

Global Crypto and FinTech Regulatory Update

October 2025

Vol. I

A comprehensive review of key regulatory updates from Switzerland, the United States, and international supervisory bodies concerning derivatives markets, digital assets, and emerging technologies in finance.

Switzerland: FINMA Extends OTC Derivatives Collateral Exemption

Regulatory Extension

On 9 October 2025, the Swiss Financial Market Supervisory Authority issued [FINMA Guidance 04/2025: Extension of transitional period for exchange of collateral in certain OTC derivative transactions](#), extending the transitional period for collateral exchange in certain over-the-counter derivatives transactions by three years—from 1 January 2026 to 1 January 2029.

The extension applies to equity-linked derivatives, including single-stock options, index options, and equity baskets not cleared through a FINMA-authorised or recognised central counterparty. This measure ensures Swiss market participants remain competitively aligned with their European Union and United Kingdom counterparts.

Legal Basis

Article 131(6) of the [Financial Market Infrastructure Ordinance](#) (FinMIO)

Previous Extensions

Guidance 04/2019, 09/2020, and 09/2023

Alignment with International Standards

FINMA's decision directly responds to regulatory developments in the European Union, which introduced an indefinite exemption for the same category of derivatives in December 2024 under Article 11(3a) of [Regulation \(EU\) No 648/2012](#) (EMIR). The United Kingdom has implemented comparable exemptions.

FINMA concluded that extending Switzerland's domestic transitional period was necessary to "avert disproportionate competitive disadvantages for Swiss derivatives traders" and maintain regulatory equivalence across major financial centres.

 **Immediate Effect:** Guidance 04/2025 took effect upon publication on 9 October 2025, providing market participants with clarity through to 1 January 2029.

Risk Management and Future Codification

Current Requirements

1

During the extended transitional period, supervised entities must observe all applicable risk-management requirements, including robust controls covering counterparty risk, operational resilience, and collateral management processes.

International Harmonisation

3

The permanent framework aims to ensure durable alignment with international standards governing non-centrally cleared derivatives, supporting cross-border trading and regulatory cooperation.

2

Permanent Framework

FINMA stated its intention to support the integration of a permanent exemption mechanism within the ongoing revision of the **Financial Market Infrastructure Act** (FinMIA), providing greater legal certainty.

United States: SEC Postpones Crypto Task Force Roundtable

Federal Appropriations Lapse

On 8 October 2025, the US Securities and Exchange Commission postponed its Crypto Task Force Roundtable on Financial Surveillance and Privacy due to a lapse in federal appropriations. The event, originally scheduled for 17 October 2025 at SEC Headquarters in Washington, D.C., will be rescheduled once appropriations are restored.

The roundtable aims to facilitate policy discussions on balancing transaction monitoring, anti-money laundering obligations, and individual data protection in decentralised finance ecosystems.

Roundtable Agenda and Policy Focus

Financial Surveillance Frameworks

Examination of regulatory requirements for transaction monitoring in crypto markets, including compliance with Bank Secrecy Act obligations and suspicious activity reporting.

Privacy-Preserving Technologies

Discussion of zero-knowledge proofs, confidential transactions, and other cryptographic methods that enable compliance whilst protecting user data.

International Cooperation

Policy considerations for cross-border information sharing, blockchain analytics, identity verification systems, and consumer protection mechanisms.

The event forms part of the broader US SEC Crypto Task Force initiative, launched under Commissioner Hester M. Peirce's directive to explore regulatory frameworks that protect economic liberty whilst maintaining market integrity.

Switzerland: FINMA Chair Addresses AI in Financial Supervision

Paris AMF-AEFR Conference, 30 September 2025

FINMA Chair Marlene Amstad addressed the [*AMF-AEFR Conference on Technological Frontiers in Finance*](#) in Paris, hosted by the Autorité des Marchés Financiers and the Association Europe Finances Régulations. The session featured regulators from India's SEBI, Singapore's MAS, and the IOSCO Fintech Task Force.

Amstad's remarks focused on artificial intelligence as both a transformative force and a regulatory challenge, drawing on FINMA's market research involving approximately 400 licensed institutions across banking, insurance, and asset management.

AI Adoption Across Swiss Financial Institutions

Current and Planned Use Cases

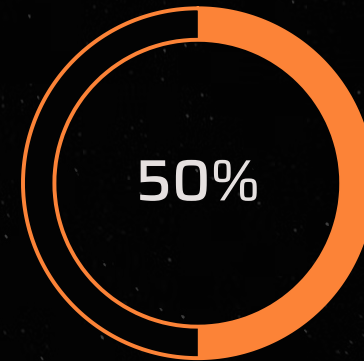
FINMA's surveys revealed that AI usage is already widespread across the Swiss financial sector. **For every AI use case currently deployed, two more are under development.** Financial institutions apply AI to process optimisation, text generation, and client service chatbots.

Smaller firms' reliance on external AI providers introduces new outsourcing and operational risks. Nearly half of surveyed entities have adopted formal AI strategies addressing cyber security, data protection, and risk management.



Institutions Surveyed

Banks, insurers, and asset managers



With AI Strategies

Formal governance frameworks

SupTech and International Supervisory Cooperation

1

Market Surveillance

AI tools enable anomaly detection and real-time monitoring of trading patterns

2

Compliance Analytics

Supervisory authorities integrate AI in enforcement data analysis and investor protection

3

Digital Asset Oversight

Exploration of AI applications in crypto markets whilst managing third-party risks

Amstad referenced the IOSCO SupTech Survey, conducted under FINMA's leadership, stating: "AI has become a leading enabler of SupTech adoption, ahead of cloud and improved data access." Supervisory authorities are moving from pilot projects to operational integration.

AI-Related Risks in Financial Services

Four Main Risk Categories Identified

International standard-setting bodies have identified key AI-related risks that, whilst familiar, are accelerated in magnitude and interconnectedness by artificial intelligence:

- **Third-Party Concentration:** Dependence on limited AI service providers creates systemic vulnerabilities
- **Market Correlation:** Similar AI models may produce correlated trading decisions, amplifying market movements
- **Cyber Exposure:** AI systems introduce new attack vectors and data integrity challenges
- **Model Risk:** Opacity in AI decision-making complicates governance, validation, and accountability

Amstad emphasised that a "technology-neutral and proportional" approach remains essential for maintaining systemic resilience and public trust.

US SEC: Caroline Crenshaw Criticises Crypto Custody Relief

No-Action Letter for State Trust Companies

On 30 September 2025, the SEC's Division of Investment Management issued a no-action letter permitting state-chartered trust companies to act as crypto custodians under the [Investment Advisers Act of 1940](#) and the [Investment Company Act of 1940](#).

The relief allows registered investment advisers, investment companies, and business development companies to treat certain state-supervised trust entities as "banks" for custodial purposes, provided they meet fiduciary and operational safeguards.

❏ **Commissioner Crenshaw's Response:** Published statement titled "[*Poking Holes: Statement in Response to No-Action Relief for State Trust Companies Acting as Crypto Asset Custodians*](#)," warning that the relief weakens investor protection standards.

Crenshaw's Key Criticisms



Degrading Custody Framework

Undermines federal protections established after Madoff and Stanford frauds to prevent loss or misappropriation of client assets



Insufficient Justification

Lacks factual support and legal justification; assumes incorrectly that no federally compliant custodial entities exist



Regulatory Inconsistency

Creates "fifty-state regulatory roulette" with inconsistent standards versus federal oversight by OCC



Competitive Inequity

Grants state trust companies regulatory shortcut whilst disadvantaging applicants pursuing compliant national OCC charters

Hester Peirce: Principles-Based Crypto Custody Rules

Digital Assets Summit, Singapore, 30 September 2025

Commissioner Hester M. Peirce delivered her keynote "[Cultivating Confidence: The Role of Custody in Institutional Confidence—Public Trust and Oversight](#)," calling for modernised regulatory treatment of crypto custodians through adaptable, principle-driven frameworks.

Peirce criticised restrictive policies including [Staff Accounting Bulletin No. 121](#) and the [Special Purpose Broker-Dealer framework](#), which she said had hindered participation by legitimate custodians and driven investors toward unregulated alternatives.

Peirce's Vision for Future Custody Regulation

01

Principles-Based Approach

Flexible frameworks accommodating diverse custody models, including distributed ledger technology, self-custody, and smart contracts

03

Expanded Custodian Definition

Consider allowing registrants to use non-traditional custodians and enabling advisers with technical capability to self-custody digital assets responsibly

02

Technology Leverage

Utilise blockchain transparency to mitigate information asymmetry and allow investors to verify assets held by custodians in real time

04

Ongoing Stakeholder Dialogue

Continue engagement through the SEC Crypto Task Force to harmonise oversight without stifling innovation

"A trustworthy custodian protects customer assets from loss, destruction, and theft and is subject to a framework for protecting customer assets from creditors of the custodian and from competing claims by other customers if the custodian fails."

Key Takeaways: Navigating the Evolving Regulatory Landscape

Switzerland: Competitive Alignment

FINMA's three-year extension maintains regulatory equivalence with EU and UK frameworks, supporting Swiss market participants in derivatives trading whilst pursuing permanent legislative codification.

United States: Crypto Policy Tensions

Deep divisions within the SEC on digital asset custody standards reflect broader regulatory debates between prescriptive federal oversight and flexible, innovation-friendly frameworks.

Supervisory Technology: AI's Growing Role

International regulators increasingly deploy AI for market surveillance and compliance monitoring, whilst managing third-party concentration risks and ensuring technology-neutral, proportional governance.

Cross-Border Harmonisation

Continued international cooperation through bodies such as IOSCO remains essential for managing systemic risks, maintaining investor protection, and supporting innovation in global financial markets.