

GIBSON DUNN



Fintech & Digital Assets Update

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NYDFS Expands Blockchain Analytics Expectations to Banks

Institutions potentially subject to the 2025 Industry Letter should consider deploying analytics tools to strengthen compliance if they or their customers engage in virtual currency-related activities. New York-chartered or licensed Covered Institutions considering engaging in virtual currency-related activities will be required to obtain prior NYDFS approval.

On September 17, 2025, the New York State Department of Financial Services (NYDFS) published an [Industry Letter](#) (2025 Industry Letter) extending the application of its April 2022 [Guidance on Use of Blockchain Analytics](#) (2022 Analytics Guidance) to all New York banking organizations and NYDFS-licensed branches and agencies of foreign banks (Covered Institutions). To date, the 2022 Analytics Guidance applied only to virtual currency business entities licensed under New York's BitLicense regulation or chartered as limited purpose trust companies. Noting Covered Institutions' increasing exposure to virtual currency related activity, the 2025 Industry Letter suggests that Covered Institutions to consider deploying blockchain analytics tools wherever they engage in, or contemplate engaging in, activity related to virtual currency.^[1] The 2025 Industry Letter also highlights a non-exhaustive list of use cases, and stresses that controls are expected to be tailored to each institution's risk appetite, business model, and operations, and reassessed regularly as technologies and customer profiles evolve.

Background

In April 2022, NYDFS issued the 2022 Analytics Guidance. That guidance was directed to all virtual currency business entities licensed under either New York's BitLicense regulation, 23 NYCRR Part 200, or as limited purpose trust companies under the New York Banking Law. The 2022 Analytics Guidance emphasized the importance of blockchain analytics to effective policies, processes, and procedures, including, for example, those relating to Know-Your-Customer controls, transaction monitoring, and sanctions screening.^[2] The 2022 Analytics Guidance touted the benefit of augmenting customer-provided information with identifying information from or related to blockchain, like wallet address or related attributions, in order to understand the risks presented by their customers and potential customers. It also emphasized the role of transaction tracing in fulfilling obligations to monitor and identify unusual activity, and transactions in violation of sanctions laws. Finally, the 2022 Analytics Guidance stated that entities subject to the guidance "must" maintain documentation that "describe[s] case management and escalation processes, with clearly delineated roles and responsibilities" and how to proceed "where there are any doubts (e.g., related to source of funds)".

What's New

Expansion of Scope. While the 2022 Analytics Guidance only applied to entities with a BitLicense or chartered as a limited purpose trust company, the 2025 Industry Letter explicitly extends those expectations to banking organizations and NYDFS-licensed foreign bank branches/agencies, linking the analytics expectations to any activity related to virtual currency on behalf of a Covered Institution.

Notably, the 2025 Industry Letter applies even if a Covered Institution does not *itself* engage in virtual currency-related activity, but its customers do. The 2025 Industry Letter thus suggests that Covered Institutions take additional steps to screen customers involved in virtual currency activities. Depending on how NYDFS applies the 2025 Industry Letter, including through its supervisory and enforcement authorities, the 2025 Industry Letter may have downstream effects. For instance, Covered Institutions may decide to restrict banking access to customers engaged in virtual currency-related activity, even though those customers are not themselves supervised by NYDFS. Although such actions readily can be linked to increased compliance and other costs and associated regulatory risks for failure to meet enhanced supervisory expectations, the NYDFS' approach potentially creates conflict with the Trump Administration's recent [Executive Order](#) on debanking and related guidance from the federal banking agencies.

Highlighted Use Cases. Beyond the 2022 Analytics Guidance, the 2025 Industry Letter "suggests" that Covered Institutions "consider the utility of blockchain analytics tools" in at least the following circumstances:

- Screening customer wallets when the customer has "disclosed or exhibited crypto-related transactions" to assess risk;
- Verifying sources of funds from virtual asset service providers;
- Monitoring the crypto ecosystem holistically, to assess customer exposure to predicate crimes and further develop risk assessments and risk appetite;

- Identifying and measuring the risk of a customers' counterparties; and
- Evaluating product- and service-specific risks.

Prior Approval Requirements for Virtual Currency-Related Activities Reaffirmed

The 2025 Industry Letter reaffirms NYDFS' December 2022 guidance requiring Covered Institutions to seek NYDFS approval at least 90 days before commencing any new or significantly different activity related to virtual currency. The December 2022 [Industry Letter](#) made clear that using third-party service providers for crypto-related offerings can still constitute activity requiring approval.^[3]

Although the prior approval or non-objection by a Covered Institution's primary federal bank regulator is no longer required to engage in virtual currency-related activities, the 2025 Industry Letter is a reminder that state-chartered institutions may (or, will, in the case of New York banks) still be required to obtain the prior approval or non-objection of their state chartering authority.

Potential Impact on the GENIUS Act's "Substantially Similar" Standard

Under the [Guiding and Establishing National Innovation for U.S. Stablecoins Act](#) (the GENIUS Act), "State qualified payment stablecoin issuers" may not issue payment stablecoins unless the Stablecoin Certification Review Committee (SCRC) approves a certification from the respective State that the State's regime is "substantially similar" to the federal regulatory framework.

As discussed above, the NYDFS' 2022 Analytics Guidance has applied to New York limited purpose trust companies and bitlicensees. The expansion of the 2022 Analytics Guidance to all Covered Institutions may serve a twofold purpose: first, the expansion institutes uniform expectations across all New York virtual currency-related service providers; and second, the NYDFS may be signaling the rigor of the New York regime to the SCRC, regardless of whether the prospective State qualified payment stablecoin issuer is a bitlicensee, limited purpose trust company, or Covered Institution.

Because the 2022 Analytics Guidance is guidance and not regulation, it should not conflict with any GENIUS Act authority granted to federal regulators thereunder. With respect to Covered Institutions, the guidance is not preempted by the GENIUS Act, which provides that the act does not "preempt or supersede" the authority of a state to "charter, license, supervise, or regulate" state-chartered insured depository institutions or credit unions or subsidiaries thereof that are approved permitted payment stablecoin issuers.^[4] With respect to New York limited purpose trust companies and bitlicensees, the guidance should not breach parity requirements placed on "orders and rules" that a state regulator may apply to "State qualified payment stablecoin issuers" vis-à-vis those orders and rules applied to "permitted payment stablecoin issuers" by federal regulators.^[5]

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[1] Notice on Use of Blockchain Analytics for New York Banking Organizations, N.Y. Dep't of Fin. Servs. (Sept. 17, 2025). <https://www.dfs.ny.gov/industry-guidance/industry-letters/il20250917-blockchain>.

[2] Guidance on Use of Blockchain Analytics, N.Y. Dep't of Fin. Servs. (Apr. 28, 2022), [here](#).

[3] Industry Letter Regarding Prior Approval for Covered Institutions' Virtual Currency-Related Activity, N.Y. Dep't of Fin. Servs. (Dec. 15, 2022). https://www.dfs.ny.gov/system/files/documents/2025/04/il20221215_prior_approval_rev.pdf

[4] See GENIUS Act, § 5(h).

[5] See *id.*, § 7(d).

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