

Fed Ends Dedicated Crypto Oversight Program

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Washington, D.C. – The U.S. Federal Reserve has announced it will shut down its specialized program for monitoring banks’ involvement in cryptocurrencies and financial technology, integrating its functions into the broader supervisory framework. The move represents a significant shift in how the nation’s top banking regulator approaches emerging financial technologies.

The decision, confirmed Friday by the Fed and reported by Reuters, ends the “novel activities supervision program” established in 2023. The unit was originally tasked with overseeing banks’ dealings with crypto firms, blockchain initiatives, and other fintech ventures, amid concerns that digital assets were entering the mainstream banking system without sufficient oversight.

The Fed said the program has now fulfilled its purpose. Over the past two years, central bank examiners have gained experience evaluating risks linked to digital assets, distributed ledger technologies, and bank-fintech partnerships. That expertise will now be absorbed into the routine supervisory process, rather than maintained in a standalone unit.

“The Federal Reserve has strengthened its understanding of these risks and how banks manage them,” the central bank said, as quoted by Reuters. The announcement signals growing confidence that exposures to cryptocurrencies and fintech can be effectively managed within existing supervisory structures.

The program was created amid volatility in the cryptocurrency market. The collapse of major firms in 2022 and 2023, including FTX, prompted heightened scrutiny from Washington regulators and led to increased oversight of banks engaging with digital assets. Banks were repeatedly reminded that their crypto-related activities would be closely monitored.

Other federal agencies, such as the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC), also highlighted the potential risks digital assets pose to traditional financial institutions. By ending the dedicated unit, the Fed appears to be signaling that cryptocurrency and fintech oversight has matured into standard regulatory practice rather than requiring a separate, experimental framework.

For banks, the consolidation could simplify compliance. Crypto-related activities will now be evaluated alongside other business lines, potentially reducing duplicative reporting and supervision. For policymakers, the move indicates a shift from experimental oversight toward mainstream integration, suggesting that digital finance is no longer treated as a novelty but as a core aspect of the broader banking landscape.

However, the decision comes at a sensitive moment politically, with ongoing debate in Congress over the appropriate level of regulatory oversight for cryptocurrencies. Analysts told Reuters that the integration of the Fed’s crypto expertise into standard supervision is likely to be closely watched by markets and policymakers.

Looking ahead, the Fed’s challenge will be to balance innovation with financial stability, ensuring banks can pursue fintech partnerships and blockchain solutions without creating systemic risks. The integration of the program into routine supervision reflects an effort to normalize oversight while maintaining a careful approach to emerging financial technologies.