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# Digital Assets and the Banking Sector

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## Background on Digital Assets

- Replacement for trust:
  - Bitcoin relies on a *proof of work* (PoW) consensus mechanism that rewards miners.
  - Unlike Bitcoin, Ethereum 2.0 uses *proof of stake* (PoS), where validators lock or “stake” Ether to enter a pool to be given a chance to validate the next block; the network may seize collateral for malicious activity or other offenses.
- Additional features:
  - Smart contracts are applications that self-execute when participants meet some predetermined set of criteria.
  - Stablecoins are crypto assets designed to maintain a stable value relative to a national currency or other assets.



### The crypto ecosystem:

- On-chain transactions are transactions processed directly over the blockchain. Users send and receive cryptocurrency on-chain using public and private keys, which are unique strings of alphanumeric characters.
- Off-chain transactions occur outside of blockchains. Instead, they are generally facilitated, processed, and recorded by digital platforms, such as crypto exchanges, which host users’ custodial or hosted wallets.
- Crypto exchanges/platforms allow users to exchange fiat currency into crypto and vice versa, or trade crypto. These platforms allow users to hold and trade digital assets, make markets for various assets, and offer other services.

## Institutional Adoption of Crypto Assets

Crypto-related activity	Details
Crypto-asset safekeeping and traditional custody services	Facilitating the customer's exchange of crypto assets and fiat currency, transaction settlement, trade execution, recordkeeping, valuation, tax services, and reporting
Ancillary custody services	Could potentially include staking, facilitating crypto-asset lending, and DLT governance services
Facilitation of customer purchases and sales of crypto-assets	Under either a "finder" model or a "broker" model
Loans collateralized by crypto assets	Offering U.S. dollar-denominated loans collateralized by a borrower's crypto assets
Issuance and distribution of stablecoins	Playing a more involved role in a stablecoin arrangement beyond holding reserve assets, such as minting/burning stablecoins or offering wallet services
Activities involving the holding of crypto-assets on balance sheet	

## OCC Shift: A More Permissive Environment for Digital Assets

**Clear trend:** The OCC is materially opening the door to digital asset activity

### OCC (National Banks)

- Conditional approval of multiple national trust bank charters for crypto-focused institutions
- Rescinded prior “nonobjection” requirement → lowers barrier to entry
- Expanded crypto-related permissible activities under new interpretive letters:
  - Custody crypto on customer’s behalf and engage in related transactions at customer direction
  - Engage in stablecoin activities
  - Use third parties for crypto services with respect to bank-permissible activities
  - Hold crypto on balance sheet for operational network-fee purposes
  - Conduct riskless principal trading

**Takeaway:** OCC posture has shifted from **case-by-case gatekeeping** → **clearer accommodation** of well-structured bank models

# Expansion Beyond OCC: Payments, Stablecoins & Federal Reserve Account Access

## Federal Reserve

- Crypto-related activities no longer viewed as “novel” and instead subject to normal supervisory process
- Replaced 2023 policy statement with guidance to uninsured state member banks seeking to engage in activities as principal that are not otherwise permissible for insured state-chartered banks
- Exploring “**skinny master accounts**”:
  - Potential access to Fed payment rails for crypto/payment-focused institutions
  - Kraken Financial: Wyoming-chartered bank the first crypto-focused bank granted a **Federal Reserve master account**

## Stablecoin Regulatory Framework (GENIUS Act Implementation)

- **OCC Feb. 2026 NPRM:** Establishes federal regime for permitter payment stablecoin issuers (PPSIs)
- Licensing/approval requirements
- Permissible vs. prohibited activities
- Reserve, redemption, and capital and liquidity requirements
- Operational risk, reporting, and supervision
- Integrates PPSIs into OCC prudential framework (capital, exams, enforcement)

## Treasury & FDIC (complementary actions)

- **Treasury Dec. 2025 ANPRM:** shaping broader policy (AML, federal/state balance)
- **FDIC Dec. 2025 NPRM:** establishing process for stablecoin issuance by FDIC-supervised bank subsidiaries



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