regulatory reform of cryptocurrency and digital assets.

Executive Order on Debanking

Executive Order No. 14331 on fair banking for all Americans asserts that financial institutions have denied or terminated financial services based on political or religious views, as well as lawful business activities. The executive order directs the federal banking regulators to prohibit such so-called politicized or unlawful banking.

During the prior administration, financial institutions were reluctant to provide banking

services to certain industries, including cryptocurrency, largely because of reputational risk concerns and supervisory pressure. The executive order requires the federal banking agencies to remove reputation risk from their supervisory guidance, such that those in the cryptocurrency industry, among others, are afforded full and fair access to banking services.

The Office of the Comptroller of the Currency has already issued guidance consistent with the executive order indicating that debanking activities may negatively affect a bank's Community Reinvestment Act performance and applications for corporate activities, such as new branches or mergers and acquisitions.

Community banks and credit unions should align their policies with the executive order to ensure service to those in the crypto industry in order to avoid unlawful debanking exposure.

Banking Reforms

Office of the Comptroller of the Currency

Recent OCC guidance clarifies the authority of national banks to engage in crypto-asset custody and execution services. The new guidance reduces regulatory burden by rescinding the requirement that a bank demonstrates it has adequate controls in place and receive prior OCC approval before engaging in crypto activities.

Federal Deposit Insurance Corp.

Recent FDIC guidance clarifies that state nonmember banks may engage in crypto-related activities without prior FDIC approval, provided they manage the associated risks.

The OCC and Federal Reserve

The OCC and Fed have removed reputation risk from their examination materials. Reputation risk refers to risks arising from negative public opinion, which may affect the ability to establish new banking relationships or continue existing relationships.

The Fed

The Fed recently withdrew certain Biden-era crypto guidance requiring state member banks to provide the Fed advance notification of planned crypto activities, as well as guidance on bank crypto-asset activities and exposures.

The Fed has also announced that it will sunset the agency's novel activities supervision program, which had imposed regulatory burden on banks engaged in crypto activities.

The OCC, FDIC and Fed

The federal banking agencies recently issued a joint statement to clarify regulatory considerations for banking organizations that provide — or are considering providing — safekeeping for crypto-assets.

The National Credit Union Administration

There has been no new guidance issued by the National Credit Union Administration since Trump took office. Existing NCUA guidance authorizes credit unions to partner with third-

party digital asset service providers and use distributed ledger technologies.

Federal Legislation

The GENIUS Act

The GENIUS Act provides a legal framework for the issuance and regulation of payment stablecoins. The GENIUS Act will take effect upon the earlier of 18 months after July 18, or 120 days after regulators issue final regulations.

Unlike other cryptocurrencies that fluctuate in value, stablecoins are intended to maintain a stable value by being pegged to a reserve asset, such as fiat currency, thereby making them useful for making payments and facilitating other transactions.

Under the act, "payment stablecoin" is defined as a digital asset that is, or is designed to be, used as a means of payment or settlement, the issuer of which is obligated to convert, redeem or repurchase it for a fixed amount of money, such as a dollar amount.

Only "permitted payment stablecoin issuers" may issue stablecoins. Permitted payment stablecoin issuers include: subsidiaries of insured depository institutions, i.e., banks and credit unions; certain other institutions approved by the OCC; or certain state regulatory authorities.

Nonfinancial public companies, e.g., technology companies, may not issue stablecoins unless approved by unanimous vote of the members of the newly created Stablecoin Certification Review Commission, composed of the Treasury secretary and chairs of the Fed and FDIC.

Subsidiaries of insured depository institutions that seek to issue stablecoins may apply for approval with the federal banking agency responsible for the parent institution's supervision, i.e., the OCC, FDIC, Fed or NCUA. The GENIUS Act grants the states the authority to establish a state stablecoin law and approve state stablecoin issuers, but the GENIUS Act prohibits subsidiaries of insured depository institutions and insured depository institutions themselves from issuing stablecoins under any such state regulatory regime.

Importantly, the GENIUS Act prohibits issuers from paying any interest or yield on their stablecoins.

Other key provisions of the GENIUS Act include 1:1 reserve requirement with high-quality assets like U.S. dollars or Treasuries; mandated monthly public reporting and audits; consumer protections such as priority in bankruptcy claims, anti-money laundering and sanctions compliance; and clarity that stablecoins are not considered securities.

Responsible Financial Innovation Act

As indicated above, this Senate companion legislation to the Clarity Act provides that certain digital asset and distributed ledger technology are permitted for financial holding companies and national banks "as part of, or incidental to, the business of banking," including:

- Custodial, fiduciary, or safekeeping services for digital assets;

- Lending secured by digital assets;
- Facilitating purchases and sales of digital assets;
- Operating nodes on a distributed ledger;
- Engaging in derivative/market making/trading/underwriting related to digital assets; and
- Providing wallet software and other incidental powers associated with these activities.

A Threat or an Opportunity?

The supply of top circulating dollar-pegged stablecoins grew by more than 50% over the past year to nearly \$250 billion, with the stablecoin market estimated to reach \$2 trillion within the next three years, according to Standard Chartered PLC.

Large banks and retailers, such as Amazon and Walmart, have made public their intention to introduce their own stablecoins.

For community banks and credit unions, there are legitimate concerns that money will migrate from deposits into stablecoins. Community banks and credit unions depend on their deposit base to make loans to individuals and businesses in their communities; with money flowing from deposits to stablecoins, community lenders will have less money to lend.

But this concern may be overblown. As reported by the American Banker, a comprehensive study conducted by Charles River Associates examined whether stablecoin adoption threatens community bank deposits and found no significant relationship between stablecoin adoption and deposit outflows.

The study noted that the community bank customer base does not significantly overlap with stablecoin adopters, so deposit outflows may not be as dramatic in the future as the doomsayers suggest. Those who bank with a community bank or credit union in their community value the personalized service and local market knowledge they receive. This will continue to be an advantage for community banks and credit unions as the adoption of digital assets evolves.

Community banks and credit unions should not sit on the sidelines, however. Instead, they should consider how they might strategically introduce stablecoins into their product offerings. The ability to offer faster, cheaper and immediate payment rails through stablecoins is a benefit that can attract new customers and help retain existing customers.

Partnerships with fintechs that have the technology and expertise to integrate a stablecoin offering into an institution's core system seamlessly may be more viable than an institution building out a stablecoin capability itself.

Banks may also have an advantage in the blockchain payments ecosystem by offering tokenized deposits. These are digital tokens that represent actual dollars held on deposit at a bank and accounted for as a deposit liability by the bank. Thus, unlike stablecoins, tokenized deposits would be treated as deposits and have FDIC insurance.

Yet, like stablecoins, tokenized deposits would be on a public blockchain and easy to use for payments. While several banks are in the early phase of offering tokenized deposits, regulatory grey areas remain. The federal banking agencies should clarify the rules for tokenized deposits to prevent disintermediation of deposits into stablecoin reserves.

Finally, community depository institutions should consider how they can use their relationship-based approach to banking to attract those involved in stablecoins through custody services, management of stablecoin reserves, treasury trades and other related services.

As the embrace of stablecoins and distributed ledger technology continues to grow, community banks and credit unions should think strategically as to how they might use these innovations to best serve their customers.

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