

Article Information

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

Service: Blockchain

Sector: Financial Services, IT & Telecommunications

Blockchain Bites: Nauru Makes Waves by Establishing Virtual Asset Regulator, Open hearts, open minds: EU opens door global stablecoins, From cold wallets to warm homes: Fannie and Freddie explore crypto-backed loans

Steven Pettigrove, 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.

Nauru Makes Waves by Establishing Virtual Asset Regulator

Nauru, the world's smallest republic is [making big moves in the digital asset space by passing the Command Ridge Virtual Asset Authority Act 2025](#) to establish the Command Ridge Virtual Asset Authority (CRVAA) (named after the island's highest point). The move makes Nauru the first Pacific nation to establish an autonomous regulator for digital assets aimed at attracting cryptocurrency businesses to establish and operate from the island in a similar manner to Dubai's Virtual Asset Regulatory Authority.

The regulator and the Act are named after Nauru's highest point and the Act comes in at a [meagre 11 pages conferring on the CRVAA](#) significant powers to establish and regulate the virtual asset sector. According to Section 3 of the Act, the purposes of the CRVAA are to:

1. establish a competitive, future-oriented digital economy;
2. position Nauru as a jurisdiction for virtual asset innovation and operations;
3. enable the operation of secure, transparent and efficient virtual asset markets;
4. provide a framework for consumer and investor protection in virtual assets;
5. establish a regulatory framework for the operations of virtual asset services and associated technologies; and
6. create the CRVAA and define its functions and powers.

The CRVAA is given broad powers to, among other things:

- monitor compliance by Virtual Asset Service Providers (VASPs) with international standards, including those set by the Financial Action Task Force (FATF) and data protection regulations;
- grant, suspend, vary or revoke licenses;
- determine permitted and prohibited virtual asset activities;
- regulate token issuance, exchanges, staking, decentralised finance (DeFi) activities and NFT marketplaces;
- publish compliance guides;
- establish a virtual asset innovation sandbox; and
- maintain the national virtual asset register.

As part of its supervisory, compliance and enforcement role, the CRVAA is empowered to conduct audits, freeze, suspend or terminate suspicious activities, issue cease and desist orders, impose fines or bans, initiate legal proceedings and report suspected criminal activities to the Nauru Police Force.

With regulatory certainty as its selling point, Nauru is positioning itself as a licensing hub for crypto companies in the Pacific. [President David Adeang stated:](#)

By implementing robust oversight of VASPs, Nauru aims to foster sustainable growth, channel new financial inflows into strategic instruments such as its Intergenerational Trust Fund, and reduce its reliance on climate financing, which is often difficult to secure.

The licensing framework...ensures Nauru becomes a competitor, attracting businesses that bring investment, job creation and financial innovation.

Cryptocurrencies are expected to be classified as commodities by default, meaning that utility and payment tokens are excluded from the status of investment contracts. However, the following activities are subject to regulation:

1. operation of centralised or decentralised virtual asset platforms;
2. exchange of virtual assets or fiat currencies;
3. custodial and non-custodial wallet services;
4. token issuance, including Initial Coin Offerings (ICOs) and NFT minting;
5. lending, staking, yield farming and other DeFi services;
6. stablecoin issuance and cross-border payment solutions; and
7. any other services prescribed by regulations.

Ultimately, the passage of this legislation reflects a broader global trend toward bringing crypto into mainstream finance, aligning with developments such as the GENIUS Act recently passed in the United States Senate which aims to regulate stablecoins. By establishing a flexible regulatory framework and bespoke regulator, Nauru is opening its doors to crypto businesses and positioning itself as a hub for innovation and investment in the virtual asset sector.

By Steven Pettigrove, L Misthos and E Assaf

Open hearts, open minds: EU opens door global stablecoins

The European Commission is preparing to clarify that stablecoins issued by a firm with an EU licence may be treated as interchangeable with those issued by the same firm's non-EU entities. The guidance, expected soon and initially reported on by the [Financial Times](#), may mark a significant shift in how the EU approaches global stablecoin activity.

The clarification will sit within the EU's existing crypto regime under the Markets in Crypto-Assets Regulation (MiCA), [which came into effect in 2023](#). Under MiCA, issuers of stablecoins (labelled "e-money tokens" or EMTs) must be authorised and must hold most of the reserves backing their tokens in banks based in the European Union. This requirement is designed to help ensure redemptions can be honoured and to otherwise uphold financial stability.

The rules left open the question of whether tokens issued by different arms of the same company (one EU-licensed, one not) would be considered the same. The forthcoming guidance is expected to confirm that they can be, provided certain safeguards are in place. A European Commission spokesperson [stated to Reuters](#) that such arrangements can include mechanisms to "re-balance" reserves to match EU-held tokens and stressed that redemptions by non-EU holders would be handled by the non-EU issuing entity.

This approach may allow USD-backed stablecoins, such as Circle's USDC, to circulate more freely in Europe where they are issued under an EU license, even if reserves are held abroad. However, the move won't help Tether whose USDT stablecoin is not currently regulated under MiCA leading to it being delisted by a number of leading exchanges.

The change comes despite continued resistance from the European Central Bank. ECB President Christine Lagarde this week [reiterated concerns about foreign stablecoins, citing risks to monetary policy and EU sovereignty](#). The ECB has previously warned that pooled reserves in the EU could be used to honour non-EU redemption requests, undermining financial autonomy.

However, momentum outside the EU may be prompting regulators to take a more pragmatic approach. In the United States, [the recent progress of the GENIUS Act, a bill aimed at establishing a regulatory framework for stablecoins](#), is potentially acting as a catalyst.

If implemented, this EU guidance could help foster a more globally integrated stablecoin market while maintaining regulatory control within the bloc. For the blockchain industry, it's a welcome sign that regulators are starting to engage more constructively with the possibilities of cross-border digital finance.

Written by Steven Pettigrove and Luke Higgins

From cold wallets to warm homes: Fannie and Freddie explore crypto-backed loans

The United States Federal Housing Finance Agency (FHFA) has [directed mortgage giants Fannie Mae and Freddie Mac to explore incorporating verified cryptocurrency holdings into their mortgage risk assessments](#).

The [directive, issued by FHFA director William J. Pulte](#), urges the two government-sponsored enterprises to submit board-approved plans outlining how digital assets, held on regulated US exchanges, might count toward borrower reserves. Until now, crypto holdings have been invisible to lenders unless liquidated into fiat.

The change signals a meaningful shift in how financial institutions may assess borrower stability, potentially unlocking mortgage access for crypto-native users, at least those who keep their coins on centralised exchanges. Notably, self-custodied wallets and assets held offshore remain outside the scope, frustrating proponents of decentralised finance.

The FHFA insists that the plans must include protections accounting for crypto volatility, aiming to balance innovation with sound underwriting. But the exclusion of self-custodied assets has drawn fire from decentralisation advocates, who argue it penalises users who prioritise autonomy and security.

The move follows a string of traditional finance players adopting crypto-linked collateral. [JPMorgan](#) now accepts spot Bitcoin ETFs like BlackRock's iShares Bitcoin Trust for certain loans, while Anchorage Digital and Arch Lending continue to expand crypto-backed lending using BTC, ETH, and SOL. Meanwhile, [BlackRock's tokenised money](#) market fund, BUIDL, is being used as collateral on platforms like Deribit and [Crypto.com](#). Closer to home, Block Earner [announcing a crypto-backed mortgage product in recent weeks](#).

Taken together, these developments suggest digital assets are slowly gaining legitimacy as collateral within established financial systems. If implemented, the FHFA's directive could pave the way for crypto-backed mortgages to become a new standard in the US.

By Steven Pettigrove and Luke Misthos