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3 Key Developments for the Crypto Industry in Week 1 of the New US Administration

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January 2025 – As anticipated, the new U.S. administration, and the Securities and Exchange Commission under fresh (albeit acting) leadership, have quickly signaled a more crypto-friendly stance than the previous administration. Three key developments from the first week of the new administration underscore this paradigm shift.

1. On Jan. 23, the White House issued the Strengthening American Leadership in Digital Financial Technology executive order,[1] to "promote United States leadership in digital assets and financial technology." The order creates the President's Working Group on Digital Asset Markets, chaired by David Sacks, the President's AI and Crypto Czar, and consisting of representatives of various federal agencies including the SEC, Commodity Futures Trading Commission, Treasury Department and Department of Justice. The executive order establishes the following timeline for the Working Group:

- Within 30 days of the order, the Working Group shall "identify all regulations, guidance documents, orders, or other items that affect the digital asset sector;"
- Within 60 days, the agencies represented in the group shall "submit to the Chair recommendations with respect to whether each identified regulation, guidance document, order, or other item should be rescinded or modified, or, for items other than regulations, adopted in a regulation;" and
- Within 180 days, the Working Group, "shall propose a Federal regulatory framework governing the issuance and operation of digital assets, including stablecoins, in the United States," considering "provisions for market structure, oversight, consumer protection, and risk management."

The Jan. 23 executive order also generally prohibits the establishment of a central bank digital currency (CBDC) — a digital asset that could potentially compete with stablecoins.

2. On Jan. 21, the SEC, under Acting Chair Mark Uyeda, signaled a clear move away from enforcement-led regulation of the crypto industry to greater regulatory clarity. In its press release, titled, "SEC Crypto 2.0,"[2] the SEC announced the launch of an SEC Crypto Task Force to develop a "comprehensive and clear" regulatory framework for crypto assets.

SEC Commissioner Hester Peirce — nicknamed "Crypto Mom" for her vocal pushback against enforcement-led regulation of the crypto industry — will lead the task force. The SEC's press release notes that, "[t]o date, the SEC has relied primarily on enforcement actions to regulate crypto retroactively and reactively, often adopting novel and untested legal interpretations along the way," resulting in "confusion about what is legal." The purpose of the task force is to, "draw clear regulatory lines, provide realistic paths to registration, craft sensible disclosure frameworks, and deploy enforcement resources judiciously." The press release does not include any specific timelines for the task force, but notes that this undertaking will take time.

3. In line with the SEC's new, apparently more liberal, approach to crypto assets, on Jan. 23, the SEC staff repealed Staff Accounting Bulletin (SAB) No. 121.[3] SAB 121, issued in 2022, required companies reporting financial information to the SEC to book customer crypto assets on their own balance sheets rather than as custodied off-balance sheet assets — thus ballooning the custodian's balance sheet. SAB 121 was generally understood to discourage banks from offering digital asset custody services because crypto-inflated balance sheets would subject banks to higher capital reserve requirements.[4] Recission of SAB 121 could open the door for new custodial participants and increased custodial activity.

This change in administrative and agency approach to crypto assets will significantly boost the digital assets industry in the United States. But the devil will be in the details of the regulatory framework that is eventually established. Federal regulation could clarify the scope of oversight of different agencies over the industry, and SEC rulemaking and guidance could provide clarity on threshold legal issues such as whether and when transactions involving digital assets constitute "investment contracts." With its Crypto 2.0 Task Force, the SEC has already signaled an important shift away from enforcement-led regulation of the industry.

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1. Strengthening American Leadership in Digital Financial Technology – The White House. ↩
2. SEC.gov | SEC Crypto 2.0: Acting Chairman Uyeda Announces Formation of New Crypto Task Force. ↩
3. https://www.sec.gov/regulation/staff-interpretations/accounting-bulletins/old/staff-accounting-bulletin-121; SEC.gov | Staff Accounting Bulletin No. 122. ↩
4. Letter to President Biden re: "Staff Accounting Bulletin No. 121" (H.J. Res. 109) | American Bankers Association. ↩

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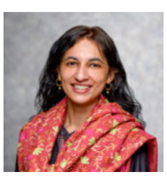

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