

Article Information

Authors: Steven Pettigrove, Jake Huang, Luke Higgins, Luke Misthos, Emma Assaf

Service: Blockchain

Sector: Financial Services, FinTech, IT & Telecommunications

Blockchain Bites: US Federal Reserve withdraws anti-crypto guidance, AUSTRAC launches blitz on dormant DCE's, UK publishes draft crypto legislation and Australia trials blockchain-based age verification

Steven Pettigrove, Jake Huang, Luke Higgins, Luke Misthos and Emma Assaf of the Piper Alderman Blockchain Group bring you the latest legal, regulatory and project updates in Blockchain and Digital Law.

US Federal Reserve withdraws anti-crypto banking guidance

The US Federal Reserve has been under fire for some time over guidance it gave previously to banks around crypto related products, which led to banks shunning the crypto industry, a stunning about face has seen this guidance withdrawn and banks freed from requirements to seek permission before engaging in crypto related products. In [2022](#), the Fed issued a 'supervisory letter' stating that:

A supervised banking organization should notify its lead supervisory point of contact at the Federal Reserve prior to engaging in any crypto-asset-related activity.... State member banks are also encouraged to notify their state regulator prior to engaging in any crypto-asset-related activity.

This was broadly interpreted as discouraging banks from engaging in crypto and in 2023 a further letter was issued describing a 'supervisory nonobjection process' requiring banks to notify the Fed and await permission to engage in crypto related products, and if permission was granted, the bank would:

continue to be subject to supervisory review and heightened monitoring of these activities

Given the substantial risks and costs of being subject to enhanced supervisory review for a bank, unsurprisingly these guidance letters led to crypto companies being given the cold shoulder.

The overall restrictions on banking have been called "Operation Chokepoint 2.0" in reference to the Obama administration's efforts to secretly restrict banking services to industries deemed undesirable using 'reputational risk' as a broad catch all.

Coinbase obtained documents under Freedom of Information concerning Operation Chokepoint 2.0 which one commentator [called](#):

damning evidence of ... discouraging banks from engaging in crypto-related activities. The unredacted letters and supporting documents reveal a deliberate and coordinated campaign to suffocate crypto innovation under the guise of consumer protection and financial stability.

In a stunning turn, the US Fed has [withdrawn all of the guidance](#), which should free banks to now experiment with crypto products in ways they were doing before the guidance was issued. This is seen as ongoing efforts of the Trump Administration to encourage innovation through cryptocurrency and blockchain technology, and while the shadows of the past guidance are sure to linger, many banks are extremely keen to get more involved, and publicly so, in crypto and blockchain.

By Michael Bacina with Steven Pettigrove

AUSTRAC launches ‘use it or lose it’ blitz on dormant DCEs

AUSTRAC is taking decisive steps to clean up its Digital Currency Exchange (**DCE**) register, warning that dormant or inactive exchanges risk losing their registration under a new compliance campaign dubbed the ‘use it or lose it’ blitz.

The crackdown targets DCEs that appear inactive, with AUSTRAC directly contacting businesses that have not demonstrated trading activity. With 427 currently registered exchanges, AUSTRAC believes a “significant proportion” are no longer operational, posing risks to the integrity of the register and to consumers.

[In a recent press release](#), AUSTRAC Chief Executive Officer Brendan Thomas labelled DCEs a high-risk sector and that inactivity opens the door for criminals to exploit a company’s enrolment status.

Inactive businesses are vulnerable to being bought and co-opted by criminals

We’re aiming to protect consumer confidence in AUSTRAC registration and limit the potential for improper sale and use of DCE businesses.

As registration with AUSTRAC is a legal prerequisite for offering cryptocurrency-to-fiat services (including crypto ATMs), maintaining an accurate and up-to-date register is critical. Registrants are required to notify AUSTRAC if their business model changes or if they cease to provide DCE services.

This latest initiative follows AUSTRAC’s broader push to tighten oversight of digital assets, including previous enforcement actions and guidance on anti-money laundering (AML) risks related to crypto. DCEs have been in AUSTRAC’s crosshairs for some time, [having previously moved to crack down](#) on unregistered cryptocurrency ATMs and implemented stronger expectations around AML/CTF compliance for DCEs.

Businesses identified as inactive and who fail to respond to AUSTRAC’s inquiries will have their registrations cancelled, with their names published on AUSTRAC’s website. However, businesses may re-apply should circumstances change.

The regulator also announced that it will soon launch a publicly searchable DCE register, allowing customers to easily verify whether a crypto exchange is registered and subject to AUSTRAC’s regulatory oversight.

“We want to make sure the public isn’t misled about the services a business is legally allowed to provide,” said Thomas. “Our message is simple—if you’re not offering services, update your status or risk removal.”

The move signals AUSTRAC’s intent to tighten control over the crypto sector and address AML/CTF compliance in areas like suspicious matter reporting and transaction monitoring. While the introduction of a public register is welcome to help consumers identify compliant operators, more work will need to be done to educate consumers of the changes and how to spot non-compliant operators and scams. AUSTRAC’s actions come ahead of legislative changes to be implemented in March 2026 which will transition the DCE regime to a broader VASP regime covering a wider range of virtual asset businesses and introducing new compliance obligations including the travel rule for virtual assets.

By Steven Pettigrove and Luke Mithos

UK publishes draft crypto legislation

The UK has taken a decisive step in seeking to take the lead in digital assets, with Finance Minister Rachel Reeves unveiling [draft legislation that will bring crypto firms under compulsory financial regulation](#).

The [draft rules would extend existing financial regulations to include crypto exchanges, dealers, and agents](#). In doing so, Britain intends to bring crypto into the existing financial services framework – treating crypto assets like traditional securities – rather than adopting the [EU’s bespoke framework under MiCA which was formally ratified on 20 April 2023](#). This marks a departure from the rest of Europe and from the US, where lawsuits and investigations alleging that crypto assets are securities have been on the way out.

This shift means UK-facing crypto firms will be required to meet differing standards to other countries for the following key areas:

- Transparency
- Consumer protection
- Operational resilience

Rachel Reeves, Chancellor of the Exchequer revealed the news during her speech at UK Fintech Week. The Chancellor framed the new rules as a clear message that the UK is open for (crypto) business:

Through our Plan for Change, we are making Britain the best place in the world to innovate — and the safest place for consumers. Robust rules around crypto will boost investor confidence, support the growth of Fintech and protect people across the UK.

Critically, this legislation sets the tone for Britain's policy direction. Reeves confirmed that discussions with the US Treasury are ongoing, with further bilateral talks scheduled for June via the UK-US Financial Regulatory Working Group. The two countries are also exploring a "transatlantic sandbox" for digital securities, [an idea pushed by SEC Commissioner Hester Peirce](#). This could create a regulatory bridge between the two jurisdictions for compliance.

The UK government aims to finalise the legislation by the end of 2025, following consultation with industry. It forms part of a broader push to grow and modernise the UK's financial services sector, with Reeves promising further detail in her 15 July Mansion House speech, where she'll unveil the country's first *'Financial Services Growth and Competitiveness Strategy'*.

While some in the industry have [expressed frustration over the UK's regulatory pace and challenging funding environment](#), the release of draft legislation potentially marks a turning point. With entrepreneurs and investors increasingly looking toward more innovation-friendly jurisdictions like the US, Singapore, and the UAE, clear and well-calibrated regulation is critical if the UK is to remain globally competitive.

The [draft legislation is open for public comment](#) until 23 May. [Early observers have commented on potential challenges](#) in relation to domestic stablecoins, accessing global liquidity and operational challenges imposed by bringing crypto under a securities framework where issuers may not provide disclosure that UK rules may now impose. Many of the definitions are extremely broad and permission is required for businesses which merely have UK based retail customers (directly or indirectly) meaning many global crypto players will have to block the UK if they do not have permission to operate (or are not going through an authorised intermediary) when this framework comes into effect. Stablecoins issued outside the UK are not proposed to be caught, however, if UK retail holders acquire those stablecoins.

By bringing crypto under the purview of financial regulation and setting expectations for transparency, consumer protection and operational resilience, the UK will set clearer guidelines for businesses to reach certainty around operating, at least for crypto assets which are securities, and has a possible opportunity to attract much-needed investment and signal to the world that it is serious about becoming a crypto hub. The danger it faces in treating all crypto as securities is that securities may rush into being treated in a similar manner if a regulatory arbitrage opportunity presents itself. The order presently seeks to ringfence crypto from traditional securities but this fence will likely come under pressure almost immediately. If the details in this approach develop to give consumers / investors access to the products they are plainly seeking, without onerous requirements for listings, then the UK may yet walk a fine line and show a path for other jurisdictions to follow.

Written by Steven Pettigrove and Luke Higgins with Michael Bacina

Australia trials Blockchain-based Age Verification ahead of Social Media ban

ShareRing, a Melbourne-based blockchain company, has joined the Australian Government's Age Assurance Technology Trial, which is testing age verification tools ahead of new laws restricting under-16s from joining social media platforms. The company recently [announced](#) its involvement via X (formerly Twitter).

In November 2024, Australia [became the first country in the world to pass legislation](#) requiring social media platforms to take reasonable steps to prevent users under the age of 16 from opening accounts. The *Online Safety Amendment (Social Media Minimum Age) Act 2024* states that if personal information collected for age verification is used or disclosed for any other purpose without consent, it will be considered a breach of the *Privacy Act 1988*.

As part of the trial, ShareRing is deploying their blockchain-based digital identity platform. The system verifies a user's identity through a biometric video selfie and then issues a reusable, self-sovereign digital ID stored securely in a mobile wallet. When signing up for a social media site, the user can scan a QR code to confirm they meet the age requirement without sharing any personal data with the platform, which promises to address risks of data breaches and identity theft

while still meeting legal requirements.

This decentralised approach helps address growing public concerns about the privacy and security of identity information, especially in the wake of high-profile data breaches, by eliminating the need to store sensitive data in centralised systems that are vulnerable to attack, says ShareRing founder and CEO, Tim Bos.

By providing reusable digital IDs, ShareRing eliminates the need for repetitive verification while maintaining instant trustless verification and a privacy-first approach,... [w]e are proud to lead this crucial initiative to protect young Australians online and shape a safer digital future.

Testing of ShareRing's digital identity solution began on 14 April 2025 with school students in Darwin. The trial demonstrates the promise of broader adoption of blockchain-based identity solutions with built in zero-knowledge proofs which could assist in aligning Australia's [ongoing efforts](#) to strengthen digital security and online privacy.

By Steven Pettigrove, Luke Misthos and Emma Assaf with Michael Bacina