

Article Information

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Blockchain Bites: Stablecoin regulation wobbling in US senate, Australian government obtains mandate to press crypto reforms, and UK FCA sets the tone for crypto regulation

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

Stablecoin regulation wobbling in US Senate

In March, the US Senate Banking, Housing and Urban Affairs Committee voted with bipartisan support to move forward the [GENIUS Act](#), which would create a framework for regulated stablecoin issuance in the United States.

That bipartisan approach appears to have fractured, with 9 Democrats, including 4 of the 5 Democrats who signed on in committee to support the bill now signing a letter saying they can no longer support the bill in a letter which included demands for:

“stronger provisions on anti-money laundering, foreign issuers, national security, preserving the safety and soundness of our financial system, and accountability for those who don’t meet the act’s requirements.”

Today, Senator Warren, a staunch crypto-critic, [said](#):

“First, a bill must include basic rules so government officials can’t use stablecoin ventures to line their own pockets and so that foreign governments and giant corporations cannot use stablecoins to pay bribes to the President of the United States.

Second, the bill must prevent Big Tech and other commercial firms from issuing stablecoins, preserving America’s historical separation between banking and commerce.

Third, the bill must include basic consumer protections—the same as for any other financial transaction.

Fourth, the bill must safeguard national security, providing the same guardrails as other payment systems to make sure we’re not turbocharging the financing of drug traffickers, terrorists, adversaries like North Korea, and scammers.

And, fifth, the bill must have sufficient safeguards so that a stablecoin meltdown won’t trigger an economy-wide financial meltdown.”

The Trump family’s [announcement last week in Dubai](#) that a company they helped launch’s stablecoin would be used for a US\$2B investment, making it instantly the 7th largest stablecoin, seems to have triggered at least part of the opposition. Senator Warren’s complaints that buying a stablecoin grants an ‘interest free loan’ to the issuer stand in contrast to objections over yield based stablecoins, where the underlying profits are shared with holders.

The US Treasury last week issued comment on yield bearing stablecoins, noting [that](#):

“banks may be required to increase interest rates to maintain funding or find alternative funding sources”

In Europe, yield bearing stablecoins have been [banned under Micah](#).

If the GENIUS Act passes, there is [hope](#) that it might spur change and innovation in combatting financial crime, which makes Senator Warren's position somewhat strange. Presently around 1-5% of illicit funds are intercepted, with an incredible time and cost burden on business as well as customers and significant identity theft risk created by copies of personal information being retained in increasing numbers of computer systems. Section 9 of the bill requires public comment and research into ways to better tackle financial crime. Self-declared Democrat Austin Campbell [posted](#) a critique of the opposition to the GENIUS Act, flagging that a regulated US stablecoin would address key Democratic goals, saying:

“Regulated stablecoins are safer than banks.

Stablecoins are better for financial inclusion.

Stablecoins are better for fighting financial crime.

Stablecoins expand the reach of US law and dollar norms.

Stablecoins fund the deficit. Stablecoins break down bank cartels and oligopolies.

Every single one of these positions is a mainline Democratic priority. Every. Single. One.”

The GENIUS Act is [vying with a competing bill, the STABLE Act](#), which imposes tighter federal oversight over stablecoins and limits the pool of potential stablecoin issuers.

With debate on the GENIUS Act starting later this week, and Republicans holding only 53 of the required 60 senate seats to pass the bill, some negotiation is likely needed if stablecoin regulation in the US is to find firmer ground.

By Michael Bacina with Steven Pettigrove

Australian government obtains mandate to press crypto reforms

The Labor Party has secured another term in government, and with it, a renewed opportunity to deliver long-promised digital asset reforms. The crypto industry, which has spent much of the last three years navigating uncertainty, now turns its attention to whether 2025 will be the year words become laws.

Back in April, Treasury released its [Statement on Developing an Innovative Australian Digital Asset Industry](#), setting out a reform agenda that, if implemented, would mark the most significant regulatory shift for crypto in Australia's history.

The statement signals a more wholistic and industry-aligned approach than earlier proposals, and compared with [ASIC's proposed changes to INFO225](#) which focus more narrowly on the existing legal framework.

What Labor has promised

According to the policy roadmap, the Albanese Government has committed to the following:

1. **A new licensing regime for Digital Asset Platforms (DAPs):** Crypto exchanges and custody platforms will be required to obtain an Australian Financial Services Licence (AFSL), rather than a full market licence, aligning with industry calls for proportionate regulation. Additional requirements will apply around custody, disclosures, and safeguarding client assets.
2. **Regulation of stablecoins under payments law:** Stablecoins will be brought into the Stored-Value Facility (SVF) regime, subject to oversight by APRA. This will apply capital and redemption standards familiar to payments providers, not crypto-native businesses.
3. **Targeted exemptions and thresholds:** Not all digital asset activity will be captured. Non-financial product tokens, DeFi protocols, software developers, and small-scale DAPs may fall outside the core obligations, or benefit from scaled compliance requirements.
4. **A review of the Enhanced Regulatory Sandbox (ERS):** The government has committed to reviewing the ERS to better support product testing by startups and emerging fintech businesses—though details remain light.
5. **Consumer protection obligations:** DAPs and tokenised SVFs will be subject to existing AFSL duties—such as acting honestly and efficiently—as well as bespoke rules to address the unique risks of digital assets.
6. **A response to debanking:** Labor has acknowledged the role of debanking in stifling competition and innovation and committed to working with industry and the big four banks to improve transparency and fairness.

In a [joint statement](#) with Treasurer Jim Chalmers, Assistant Treasurer Stephen Jones and special envoy for cyber security and digital resilience Andrew Charlton recognised the importance of crypto in Australia's economy.

"We know that digital assets and blockchain represent big opportunities for our economy, financial sector, payments industry and capital markets"

"We want to seize these opportunities and encourage innovation at the same time as making sure Australians can use and invest in digital assets safely and securely with appropriate regulation."

In addition to these reforms, Labour is [expected to pursue broader reforms to payment systems regulation and to extend the AFSL regime to a broader range of payment providers](#) following earlier consultations during its first term in government.

Will it stick?

After years of consultation and industry lobbying, the policy framework has taken shape. But the track record on delivery is mixed. The Liberal Party, through Senator Andrew Bragg [first committed to crypto regulation in late 2022](#), following the FTX collapse, and industry frustration has grown as timelines slipped and clarity remained elusive.

The new statement reflects a more pragmatic tone, aligning Australia with international standards seen in the [European Union](#), [Singapore](#), and increasingly the United States. Yet, the real test will be whether Treasury and ASIC can move from policy design to implementation within the next 12 months.

With a fresh mandate and growing political attention on digital assets, including bipartisan interest, the government has the opportunity to bring long-awaited regulatory clarity to Australia's digital economy. These reforms have the potential to retain talent and unlock growth in Australia, while ensuring appropriate consumer protections. Whether they take it remains to be seen.

By Steven Pettigrove and Luke Misthos

UK FCA sets the tone for crypto regulation

The UK Financial Conduct Authority (FCA) [has released Discussion Paper 25/1](#), offering a glimpse at how it plans to regulate crypto-assets [following the Treasury's proposed expansion of the financial services perimeter](#). Together, these developments mark a positive step forward in the UK's journey toward a comprehensive regulatory framework for crypto-assets.

The discussion paper is 83 pages long and wide-ranging, but its key focus is on five core activities: trading, intermediation, staking, lending and borrowing, and decentralised finance (DeFi). Feedback is open until 13 June 2025, with a more detailed consultation paper and draft rules to follow.

Trading - crypto-asset trading platforms (CATPs)

The proposals signal that crypto will be subject to a comprehensive regulatory regime that is modelled on traditional financial markets, but tailored to crypto's unique structures and risks. This is clear in the proposed treatment of trading venues. The FCA is proposing to regulate cryptoasset trading platforms (CATPs) under a regime similar to multilateral trading facilities, with clear lines between market operators and token issuers, and transparency rules reflecting the direct access many retail clients have to these venues. Notably, the FCA expects that overseas platforms serving UK retail users will establish both a UK branch and a UK-authorized entity.

Intermediaries

Intermediaries like brokers, dealers, and arrangers will face a more conventional regulatory framework, including best execution, transparency, and conduct standards. Firms will also be caught by the "Consumer Duty", meaning they must deliver good outcomes for retail customers and support informed decision-making, which raises (or perhaps formally implements) the bar for disclosure, onboarding, and risk management.

Lending and borrowing

One of the more headline-grabbing proposals is the FCA's position on lending and borrowing of cryptoassets. These arrangements will become regulated, but the FCA is proposing to limit participation to institutional clients only (at least for now) on the basis of consumer protection concerns. Margin calls, insolvency risks, and unrealistic yield expectations have

all led the regulator to conclude that these products are generally unsuitable for retail users. However, the door remains open to models involving lower risks, such as limited retail access to stablecoin lending, or arrangements supported by credit assessments or capital buffers.

Staking

Staking will also come within scope where it is offered through an intermediary. Here, the FCA is focusing on risks tied to operational resilience, transparency, and the safeguarding of staked assets, particularly given the bespoke nature of many staking arrangements and their dependence on third-party validators. The regulator is clearly concerned about how risk is allocated when things go wrong, and it is seeking feedback on how best to ensure intermediaries are both accountable and capable of meeting their obligations.

Decentralised finance (DeFi)

DeFi, however, remains an uncertain frontier with the discussion paper only briefly covering the topic (only two pages compared to the other headline items which were each at least 8 pages). The FCA reiterates the Treasury's position that DeFi will be regulated only where identifiable persons exercise control over the service or protocol in question. The key challenge (which is left open for now) is how "control" should be defined and assessed in practice. To support this work, the FCA plans to convene a new stakeholder forum to explore the complexities of governance, autonomy, and liability in decentralised ecosystems.

Conclusion

In tone and substance, DP25/1 suggests the UK is moving towards a sophisticated and integrated regulatory framework, being one that embraces crypto's potential but insists on high standards and institutional-grade infrastructure. While there is room for innovation, firms hoping for regulatory arbitrage or light-touch oversight may be disappointed.

Written by Steven Pettigrove and Luke Higgins