Lowenstein Sandler

July 31, 2025

Lowenstein Crypto advises leading digital asset and cryptocurrency projects, exchanges, and trading firms. Our practice covers regulatory advice, transactions and structuring advice, investigations, and adversarial matters including commercial disputes, bankruptcy, and related litigation. As these markets continue their rapid growth and market participants continue to evolve and mature their businesses, we are providing this weekly digest as a resource that highlights and summarizes a selection of key recent legal regulatory developments.

Positioning America for Crypto Leadership: A Roadmap for Digital Asset Innovation

The President's Working Group on Digital Asset Markets, established by Executive Order 14178 under President Donald Trump, has released a comprehensive report outlining a strategy to establish the United States as the global leader in digital finance. The report recommends legislative and regulatory reforms to enhance clarity, consumer protection, and innovation in the digital asset sector. Page 51 of the report specifically provides recommendations and immediate actions for the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) to use their existing rulemaking and exemptive authorities to enable the trading of digital assets. Key proposals include expanding the CFTC authority over non-security digital assets, promoting decentralized finance, and enabling streamlined trading and product development through regulatory tools. It also calls for modernizing banking rules to support digital asset services, implementing the GENIUS Act to regulate stablecoins, and ensuring privacy through a ban on central bank digital currencies. Additional recommendations include anti-money laundering updates, taxpayer guidance, and revised tax treatment for digital assets to support responsible growth in the crypto economy. *See a fact sheet released by the White House here*.

Senate Proposes Hybrid Regulatory Framework for Digital Assets

The Senate Banking Committee (Committee) has released a discussion draft of the "Responsible Financial Innovation Act of 2025," offering a new regulatory approach for digital assets that contrasts with the House's recently passed CLARITY Act. Introduced by Sens. Tim Scott, R-S.C.; Cynthia Lummis, R-Wyo.; Bill Hagerty, R-Tenn.; and Bernie Moreno, R-Ohio, the proposal outlines a hybrid model in which the SEC would oversee exemptions and disclosures for a new category termed "ancillary assets," while the CFTC would regulate these assets as commodities. This dual-agency framework builds on existing precedent from the Commodity Futures Modernization Act of 2000 and aims to better accommodate blockchain-based innovations that do not fit squarely into traditional financial categories. Further, the Senate's approach seeks to address concerns about investor protection and regulatory clarity, promoting responsible innovation while emphasizing law enforcement collaboration and support for financial institutions adopting digital technologies. The Committee is soliciting stakeholder feedback through early August and plans to finalize legislation by September. As crypto adoption continues to grow both globally and domestically, the proposed framework aims to provide the regulatory certainty needed for sustainable innovation and community-driven economic development. *See the discussion draft of the legislation here.*

SEC Approves In-Kind Creations for Crypto ETPs

The SEC has approved new orders allowing authorized participants to create and redeem shares of crypto-asset exchange-traded products (ETPs) on an in-kind basis, marking a shift from the cash-only model used in previously approved spot Bitcoin and Ether ETPs. This change aligns practices used for crypto ETPs with standard practices used for other commodity-based ETPs and is intended to reduce costs and improve efficiency for issuers and investors. SEC Chairman Paul S. Atkins described the move as part of a broader effort to establish a tailored regulatory framework for digital assets. The SEC also approved additional measures to support crypto product innovation, including ETPs holding both Bitcoin and Ether, options on Bitcoin ETPs, flexible exchange options, and expanded position limits. These developments reflect the SEC's evolving, merit-neutral stance on crypto-based financial products and its aim to support a more dynamic and efficient market structure. *See the SEC press release here.*

Wyoming Senator Proposes Law To Include Crypto in Mortgage Applications

Sen. Cynthia Lummis of Wyoming has introduced the 21st Century Mortgage Act, a bill that would formalize a recent directive from the U.S. Federal Housing Finance Agency (FHFA) requiring mortgage purchasers to consider digital assets in evaluating single-family home loan applications. Lummis argues the legislation could help younger Americans with crypto holdings build wealth and access affordable housing, as homeownership rates for those under 35 remain low. However, Senate Democrats have expressed concern about the volatility and liquidity of cryptocurrencies, urging the FHFA to fully examine the potential financial risks. The proposal aligns with similar efforts in the House, such as Rep. Nancy Mace's American Homeowner Crypto Modernization Act, and reflects a broader push to integrate digital assets into traditional finance. The bill is one of several crypto-related measures under Senate consideration before its August recess. *See a press release on Sen. Lummis' website here and the full text of the bill here.*

SEC Delays Decision on Trump-Backed Truth Social Bitcoin ETF Amid Broader Crypto Review

The SEC has delayed its decision on the proposed Truth Social Bitcoin exchange-traded fund (ETF), backed by the Trump Media and Technology Group, extending the review deadline to September 18. The ETF seeks to list on NYSE Arca under the SEC's commodity-based trust share framework. The agency cited the need for additional time to evaluate the proposal and related concerns, consistent with its cautious approach to crypto-related financial products. The SEC also postponed decisions on other crypto ETFs, including Grayscale's Solana Trust and Canary Capital's Litecoin ETF. While delays in crypto ETF approvals are common, this review carries added political attention due to President Donald Trump's direct business ties. If approved, the Truth Social Bitcoin ETF would mark the first crypto fund linked to a sitting or former U.S. president's enterprise, raising questions about potential conflicts of interest. The delay comes as President Trump continues to shape crypto policy, most recently by signing the GENIUS Act and directing federal agencies to consider crypto-assets in mortgage underwriting guidelines. *See an SEC filing by Assistant Secretary Sherry Haywood here.*

Hong Kong Finalizes Stablecoin Regulatory Framework Ahead of August Rollout

The Hong Kong Monetary Authority (HKMA) has finalized its regulatory framework for stablecoin issuers, set to take effect on August 1. The new rules include comprehensive guidelines on licensing, supervision, and compliance with anti-money laundering and counterterrorism financing standards. As part of the rollout, the HKMA will launch a public registry of licensed stablecoin issuers to enhance transparency and consumer protection. While no licenses have been issued, the HKMA has cautioned the public against unlicensed entities and warned that holding unlicensed stablecoins carries risks. HKMA Chief Executive Eddie Yue emphasized that many current applicants lack sufficient technical and operational readiness, and only a limited number of licenses will be granted initially. Interested parties are encouraged to engage the HKMA by August 1 and submit full applications by September 30. The move aligns with broader regional efforts to curb crypto-related fraud. *See a press release by the HKMA here.*

U.S. Files Forfeiture Action for $2.4M in Bitcoin To Support Strategic Reserve

The U.S. Department of Justice has filed a civil complaint seeking the forfeiture of approximately 20.3 Bitcoin, worth approximately $2.4 million, seized by the Dallas Federal Bureau of Investigation from an address allegedly linked to the Chaos hacker group involved in ransomware attacks. Filed in the Northern District of Texas, the complaint supports the creation of the U.S. Strategic Bitcoin Reserve, established under an executive order by President Trump to consolidate seized digital assets. Notably, the legal status of many seized assets remains unclear, as not all have been formally forfeited. Meanwhile, several U.S. states, including Arizona, Texas, and New Hampshire, have passed legislation to establish their own Bitcoin reserves, though most similar efforts have failed to advance in state legislatures. *See a press release by the United States Attorney's Office for the Northern District of Texas here.*

Chairman Atkins Announces Launch of Project Crypto

On May 31, SEC Chairman Paul Atkins released a statement announcing the launch of Project Crypto, an initiative to carry out the recommendations set forth in the report published on May 30 by President Donald Trump's working group on digital asset markets. Project Crypto will be led by Commissioner Hester Peirce and aims to establish the SEC's regulatory framework with respect to crypto assets. Specifically, Project Crypto will focus on (i) developing clear guidelines for market participants to determine whether a crypto asset is a security; (ii) establishing a regulatory framework for crypto asset securities; (iii) adapting existing regimes to facilitate the custody of crypto assets; (iv) creating an environment that fosters innovation through "super-apps" among market participants; (v) updating antiquated SEC rules and regulations (*e.g.*, Regulation NMS) to enable on-chain systems to facilitate crypto asset transactions (*e.g.*, decentralized and centralized protocols); and (vi) establishing the framework for an innovation exemption designed to allow eligible participants to quickly go to market, notwithstanding the fact that the new business models do not fit perfectly within existing frameworks. *See Atkins' full statement here.*

Contact Us

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