

California Bankers Association Bank Presidents Seminar

Jan 7- 9, 2026

Montage Laguna Beach, California

"Navigating the Evolving Intersection of Digital Assets & Banking"

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2026
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Summary



- Stablecoins - Opportunity for Banks?
- Background on Digital Assets and Blockchain
- History of Digital Banking Policy in the United States
- Genius Act - Stablecoin Regulation
- Stablecoin Risk Management Issues
- OCC Conditionally Approved Digital Asset Firms

Stablecoins - Opportunity for Banks?



- The **GENIUS Act** will push many banks to analyze and decide on a strategy for stablecoins and other digital assets
- There are currently over **\$290 billion stablecoins outstanding**. * Stablecoins have been increasingly used by banking organizations and other financial institutions to facilitate payments and to bridge the DeFi and traditional finance ecosystems.
(*McKinsey and Company, 2025)
- Clients are asking their banks about digital assets. Only 7% of national or regional bank clients do not have an interest in stablecoins
- 65% of bank clients want general information regarding stablecoins and cryptocurrency, and 47% are interested in using digital assets for payments (American Banker).

Stablecoins Opportunity for Banks?



- Competitive landscape - Both internationally/nationally
- Trusted Advisor role for bank clients regarding blockchain/stablecoins
- Create competitive advantage - Another payment network for banks to integrate
- Stablecoins can reduce cost and increase speed of transactions
- Improved security, documentation and regulatory compliance
- Banks - potential stablecoin issuers/partners
- Nonbank issuers/trust banks
- Global market/regulation

Stablecoins Opportunity for Banks?



❖ Potential Bank Activities: Stablecoins

- Providing stablecoin payment services
- International trade/ Money transmission
- Holding stablecoin reserves
- Providing custody of stablecoins for customers and related services:
- Issuing stablecoins
- Tokenized Deposits
- Tokenized money market funds (MMFs)
- Providing custody of digital assets and related services (directly or through third parties)
- Facilitating customer trading
- Using distributed ledger technology for existing payment or other activities

- “**DIGITAL ASSET**” means digital tokens issued, traded and settled on blockchain systems, including cryptocurrencies, stablecoins and tokenized real-world assets (“RWAs”).

- A “**BLOCKCHAIN**” is a form of distributed ledger technology and is essentially a shared, tamper-resistant database (i) where transactions are recorded in sequentially linked “blocks” and (ii) which is maintained by a network of participants (*i.e.*, miners or validators). Blockchain systems can be:
 - **Public and permissionless** – open participation, consensus driven by a decentralized network of miners or validators; or
 - **Private and permissioned** – restricted membership for traders and validators; often used by banking organizations in “walled garden” pilot programs.

Digital Tokens

- Units of value on a blockchain, and their ownership is represented by ownership of private keys (accessible only by the owner) that control access to the tokens, and which are generally stored in software or hardware “wallets”.
- Transactions in digital assets settle near-instantaneously on the blockchain system associated with the digital asset. Public blockchains like Ethereum.

History of Digital Asset Policy in the United States



Digital Assets - Trump I - 2016-2020

- Anchorage Digital Bank - converted state-chartered trust company
- Custody - Open to digital asset charters
- Fair Access, regulatory risk, debanking

Digital Assets - Biden Administration - 2021-2024

- The Biden Administration took a cautious approach to digital asset innovation in the financial sector, echoed by the SEC, CFTC and federal banking regulators, while the current Administration has taken a much more industry friendly view.

Digital Assets - Trump II - 2024 - Present

- On January 23, 2025, President Trump issued an executive order on “Strengthening American Leadership in Digital Financial Technology” outlining key digital asset policy objectives intended to “make America the world capital in crypto.”
 - **Fair Access** - “protecting and promoting banking services for all law-abiding individual citizens and private-sector entities alike
 - **“Support[ing] the responsible growth and use of digital assets,** blockchain technology, and related technologies across all sectors of the economy.”
 - **Established the President’s Working Group on Digital Asset Markets,** chaired by a White House Special Advisor for AI and crypto.
 - **Report to the President on July 30, 2025** – called for a pro-innovation federal strategy focused on regulatory clarity for stablecoins and digital asset market structure. The 165-page report also laid out several recommendations directed to the federal banking regulators.

History of Digital Asset Policy in the United States (continued)

Digital Assets - Trump II - 2024 - Present

- Embrace the opportunities digital assets and blockchain technologies offer to banks nationwide. (digital asset custody, use of third-party service providers for digital asset activities, holding stablecoin reserves as deposits, digital asset principal activities, pilot programs, tokenization and use of permissionless blockchains);
- Regulators to clarify supervisory expectations on safe and sound conduct with respect to bank engagement with digital assets, private and permissionless blockchains, tokenized deposits and where to conduct principal bank activities;

Digital Assets - Trump II - 2024 - Present

- **Reserve accounts** - provide clarity and transparency regarding the process for eligible institutions to obtain a bank charter or a **Reserve Bank master** account, including with respect to expected timelines for decision-making; and
- Reputational risk - will no longer be a stand-alone supervisory category (“novel”), which had been criticized by the digital asset industry as a mechanism of unfair **“debanking”**.

Digital Assets - Trump II - 2024 - Present

- **Tokenization** - Clarify with risk-based guidelines the circumstances under which tokenized assets and tokenized asset collateral would be subject to the same capital and liquidity treatment as the underlying asset or collateral.
- **Capital** - The Report also recommended the adoption of risk-appropriate capital requirements for bank digital asset activities.

1. Dual Licensing Paths

- **Federal route:** Large issuers (like banks or fintech firms with over \$10 billion in outstanding stablecoins) can apply for a license from the Office of the Comptroller of the Currency (OCC).
- **State route:** Smaller or state-chartered firms can still issue stablecoins under state laws, as long as they meet new federal standards — bringing more consistency nationwide.

Genius Act - Stablecoin Regulation (continued)



2. Reserve Backing Requirements

- Issuers must maintain **1:1 reserves** in **highly liquid, low-risk assets**.

This includes:

- U.S. dollars
- Insured bank demand deposits
- U.S. Treasury securities with maturities of 93 days or less
- Qualified repurchase agreements

3. Transparency Rules

- Issuers must publish a **monthly breakdown of reserves** on their website.
- CEOs and chief financial officers (CFOs) must **personally certify the accuracy** of reserve statements under penalty of perjury. That is a big shift toward accountability and internal controls.

4. Anti Money Laundering (AML)/KYC Compliance

- Stablecoin issuers are now considered **financial institutions under the Bank Secrecy Act (BSA)**.
- That means they need to:
 - File **Suspicious Activity Reports (SARs)**
 - Conduct **Know Your Customer (KYC)** procedures
 - Maintain Office of Foreign Assets Control (**OFAC**) **screening** and compliance
 - Have the tech capability to **seize, freeze, or burn tokens** when legally required

5. Consumer Issues/Next Steps

- If an issuer goes bankrupt, customers holding stablecoins have **super-priority status** in recovery.
- Issuers cannot pay interest on these coins or claim government backing.
- **Payment stablecoins are not classified as securities or commodities**, so they avoid Security Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) registration requirements — at least for now.
- **The GENIUS Act takes effect 120 days after the regulations of the federal payment stablecoin regulators are issued or, if earlier, January 18, 2027**
- There is a bill pending in the U.S. Senate called the Clarity Act - delineates regulatory jurisdiction over non-stablecoin-digital assets (e.g., cryptocurrencies) between SEC and CFTC.

Stablecoin Risk Management Issues

- *People, processes and technology*
- *Some banks will consolidate deposit and lending systems, creating a single location to access data for lending, payments and other functions such as real-time processing - which is key to support stablecoins and tokenized deposits.*
- *Data Quality!*
- *Technology and Operational Risk - "Tech Stack" - Highly important*
- *Third-Party Risk*
- *Asset Volatility Risk*
- *AML/CFT*
- *Sanctions*
- *Cyber*
- *Privacy*
- *Resiliency*
- *Sustainability*

OCC Conditionally Approved Digital Asset Firms



The following list comprises the firms receiving conditional approval from the OCC on December 12, 2025:

- **First National Digital Currency Bank (Circle)** - Approved for a de novo national trust bank charter
- **Ripple National Trust Bank (Ripple)** - Approved for a de novo national trust bank charter.
- **BitGo Bank & Trust, National Association (BitGo)** - Approved to convert from a state trust company charter to a national trust bank charter.
- **Fidelity Digital Assets, National Association (Fidelity)** - Approved to convert from a state trust company charter to a national trust bank charter.
- **Paxos Trust Company, National Association (Paxos)** - Approved to convert from a state trust company charter to a national trust bank charter.
- Issue of "readiness" to be regulated under the Genius Act