

The landscape of government enforcement, private litigation and federal and state regulation of digital assets, blockchain and related technologies is constantly evolving. Each quarter, Ropes & Gray attorneys analyze government enforcement and private litigation actions, rulings, settlements and other key developments in this space. We distill the flood of industry headlines so that you can identify and manage risk more effectively. Below are the takeaways from this quarter’s review.

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ENFORCEMENT LANDSCAPE

1. SEC and CFTC Coordinate to Approve New ETFs

The SEC approved the first cross-asset ETF, which combines both Bitcoin and Carbon Credit Futures.

The SEC also granted accelerated approval for options associated with three spot Bitcoin ETFs, citing benefits like hedging and improved market efficiency. Simultaneously, the CFTC announced that the Options Clearing Corporation will manage the clearance and settlement of Bitcoin ETF options on the spot market.

- **NYSE Permitted to List ETF Crypto Options.** On October 18, 2024, the SEC [granted](#) “accelerated approval” to the New York Stock Exchange to list and trade options tied to three spot bitcoin exchange-traded funds--Fidelity Wise Origin Bitcoin Fund, ARK21Shares Bitcoin ETF, and Grayscale Bitcoin Trust BTC. SEC reasoned that “[it] believes [that these] options on the Bitcoin Funds would permit hedging, and allow for more liquidity, better price efficiency, and less volatility with respect to the underlying Funds. Further, permitting the listing

of such options would enhance the transparency and efficiency of markets in these and correlated products.”

- **NYSE Permitted to List Bitcoin-Carbon Credit ETF.** On November 15, 2024, the SEC [approved](#) a NYSE Arca, Inc. proposal to list and trade shares of a “7RCC Spot Bitcoin and Carbon Credit Futures ETF.” Per the associated SEC release, 7RCC plans to invest 80% of the fund’s assets in Bitcoin and 20% in “Carbon Credit Futures that provide exposure to Carbon Credit Futures represented by the Index.” The Index includes the values of emissions allowances issued under the European Union Emissions Trading System, the California Carbon Allowance, and the Regional Greenhouse Gas Initiative. The SEC found the ETF substantially similar to other spot Bitcoin ETFs that it had approved previously, especially after an amendment to the proposal which clarified “statements concerning the holdings of the [f]und and the custody of cash and cash equivalents.”
- **CFTC Cedes Spot Commodity ETF Shares to SEC.** On November 15, 2024, the CFTC’s Clearing and Risk Division [announced](#) that spot commodity ETF shares are likely securities and therefore “the clearing of these options by the Options Clearing Corporation (OCC) would be undertaken in its capacity as a registered clearing agency subject to SEC oversight.” The CFTC, on the other hand, renounced its jurisdiction over the clearing of those options.

2. The SEC’s Battle with Ripple/XRP Endures

- On October 2, the SEC [filed](#) a Notice of Appeal with the U.S. Court of Appeals for the Second Circuit following a \$125 million judgment in the 2020 Ripple Labs XRP suit, which was significantly less than the \$2 billion penalty that the SEC initially sought for Ripple Lab’s alleged

failure to register the XRP token as a security. On October 10, Ripple [filed](#) a Notice of Cross-Appeal.

- On November 21, the SEC [announced](#) that Chair Gary Gensler would conclude his term on January 20, 2025. Many [speculate](#) that the SEC will reconsider its approach to crypto litigation, including the Ripple lawsuit, following Gensler's departure.

3. Coinbase Litigation Discovery Update

- On October 1, Coinbase [petitioned](#) the U.S. District Court for the District of Columbia, asking for the CFTC to produce certain communications with 12 cryptocurrency issuers that may be relevant to its defense against the SEC in the Southern District of New York. *See SEC v. Coinbase, Inc.* (S.D.N.Y. June 6, 2023). In that action, the SEC alleged that Coinbase is an unregistered securities exchange, broker-dealer, and clearing agency. In the instant petition, Coinbase argued that the CFTC's communications are relevant to whether the 12 cryptocurrencies that the SEC alleged to be securities before the Southern District of New York are, in fact, securities.

4. Binance and the SEC Engage on a Motion to Dismiss

- On November 4, Binance and its former CEO [filed](#) a joint motion to dismiss certain allegations in the SEC's lawsuit pending before the U.S. District Court for the District of Columbia. They argued that the SEC's application of the *Howey* Test is overbroad as to digital assets, and they sought the dismissal of charges related to unregistered securities offerings and exchange operations. On December 4, 2024, the SEC filed a [Memorandum of Opposition](#), arguing that the defendants are inventing requirements not found in the *Howey* Test and focusing the Court on secondary market sales, and on December 23, 2024, Binance [filed](#) a Reply.

5. The SEC Continues Crypto-Related Action

- **SEC Charges Cumberland for Failure to Register.**
 - On October 10, the SEC [charged](#) Cumberland DRW LLC ("Cumberland") with operating as an unregistered securities dealer in crypto assets. Cumberland, which has been active since 2018, allegedly traded crypto assets for its own account on exchanges and via its platform, Marea, without registering as a broker-dealer. The SEC claimed that Cumberland profited from these activities while failing to afford investors protections associated with registration. The complaint is seeking injunctive relief, disgorgement, interest, and penalties.
- **SEC Cracks Down on Fraud Schemes, Sometimes in Conjunction with DOJ.**
 - On October 9, the SEC [charged](#) CLS Global FZC LLC, Gotbit Consulting LLC, ZM Quant Investment Ltd.,

(the "Companies") and nine individuals for market manipulation schemes involving crypto assets sold as securities. The defendants, including promoters and so-called market makers, are accused of creating false appearances of active markets to deceive retail investors. The SEC alleged that these entities manipulated asset prices through self-trading and algorithmic bots. The SEC is seeking penalties, disgorgement, and conduct-based injunctions. The DOJ also [announced](#) parallel criminal actions, which it described as the "First-ever criminal charges against financial services firms for market manipulation and 'wash trading' in the cryptocurrency industry."

- On November 18, the SEC [charged](#) BIT Mining Ltd. (formerly 500.com) ("BIT Mining") with Foreign Corrupt Practices Act (FCPA) violations associated with a purported bribery scheme to influence Japanese parliament members between 2017 and 2019. Indeed, BIT Mining allegedly paid approximately \$2.5 million in bribes, including cash, entertainment, and trips, to secure approval for a casino project in Japan, which tripped FCPA provisions associated with anti-bribery, proper recordkeeping, and internal controls. BIT Mining agreed to pay a \$4 million civil penalty to resolve the charges. The DOJ also [imposed](#) a \$10 million criminal fine in a parallel action.
- On November 20, the SEC [charged](#) Touzi Capital, LLC and its managing member, Eng Taing, with defrauding investors in unregistered securities offerings totaling over \$100 million. The SEC alleged that the defendants misappropriated funds, commingled investor money across unrelated businesses, and misled over 1,200 investors about the liquidity and profitability of their crypto mining investments. The SEC is seeking permanent injunctions, disgorgement, civil penalties, and an officer and director bar against Taing.

6. State Action Against the SEC

- On November 14, a coalition of Republican state attorneys general and decentralized finance (DeFi) industry groups [filed](#) a lawsuit against the SEC, asking a federal judge to bar the SEC from bringing crypto-related enforcement actions because, they argue, "the SEC's 'crypto policy' is 'unlawful executive action'" that violates the Administrative Procedure Act. The coalition argued that the SEC's approach to crypto enforcement has encroached on states' rights to "develop and enforce their own crypto asset regulations" and has created regulatory uncertainty which is causing crypto firms to relocate abroad. The coalition also argued that the major questions doctrine prevents the SEC from finding that digital assets are investment contracts subject to its jurisdiction. The major questions doctrine bars federal agencies from interfering with issues of "vast economic and political significance" unless Congress provides clear statutory authorization to do so. *See West Virginia v. EPA*, 142 S. Ct. 2587 (2022).

However, other federal courts, such as the Southern District of New York, have already [rejected](#) the theory that the doctrine prevents the SEC from initiating enforcement actions where it finds that relevant digital assets are securities.

DOJ ENFORCEMENT LANDSCAPE

1. Federal Charges Filed Against Defendants in Sophisticated Phishing Scheme, Stealing Millions in Cryptocurrency

- On November 20, 2024, the DOJ [unsealed](#) criminal charges against four defendants for conspiracy to commit wire fraud, conspiracy, aggravated identity theft, and criminal forfeiture. The [indictment](#) alleges that the defendants, as part of a cybercriminal group, targeted large companies through phishing attacks. Law enforcement officials claim that the group used social engineering techniques, including SMS phishing, to obtain login credentials and access virtual currency accounts, resulting in the theft of millions of dollars in virtual currency. The indictment highlights the organized and systematic approach of the defendants, involving the creation and management of phishing infrastructure and the use of SIM swapping to bypass security measures. Additionally, a [criminal complaint](#) was unsealed charging a U.K. citizen, alleging his involvement in a series of cybercrimes leading to cryptocurrency theft. The charges underscore the serious nature of the offenses and the significant financial impact on the victims.

2. DOJ Announces Charges and Sentencing in Major Cryptocurrency Money Laundering Cases

- On November 14, 2024, Ilya Lichtenstein was [sentenced](#) to five years in prison for orchestrating a money laundering scheme linked to [the 2016 Bitfinex hack](#), which saw the theft of approximately 120,000 bitcoins. Lichtenstein's wife and co-defendant, Heather Morgan, was sentenced to 18 months in prison for her role in the laundering process. The couple, which [pleaded guilty](#) on August 3, 2023, employed advanced techniques to launder the stolen funds, including using fictitious identities and cryptocurrency mixing services.
- On November 8, 2024, Roman Sterlingov, a dual Russian-Swedish national, was [sentenced](#) to 12.5 years in prison for operating Bitcoin Fog, the darknet's longest-running cryptocurrency "mixer." Over a decade, Bitcoin Fog laundered more than \$400 million in bitcoin, linked to illegal activities such as drug trafficking and identity theft. Sterlingov was convicted of money laundering and operating an unlicensed money transmitting business and faces a forfeiture judgment of nearly \$396 million.

- On September 26, 2024, the DOJ [unsealed](#) charges against two Russian nationals for alleged involvement in illicit money laundering activities. Sergey Ivanov is accused of facilitating darknet drug traffickers and ransomware operators, and laundering approximately \$1.15 billion through various money laundry services. Timur Shakhmametov is alleged to have operated the carding website Joker's Stash, which sold stolen credit and debit card information, and laundering the proceeds. Separately, the U.S. Secret Service seized websites linked to Cryptex, an illicit cryptocurrency exchange that purportedly offered anonymity for cybercriminals engaged in money laundering. These actions highlight the DOJ's commitment to disrupting global cybercriminal networks.

3. Crypto Lending Platform Founder Admits to Fraud and Manipulation

- The founder and former CEO of Celsius, a crypto lending platform that claimed to offer high returns on crypto deposits, [has pleaded guilty](#) to two counts of fraud related to schemes that defrauded investors and manipulated the market. Alexander Mashinsky admitted to misleading customers about the company's profitability and safety, and to using customer funds and company resources to inflate the price of Celsius's own token, CEL, while secretly selling his own holdings for millions of dollars. Mashinsky's plea is part of a series of criminal and civil actions brought by federal authorities against crypto industry actors accused of engaging in fraudulent and deceptive practices. The U.S. Attorney's Office for the Southern District of New York, the Securities and Exchange Commission, and the Commodity Futures Trading Commission have been investigating and prosecuting various cases involving crypto platforms, tokens, and investment schemes that have resulted in significant losses for investors and market participants. These cases underscore the risks and challenges associated with the crypto industry, as well as the need for compliance and due diligence by crypto businesses and investors.

4. Treasury Targets Sanctions Evasion Network Using Digital Assets

- On December 4, 2024, the U.S. Treasury's Office of Foreign Assets Control (OFAC) [imposed sanctions](#) on five individuals and four entities associated with the TGR Group, a network identified as facilitating sanctions evasion for Russian elites using digital assets like U.S. dollar-backed stablecoins. The TGR Group provides services to launder funds, exchange cash and cryptocurrency, obscure the source of funds, and enable high-net-worth Russian nationals to purchase property in the U.K. These sanctions are part of the U.S. government's efforts to address illicit financial activities and enforce international sanctions compliance. As a result, all property and interests in property of the blocked persons within the United States or controlled by U.S. persons are frozen and must be reported to OFAC.

5. Fifth Circuit Overturns OFAC Sanctions on Tornado Cash, Ruling That Immutable Smart Contracts Are Not “Property”

- In a landmark [decision](#), the Fifth Circuit Court of Appeals has ruled that the Treasury Department’s Office of Foreign Assets Control (OFAC) exceeded its statutory authority by sanctioning Tornado Cash, a software protocol that enables anonymous cryptocurrency transactions. OFAC had sanctioned Tornado Cash and its crypto-mixing smart contracts in 2022, alleging that they were used to launder virtual currency for malicious cyber actors, including North Korea’s Lazarus Group.
- The plaintiffs, users of Tornado Cash, contended that OFAC overstepped its authority by adding Tornado Cash to the list of Specially Designated Nationals and Blocked Persons (SDN). The court found that Tornado Cash’s immutable smart contracts—self-executing software programs that obscure the origins and destinations of digital asset transfers—do not qualify as “property” that can be blocked under the International Emergency Economic Powers Act (IEEPA).
- The court ruled that immutable smart contracts cannot be owned, controlled, or altered by any individual or entity, thus falling outside the scope of OFAC’s blocking power. It differentiated between mutable and immutable smart contracts, noting that while mutable smart contracts can be controlled and altered by an operator, immutable smart contracts, like those used by Tornado Cash, operate autonomously without any party having control over them. This distinction was crucial in the court’s determination that immutable smart contracts do not constitute “property” under IEEPA, thereby limiting OFAC’s regulatory reach.
- The court’s decision highlights the limitations of current legislative frameworks in addressing modern technologies like crypto-mixing software. It underscores the need for updated legislation to effectively manage the complexities of digital assets and their associated technologies.

6. First Cryptocurrency Tax Evasion Case Results in Two-Year Sentence

- On December 12, 2024, Frank Richard Ahlgren III, an early bitcoin investor, was [sentenced](#) to two years in prison for filing false tax returns that underreported his gains from selling \$4 million worth of bitcoins. Ahlgren misled his accountant about the purchase prices of his bitcoins and concealed his transactions by moving bitcoins through multiple wallets, meeting individuals in person to exchange bitcoins for cash, and using mixers to make his transactions harder to trace. The case demonstrates that the IRS is capable of tracking and prosecuting cryptocurrency users who fail to comply with their tax obligations, even when they use sophisticated techniques to conceal their transactions.

7. Two Men Indicted for Alleged NFT Crypto Fraud Scheme that Conned Investors Out of More Than \$22 Million

- On December 20, 2024, Gabriel Hay and Gavin Mayo were indicted for allegedly defrauding investors of more than \$22 million in cryptocurrency through a series of digital asset project “rugpulls.” A “rugpull” is a type of fraud where the creator of a nonfungible token (NFT) or other digital asset project solicits funds from investors and then abruptly abandons the project, keeping the investors’ funds. According to the indictment, Hay and Mayo sponsored several NFT and other digital asset projects from May 2021 to May 2024. They allegedly made or caused others to make materially false and misleading statements about the projects, their ownership, and their future plans. The defendants face a maximum penalty of 20 years in prison for each of the conspiracy and wire fraud counts. This case highlights the risks and challenges that investors face in the emerging field of NFTs and other digital assets.

PRIVATE LITIGATION

1. Private Parties Respond to Digital Asset Regulations

- Q4 brought several challenges to federal regulations of the crypto currency industry. Some [commentators](#) partly attribute this activity to the Supreme Court’s [Loper Bright](#) decision, which held that courts “must exercise their independent judgment in deciding whether an agency has acted within its statutory authority” and need not afford federal agencies like the SEC, OFAC, and others “binding” deference on their interpretations of federal law. *Loper Bright Enterprises v. Raimondo*, 603 U.S. 369 (2024). However, with a new and [seemingly crypto-friendly](#) Trump administration poised to take office, industry participants may also be willing to engage and cooperate with federal regulators in what could be a new era of crypto cooperation.
- Two crypto exchanges challenged SEC enforcement, alleging that the Commission had overextended its jurisdiction by threatening legal action.
 - **Crypto.com sued the SEC after the Commission issued a notice of potential enforcement (i.e., a Wells notice).** In October 2024, Crypto.com filed a [complaint](#) in the Eastern District of Texas, seeking declaratory and injunctive relief to prevent the SEC from bringing enforcement actions against secondary-market token sellers. Crypto.com alleged that the SEC unlawfully expanded its definition of a “security” to include crypto assets, while at the same time acknowledging that tokens were not “securities.” Months later, Crypto.com dropped its suit after Kris Marszalek, chief executive officer of the crypto exchange, met with then

President-elect Donald Trump in Mar-a-Lago. According to an unnamed [source](#), the meeting focused on appointments in the incoming administration related to the crypto industry. The decision to drop the lawsuit suggests that industry participants are signaling a new attitude of cooperation with federal agencies.

- **Bitnomial Exchange sued the SEC after the Commission threatened legal action if the exchange listed XRP futures for trading.** Bitnomial filed a [complaint](#) in the Northern District of Illinois in October 2024, alleging that the SEC argued that listing XRP futures on its platform would violate the federal securities laws in discussions with the company—despite Bitnomial’s separate filing with the CFTC regarding XRP futures trading. The complaint alleges that (i) because XRP is not an investment contract, XRP (and thus XRP futures) cannot constitute a security and (ii) requiring registration of XRP futures when XRP itself is not registered renders compliance with registration requirements impossible, since registration of the underlying security is a prerequisite to registering futures contracts. The complaint references Judge Analisa Torres’s decision last summer holding that XRP was not a security when sold on crypto exchanges. **Read our in-depth analysis of that decision [here](#).**

- **Blockchain gaming company Immutable publicly accuses the Commission of “regulation-via-enforcement,” in response to a Wells notice.** The company issued a detailed [blog post](#) announcing its frustration with the SEC and pleading with the agency to engage with the industry. Immutable cites a series of lawsuits as evidence that the SEC sought “to regulate crypto via enforcement rather than policy” under the prior administration and accelerated their investigation ahead of the November 2024 U.S. election.

- **The Fifth Circuit [rejected](#) OFAC’s bid to sanction Tornado Cash, holding that immutable smart contracts are incapable of ownership.** Recall that in late 2022, the Office of Foreign Assets Control (OFAC) [sanctioned](#) Tornado Cash for its role in enabling cyber crime by “obfuscat[ing] the movement of \$455 million stolen in . . . a virtual currency heist.” This was the first time OFAC targeted a decentralized protocol, which some industry participants argued incapable of being sued. In response, Tornado Cash users sued OFAC, claiming that the sanctions order unlawfully designated Tornado Cash’s “immutable smart contracts” (i.e., transactions that cannot be removed from a blockchain) were not “property” under the congressional statute to which OFAC traces its authority. After the district court rejected their challenge (as we previously explained in our [Q3 2023 Crypto Quarterly Update](#)), the users appealed to the Fifth Circuit.

- On November 26, 2024, the U.S. Court of Appeals for the Fifth Circuit ruled that OFAC exceeded its statutory authority when it determined the decentralized protocol a Specially Designated National (SDN).
- Relying heavily on *Loper Bright*, the Fifth Circuit held that OFAC’s definition of the key terms at issue (e.g., “property,” “person,” “entity,” or “interest”) were not afforded “heightened deference.” In turn, the court closely analyzed whether the protocol was “property,” subject to OFAC’s authority. After a detailed “primer” on cryptocurrency, blockchain, and the Tornado Cash platform, the Fifth Circuit held that immutable smart contracts are not property because they are incapable of being owned.
- This decision highlights the challenge courts will face under *Loper Bright*, when tasked with “exercis[ing] their independent judgment in deciding whether an agency has acted within its statutory authority.” This is especially prevalent when the long-standing statutes at issue (e.g., the International Emergency Economic Powers Act) do not neatly apply to innovative technologies—like digital assets and blockchain—where innovation outpaces Congressional legislation and regulation.
- **Several advocacy groups challenged IRS rule change, requiring certain cryptocurrency exchanges to comply with broker reporting requirements.** Recall that last year, the U.S. Department of the Treasury and the IRS declared centralized finance (CeFi) exchanges were subject to broker reporting requirements, which tasked them with collecting Know Your Customer (KYC) information, computing gains and losses, and reporting this information to the IRS. On December 27, 2024, the IRS took these reporting requirements one step further—[extending](#) the requirements to decentralized finance (DeFi) exchanges as well.
- In a [complaint](#) filed in the Northern District of Texas, the Blockchain Association, DeFi Education Fund, and the Texas Blockchain Council cited *Loper Bright* to argue that the IRS exceeded its authority in deciding that decentralized exchanges (including some decentralized cryptocurrency exchanges) were “brokers” under the relevant congressional [statute](#), 26 U.S. Code Section 6045.
- Under Congress’s [recently amended](#) existing broker tax regulations, the IRS can now impose reporting requirements on “any person who (for consideration) is responsible for regularly providing any service effectuating transfers of digital assets on behalf of another person.” According to the IRS, this includes the “Interface Layer” of a DeFi ecosystem, and more specifically, the “Front-end trading services.”

- The plaintiffs contend that decentralized cryptocurrency exchanges cannot be considered “brokers,” because these types of exchanges allow users to effectuate their own transfers with each other. The plaintiffs also argued that requiring decentralized exchanges to register as brokers would significantly burden the crypto industry, as the new rule would require certain cryptocurrency exchanges to collect detailed transaction data and report it in their tax returns.
- Are DeFi exchanges “brokers” under IRS tax code—and thus, subject to broker reporting requirements? Or will the IRS face pushback from a federal court? Look to future issues of the Crypto Quarterly for more coverage on this issue. Reporting obligations commence on January 1, 2027.

2. A Federal Court Held That a Decentralized Autonomous Organization Can Be Sued

- A federal judge [held](#) that a Decentralized Autonomous Organization (DAO) is not immune from suit, and that general partnership principles apply. In *Samuels v. Lido Dao*, No. 23-cv-06492-VC, [2024 WL 4815022](#) (N.D. Cal. Nov. 18, 2024), the court found that an investor who bought and later sold DAO tokens for a loss could sue Lido Dao as a general partnership under California state law for failure to register its DAO token as a security. Recall that in April 2024, when investor defendants moved to dismiss the case, the DAO did not respond or otherwise appear in the lawsuit. After *Samuels* moved for default judgment, an entity named Dolphin CL, LLC (“Dolphin”) appeared, made a limited appearance to prevent entry of default judgment against Lido, and filed a motion to dismiss.
- Dolphin argued that Lido is just autonomous software that runs without human management and is therefore incapable of suit. Judge Vince Chhabria disagreed, finding that “Lido’s alleged actions are not those of an autonomous software program — they are the actions of an entity run by people. According to the complaint, Lido makes decisions through tokenholder votes, maintains a treasury where it keeps its retained percentage of staking rewards, and has hired over 70 employees.” Citing California Corporations Code section 16202(a), the court found that a DAO can be sued as a general partnership under California law, and investors who buy tokens and actively participate in DAO governance might face joint and several liability for the partnership’s obligations.
- This is in line with prior federal cases in California regarding capacity to sue a DAO, where the court concluded that holders of governance tokens in a DAO may be members of a general partnership and have unlimited liability with respect to the DAO. See *Sarcuni v. bZx DAO et al.*, No. 22-cv-618-LAB-DEB (S.D. Cal., filed Mar. 27, 2023). Prior coverage of *Sarcuni* and the so-called “Ooki DAO” were discussed in the [Q1 2023 Crypto Quarterly](#).

3. Class-Action Updates

- **OpeaSea users dropped a class action suit against the platform due to arbitration clause.** Users of OpenSea, a non-fungible token (NFT) platform, filed a [complaint](#) against the platform in September, alleging that it facilitated the exchange of unregistered securities. However, after OpenSea indicated that it intended to move to compel arbitration, the platform’s users voluntarily dismissed the class-action complaint.
- In their complaint, the users’ cited recent denials of motions to dismiss where courts found that plaintiffs had plausibly pleaded that certain NFTs were securities, including [Harper v. O’Neal](#) which is discussed below.
- **At least two recent crypto-related class-action lawsuits name celebrity promoters as defendants.**
 - Buyers of the Astrals NFT reached an \$11 million settlement with Shaquille O’Neal in their class-action lawsuit. In *Harper v. O’Neal*, 23-21912-CIV-Moreno (S.D. Fla. filed May 23, 2023), the buyers alleged that Shaq violated federal securities law by marketing unregistered securities. The buyers had earlier [survived](#) a motion to dismiss, and Judge Federico A. Moreno became the first federal judge to address the liability of celebrity promoters of unregistered securities.
 - Purchasers of the cryptocurrency “JENNER” on the Solana and Ethereum blockchains sued Caitlyn Jenner and her assistant Sophia Hutchins. The class-action [complaint](#), which purchasers filed in the Central District of California, alleges that Jenner and Hutchins violated federal securities laws by promoting an unregistered security and fraudulently induced the plaintiffs to buy JENNER.

3. Digital Asset Infighting—Suits By and Between Digital Asset Companies

- **‘Wrapped’ up in controversy; Bit Global filed an antitrust suit against Coinbase.** Coinbase is the largest cryptocurrency exchange in the U.S. by trading volume. In January 2019, competitor Bit Global—which specializes in digital asset mining and high-performance computing infrastructure—and its partner BitGo released their flagship product, wBTC, which “wraps” Bitcoin so users may hold the value of Bitcoin and still trade on other decentralized exchanges. As of late December, its outstanding tokens represented more than \$13 billion worth of all Bitcoin. On September 12, 2024, Coinbase announced it would release its own “wrapped” Bitcoin, and just two months later, the company Coinbase announced plans to delist wBTC.
- On December 13, 2024, BitGlobal sued Coinbase, [alleging](#) that Coinbase’s plan to delist wBTC while at the same time releasing its own “wrapped” Bitcoin product amounted to attempted monopolization.

BitGlobal has accused Coinbase of trying to “drive wBTC out of the marketplace” by “driving transaction fees on the Coinbase platform, which increase as it gains market share for the product.”

- The court recently [rejected](#) BitGlobal’s request for a temporary restraining order that would have prevented Coinbase’s planned delisting from taking effect. Given Coinbase’s prominence in the crypto industry, the case is poised to be an important test case for antitrust application in the crypto space.
- **Swan Bitcoin sues former employees after a business partnership “untethers.”** Swan Bitcoin, a financial services firm with bitcoin mining capability, sued several of its former employees, alleging that they executed a plan to steal the company’s Bitcoin mining business in a “coup” related to the stablecoin platform, Tether. Launched in 2014, Tether is a blockchain-enabled platform that had previously funded Swan’s bitcoin mining operation in Tasmania, Australia, and had entered into talks with Swan for another funding round in February 2023. According to the [complaint](#), former employees resigned from Swan *en masse*, formed a rival company called Proton, and planned to use Swan’s technology and trade secrets. Though Tether is not a named defendant in the suit, the platform is heavily referenced in the complaint. For example, the complaint also alleges that Tether terminated its Bitcoin-mining partnership with Swan and entered into a Bitcoin-mining agreement with Proton days after the employees’ resignations.
- **Swan also sued Gibson Dunn for malpractice.** Swan [alleges](#) that, after promising to represent the company in trade secret litigation involving Tether, the law firm dropped Swan as a client. In particular, the complaint alleges that Gibson Dunn dropped Swan as a client because it hired an attorney who had represented Tether in the past.

LEGISLATION

1. State Developments

- **Pennsylvania House passes bipartisan crypto bill.** On October 23, the Pennsylvania House of Representatives passed [HB 2481](#), known as the “Bitcoin Rights” bill, with a decisive 176–26 bipartisan vote. Sponsored by Rep. Mike Cabell (R-Luzerne), the bill ensures users maintain independent control of their assets, by enshrining the right to self-custody digital assets and prohibiting state and local governments from restricting individuals from accepting digital assets as payment for goods and services. The bill also defines digital assets, and prohibits the state from charging additional taxes, withholdings, or charges based on the use of digital assets as a payment method. The bill’s overwhelming

bipartisan support represents a broader, unifying trend in support for crypto across party lines in U.S. politics.

- **Ripple Stablecoin gains approval from New York Department of Financial Services.** On December 10, Ripple’s stablecoin, RLUSD, received final approval from the New York State Department of Financial Services. Following testing in August and announcing exchange partnerships in October, RLUSD will launch on both the Ledger and Ethereum networks.
- **Legislators introduce bills to establish state Bitcoin reserves.** In December, several state and federal legislators proposed bills to establish strategic Bitcoin reserves. Though each bill implements a different approach, they all seem designed to establish the states’ reputations in the digital assets space by attracting blockchain startups and fostering future innovation.
- **Texas’s Representative Giovanni Capriglione** introduced [HB 1598](#) which would enable the state to start building a strategic bitcoin reserve by accepting taxes, fees, and donations in bitcoin that would be held for a minimum of five years. This legislation aims to build a Bitcoin reserve held in “cold storage” (offline wallets which are considered more secure against cyber threats). Additionally, the bill allows Texans to make voluntary contributions to the fund, further integrating Bitcoin into state financial planning.
- **Ohio Republican House leader Derek Merrin** introduced [HB 703](#), known as the “Ohio Bitcoin Reserve Act,” which would (a) allow the state treasury to invest in Bitcoin as a hedge against inflation and the devaluation of the U.S. dollar and (b) propose the creation of a Bitcoin fund within Ohio’s treasury, granting the state treasurer the discretion to decide whether and when to invest in Bitcoin. While the bill does not mandate the purchase of Bitcoin, it opens the door for such investments. The bill is structured to provide flexibility in the state’s investment strategy, allowing the state treasurer to make informed decisions about Bitcoin investments.
- **Pennsylvania Republican Representatives Mike Cabell and Aaron Kaufer** introduced [HB 2664](#), the “Strategic Bitcoin Reserve Act,” which would enable the state treasurer to allocate up to 10 percent of Pennsylvania’s General Fund, Rainy Day Fund, and State Investment Fund into bitcoin and crypto-based exchange-traded products (“ETPs”). The bill aims to leverage bitcoin’s potential as a hedge against inflation and a long-term growth asset, potentially investing up to \$970 million in bitcoin.

At the federal level, Senator Cynthia Lummis (R-WY) drafted [S.4912](#) for the U.S. Treasury to purchase one million Bitcoin over five years and establish a Strategic Bitcoin Reserve.

- The City of Detroit approves use of cryptocurrency to pay local property taxes.** On November 7, Detroit's Treasury Office announced that residents could pay local property taxes and fees using cryptocurrency, including Bitcoin, Ether, Bitcoin Cash, Litecoin, and PUSD, beginning in mid-2025.
- Congress urges action against mixing services.** On November 18, U.S. Congressman Sean Casten (D-IL) and six colleagues from the House Financial Services Committee urged the Biden administration to address the illicit use of cryptocurrency mixing services, such as Tornado Cash, which pose significant national security risks. Recall that on August 8, 2022, the Treasury Department's Office of Foreign Assets Control (OFAC) sanctioned Tornado Cash for laundering over \$7 billion in cryptocurrency, including funds stolen by North Korean hackers. Despite these sanctions, Tornado Cash remains operational through decentralized smart contracts. The overall volume passing through Tornado Cash has decreased since the company was sanctioned by OFAC. But mixers have seen a resurgence in 2024, with significant amounts of cryptocurrency still being processed through these services. And with increased regulatory attention on mixers, new innovations have emerged to conceal the movement of funds, such as privacy coins (digital assets designed to remove transaction data) and "chain hopping" (undertaking multiple transactions between different cryptocurrencies, often in rapid succession). The letter underscores the importance of continued regulatory efforts to address these ongoing threats.
- CFPB Finalizes Rule on Oversight of Digital Payment Apps and Excludes Digital Currency Transactions from its Reach.** On November 21, the [Consumer Financial Protection Bureau](#) finalized a rule to increase oversight of nonbank companies offering digital funds transfers and payment wallet apps, targeting those handling over 50 million transactions annually. The rule subjects these companies to CFPB supervision and periodic examination but excludes cryptocurrency transactions, focusing solely on U.S. dollar transactions.
- GOP leadership signals push for crypto market bill.** Proponents of digital assets have long advocated for certainty in a fragmented regulatory landscape, and Republican leadership has signaled that certainty is coming. On December 14, Representative French Hill (R-AK) announced that the Republican Party was preparing to introduce a comprehensive crypto market structure bill within the first 100 days of the then-upcoming legislative session. Speaking on CNBC, Hill [emphasized](#) the urgent need for regulatory clarity in the domestic crypto market, calling it a "top priority" for the GOP. Majority Leader Steve Scalise (R-LA) is leading the charge on the legislation, which aims to establish clear guidelines for the digital asset industry. Momentum for pro-crypto legislation has grown following the GOP's strong performance in the November elections.

LOOKING AHEAD

To stay ahead of the curve, we look for insights from Ropes & Gray litigation and enforcement lawyers working in the field. This quarter's featured insight:

After outgoing SEC Chairman Gary Gensler announced that he would step down from his role as of January 20, 2025, then President-elect Donald Trump announced his intention to nominate Paul Atkins as the next SEC Chairman. This would not be Atkins's first tenure with the Commission, since he served as SEC Chairman during the George W. Bush administration. Atkins has received favorable responses from Republican lawmakers and crypto proponents, who look to his crypto consulting experience as a sign of his favorable stance toward digital assets. We will likely learn more about Atkins's positions on digital assets and blockchain technologies as he seeks Senate confirmation in 2025.

2. Federal Developments

- Senators release discussion draft of regulatory framework for stablecoins.** On October 10, Senator Bill Hagerty (R-TN) released [draft legislation](#) to establish a regulatory framework for stablecoins. Modeled on the "Clarify for Payment Stablecoins Act," the bill proposes federal supervision by the Federal Reserve and the Office of the Comptroller of the Currency, including currency-reserve thresholds for issuers.