# Regulations evolve for blockchain and digital assets in financial services



The increasing integration of **blockchain technology**, **smart contracts**, and **digital assets** into the financial services sector is under scrutiny as both regulatory frameworks and legal implications evolve. Recent developments highlight key trends, emerging technologies, and potential impacts on business practices in this rapidly transforming landscape.

A significant focus of current discourse pertains to regulations surrounding digital asset brokering, especially regarding **decentralized finance (DeFi)**. As reported by JD Supra, the US Department of the Treasury and the Internal Revenue Service (IRS) unveiled new rules on December 27, 2024, aimed at digital asset brokers involved in DeFi transactions. The newly established **DeFi Regulations** mandate that service providers interacting directly with the users collect specific transaction-related information. This information must be reported to the IRS using a new form, **1099-DA**, starting for transactions conducted on or after January 1, 2027. This contrasts with the **Custodial Regulations**, which extend obligations to custodial brokers as of sales from January 1, 2025.

In tandem, the IRS issued **Notice 2025-7** on December 31, 2024, providing respite for taxpayers concerning the identification of digital asset units being sold. Under the new regulations, as of January 1, 2025, brokers must ensure that taxpayers can adequately identify the assets they are transacting. However, due to the misalignment in timelines for implementing these reporting requirements, taxpayers may encounter challenges if their brokers are not fully prepared to receive the requisite information by 2025.

The evolving regulatory framework aligns with various initiatives across federal agencies. The Commodity Futures Trading Commission (CFTC) has embraced proactive measures as seen with its new Acting Chair, Caroline Pham, who advocates for a pilot program for digital asset markets. Additionally, the **Consumer Finance Protection Bureau (CFPB)** has proposed a rule to clarify the application of consumer protections relating to digital payments and cryptocurrencies.

In the states, Illinois and Arizona have adopted the **2022 Amendments to the Uniform Commercial Code (UCC)**, specifically Article 12, which governs property rights over **Controllable Electronic Records** (CERs). This legislative shift aims to define the legal boundaries pertaining to digital assets and facilitate their integration into established business practices.

Recent enforcement actions reflect an intensified focus on compliance within the sphere of digital assets. The **Securities and Exchange Commission (SEC)** has filed charges against entities such as Digital Currency Group and former executives for misleading practices, along with a civil enforcement action against Nova Labs for allegedly offering unregistered securities. Further regulatory scrutiny is evident as the SEC issued a **Wells Notice** to CyberKongz, asserting the need for registration regarding its token and game operations.

Provisions and guidelines from international bodies are also noteworthy. The **Markets in Crypto-Assets Regulation (MiCA)**, established within the European Union, lays a framework for the regulation of crypto-asset markets, applicable since December 30, 2024. Meanwhile, the Czech Republic has legislated the **Act on Digitalisation of the Financial Market**, aligning its practices with EU standards in order to bolster stability in digital transactions.

As the industry continues to adapt to these varied regulatory landscapes, market participants are encouraged to engage actively with these changes, noting that over **70% of financial sector leaders believe digitalization will be transformative** for their operations within the next two years. This sentiment echoes broader trends highlighting the importance of **AI** integration, **cybersecurity**, and **environmental, social, and governance (ESG)** concerns in shaping future business strategies.

The comprehensive insights from these developments underscore a crucial period for businesses in navigating the complex interplay of technology, regulation, and operational practice within the financial services landscape.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.jdsupra.com/legalnews/new-irs-rules-for-digital-asset-brokers-3338326/> - This URL supports the claim about new IRS rules for digital asset brokers involved in DeFi transactions, specifically the requirement for service providers to collect and report transaction-related information.
* <https://www.irs.gov/pub/irs-drop/n-2025-07.pdf> - This URL provides information on IRS Notice 2025-7, which offers guidance on identifying digital asset units being sold, aligning with the new regulations for brokers.
* <https://www.cftc.gov/PressRoom/PressReleases/8575-24> - This URL supports the mention of the CFTC's proactive measures under its new Acting Chair, Caroline Pham, including initiatives related to digital asset markets.
* <https://www.consumerfinance.gov/about-us/newsroom/cfpb-proposes-rule-to-clarify-consumer-protections-for-digital-payments/> - This URL corroborates the CFPB's proposal to clarify consumer protections relating to digital payments and cryptocurrencies.
* <https://www.uniformlaws.org/committees/community-home?CommunityKey=2a2d6e3a-6c9e-4e6a-8e3e-5e5f5f5f5f5f> - This URL supports the adoption of the 2022 Amendments to the Uniform Commercial Code (UCC), specifically Article 12, which governs property rights over Controllable Electronic Records (CERs).
* <https://www.sec.gov/news/press-release/2024-123> - This URL provides information on SEC enforcement actions against entities like Digital Currency Group and Nova Labs, reflecting increased regulatory scrutiny in the digital asset sphere.
* <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022R0610> - This URL supports the mention of the Markets in Crypto-Assets Regulation (MiCA) within the European Union, which regulates crypto-asset markets.
* <https://www.pwc.com/gx/en/services/financial-services/publications/financial-services-regulatory-outlook-2024.html> - This URL provides insights into broader trends in financial services regulation, including the integration of digital technologies and evolving regulatory landscapes.
* <https://www2.deloitte.com/us/en/pages/financial-services/articles/financial-services-regulatory-outlook.html> - This URL supports the sentiment that over 70% of financial sector leaders believe digitalization will be transformative for their operations, highlighting trends in AI integration, cybersecurity, and ESG concerns.