

Crypto Quarterly

Digital Assets, Blockchain, and Related Technologies Update

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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U.S. EXCHANGES PERMIT SPOT CRYPTO TRADING

- On December 4, 2025, the CFTC [announced](#) that listed spot cryptocurrency products will begin trading on CFTC-registered futures exchanges for the first time. Acting Chairman Caroline D. Pham stated that the initiative draws on the agency’s existing authority and follows recommendations from the President’s Working Group on Digital Asset Markets.
- Acting Chairman Pham cited “recent events on offshore exchanges” as justification for expanding investor access to “safe, regulated U.S. markets.” She emphasized that this is protecting retail investors by giving them a “safe place to trade.”
- The announcement stems from CFTC’s Crypto Sprint, an initiative designed to implement the recommendations in President Trump’s Working Group on Digital Asset Markets report. This initiative includes public consultations, coordination with the SEC, and workstreams on enabling

tokenized collateral (including stablecoins) in derivatives markets.

- The SEC and CFTC contemplated this change for some time. In September 2025, the SEC and CFTC [announced](#) a cross-agency initiative “to coordinate efforts regarding the process for enabling the trading of certain spot crypto asset products.” In the announcement, the agencies clarified that “current law does not prohibit SEC- or CFTC-registered exchanges from facilitating trading of [] spot crypto asset products.”
- On December 4, 2025, Bitnominal—a Chicago-based derivatives exchange—announced that it will launch the [first ever](#) FTC-regulated spot crypto trading platform. In the announcement, Bitnominal asserted that, “Institutions and brokers benefit from . . . access to a CFTC regulated spot exchange rather than state money transmitter oversight, resolving longstanding compliance incompatibilities.

REGULATORY UPDATES

1. SEC Project Crypto: Token Taxonomy and *Howey*-Grounded Framework

- On November 12, 2025 SEC Chairman Paul Atkins [spoke](#) at the Federal Reserve Bank of Philadelphia to outline the SEC’s upcoming plans for “Project Crypto,” which was unveiled in July 2025 (as discussed in last quarter’s [Crypto Quarterly](#)).
- The SEC Chair previewed a purportedly forthcoming token taxonomy grounded in the *Howey* investment-contract test. The SEC Chair emphasized that “economic reality trumps labels” and that traditional securities remain securities regardless of their technical form, while cautioning against treating all tokens as common stock simply because they are on-chain. He stated that most tokens trading today are not themselves securities, even if some were initially sold through investment contracts, and that those contractual relationships can end once the issuer’s “essential managerial efforts” are

fulfilled or terminate. Secondary trading of such tokens, he said, is not a securities transaction solely due to origin.

- Chairman Atkins previewed categories—such as digital commodities or network tokens, digital collectibles, and digital tools—that would not be securities, while tokenized securities would remain so. He highlighted ongoing anti-fraud authority across regimes, including the CFTC’s jurisdiction, encouraged Congressional market-structure legislation, and indicated the SEC may consider tailored exemptions for crypto offerings to reduce uncertainty.

2. SEC “Innovation Exemption” for Tokenized Stocks Draws Exchange Pushback

- A November 26, 2025 [report](#) suggested that the SEC is considering regulatory relief—potentially via no-action or an “innovation exemption”—to allow crypto firms to sell tokens linked to listed equities to U.S. retail investors, prompting a warning from the World Federation of Exchanges (“WFE”) that such exemptions could harm investors and undermine market integrity.
- In a November 21 letter [posted](#) by the SEC, the WFE urged the agency not to grant exemptions that would let crypto firms bypass longstanding regulatory principles; the SEC declined to comment.
- The WFE’s letter—framed as pro-innovation—did not name specific firms or rules but emphasized that tokenized equities, which peg a crypto token to an existing stock, should compete on a level playing field with traditional venues, applying the same rules to comparable activities. The WFE noted that while banks and other market participants are exploring tokenization, stock exchanges are still assessing where blockchain’s benefits exceed implementation costs, with WFE’s technology working group lead observing that equity markets are already highly efficient—one reason no exchange has shifted core stock trading on-chain to date.

ENFORCEMENT LANDSCAPE

1. DOJ Indicts Prince Group Chairman, Files Record \$15B Bitcoin Forfeiture Tied to Alleged Crypto Fraud

- On October 14, 2025, the Department of Justice [announced](#) the unsealing of an [indictment](#) charging Cambodian national Chen Zhi, chairman of Prince Holding Group, with wire fraud and money laundering conspiracy for allegedly directing forced-labor “pig butchering” cryptocurrency investment scams that targeted victims worldwide, including in the United States.
- Zhi remains at large and faces up to 40 years if convicted. In a parallel action, DOJ filed what it called the largest forfeiture case in its history, seeking approximately 127,271

Bitcoin (about \$15 billion) alleged to be proceeds and instrumentalities of the schemes and now in U.S. custody after being held in unhosted wallets.

- The Department of the Treasury concurrently [designated](#) Prince Holding Group and related entities as a transnational criminal organization and imposed sanctions, joined by related UK sanctions.

2. President Trump Pardons Binance Founder Changpeng Zhao

- On October 22, 2025, President Donald Trump [pardoned](#) Changpeng Zhao, the convicted founder and former CEO of Binance, after months of lobbying and public advocacy.
- The move follows Binance’s 2023 [guilty plea](#) to anti-money laundering violations, a record \$4.3 billion fine, and imposition of stringent oversight.

3. Mistrial in “Sandwich Attacks” Case – *U.S. v. Peraire-Bueno*

- On November 7, 2025, a U.S. District Judge in the Southern District of New York [declared](#) a mistrial in a case against two brothers, James Peraire-Bueno and Anton Peraire-Bueno.
- The wire fraud and money laundering [trial](#) focused on the brothers’ use of a controversial crypto trade tactic called a “sandwich attack,” that uses bots to place trades before and after another user, strategically manipulating a pending transaction. The government alleged these actions were theft, while the brothers argued that their actions were aggressive, but legitimate, in an unregulated market.
- The trial lasted four weeks, and the jury was unable to reach a verdict after deliberating for three days.

4. DOJ Launches Crypto Fraud Strike Force Targeting Transnational Operations

- On November 12, 2025, the Department of Justice [announced](#) the formation of the interagency Scam Center Strike Force targeting Southeast Asian cryptocurrency-related fraud on Americans. The whole-of-government initiative will target foreign actors and prevent them from using U.S.-based facilities and infrastructure (e.g., social media accounts, internet service providers, and cell phones) to perpetuate cryptocurrency scams.
- By making crypto enforcement part of its heightened focus on national security, the Justice Department signals that it is maintaining enforcement in the crypto industry, despite [disbanding](#) a Biden-era National Cryptocurrency Enforcement Team earlier this year.
- The Strike Force will combine the resources of the U.S. Attorney’s Office for the District of Columbia, the Federal Bureau of Investigation, and the U.S. Secret Service, and

partner with the State Department, the Department of Treasury’s Office of Foreign Assets Control, and the Department of Commerce.

5. Founder of Chicago-based Crypto Dispensers Indicted in Alleged \$10 Million Money Laundering Conspiracy

- On November 18, 2025, the Department of Justice [unsealed](#) an [indictment](#) in the Northern District of Illinois alleging that criminals and fraud victims sent at least \$10 million in proceeds from wire fraud and narcotics offenses through Crypto Dispensers, its founder Firas Isa, and a co-conspirator.
- The indictment alleges Isa converted and transferred the cryptocurrency to digital wallets to disguise the source, knowing the assets were derived from fraud.
- Crypto Dispensers operated a cash-to-cryptocurrency business, which included cryptocurrency ATMs at various locations throughout the U.S., allowing individuals to convert cash, checks, or other monetary instruments into cryptocurrency.

6. Founders of Samourai Wallet Cryptocurrency Mixing Service Sentenced to Five and Four Years in Prison

- On November 19, 2025, the U.S. Attorney’s Office for the Southern District of New York [announced](#) that the founders of Samourai Wallet, Keonne Rodriguez and William Lonergan Hill, were sentenced to five and four years in prison, respectively, for allegedly participating in a conspiracy to operate a money transmitting business in which they knowingly transmitted criminal proceeds, including funds tied to drug trafficking.
- Rodriguez and Hill were also ordered to forfeit over \$237 million, equal to the “total traceable criminal proceeds for which Samourai executed transactions.”
- According to the government, Samourai’s “Whirlpool” and “Ricochet” features were designed to obscure sources of funds, and from 2017 and 2019 onward more than 80,000 Bitcoin (valued at over \$2 billion at the time) passed through the services.

7. DOJ Seizes Web Domain Used by Southeast Asia Scam Compound to Promote Cryptocurrency Investment Fraud

- On December 2, 2025, the Department of Justice [announced](#) the seizure of tickmilleas.com, a website allegedly operated from the “Tai Chang” scam compound in Kyaukhat, Burma, to lure Americans into cryptocurrency investment fraud schemes.
- According to the DOJ, tickmilleas.com imitated a legitimate

trading platform, displayed fake profits, and, despite being registered only in early November, had already scammed victims. After FBI notifications, several apps linked to the site were voluntarily removed from major app stores, and Meta voluntarily took down more than 2,000 related social media accounts.

- The Tai Chang scam compound was also reportedly affiliated with entities recently [designated](#) by the Treasury Department for links to organized crime.
- The D.C. U.S. Attorney’s Office’s new Scam Center Strike Force played a significant role in this enforcement action as part of the effort to combat Southeast Asia scam centers.

8. SEC Charges Canadian Citizen with Fraud

- On December 10, 2025, the SEC filed a [complaint](#) in the Eastern District of New York alleging that “Canadian citizen Nathan Gauvin and three entities he controls—Blackridge, LLC, Gray Digital Capital Management USA, LLC, and Gray Digital Technologies, LLC” defrauded U.S.-based and international investors.
- The complaint alleges that Gauvin used Discord to pretend that he was a successful asset manager. In so doing, he purportedly raised over \$18 million in an unregistered offering in “a purported diversified investment fund advised by Gray Digital and Gauvin,” and exaggerated funds’ returns and misappropriated investor funds to himself. He also allegedly offered Gray Digital Technologies, LLC stock at \$30,000 per share, when the company, in fact, did not exist: “Gauvin raised at least \$60,000 from two retail investors and then ceased communicating with them about this offering.”
- On December 10, 2025, the DOJ [announced](#) parallel criminal charges against Gauvin.

9. SEC Charges Crypto Asset Trading Platforms

- On December 22, 2025, the SEC filed a [complaint](#) in the District of Colorado alleging that “crypto asset trading platforms Morocoin Tech Corp., Berge Blockchain Technology Co. Ltd., and Cirkor Inc. and investment clubs AI Wealth Inc., Lane Wealth Inc., AI Investment Education Foundation Ltd., and Zenith Asset Tech Foundation . . . defrauded retail investors out of more than \$14 million in an elaborate investment confidence scam.”
- The complaint alleges that the investment clubs spread AI-generated investment advice over social media and WhatsApp to attract investors to the crypto asset trading platforms, which purportedly offered “Security Token Offerings” (which in fact were fake).
- The complaint alleges that investors were prohibited from withdrawing their funds and, when they attempted to do so, were prompted to pay additional fees.

LEGISLATION

1. CLARITY Act: Senate Committee Releases Discussion Draft

- On November 10, 2025, Chairman of the Senate Agriculture Committee John Boozman (R-AR) and Senator Cory Booker (D-NJ) released a [discussion draft](#) of the Digital Asset Market Clarity (CLARITY) Act passed by the House of Representatives in July 2025. Both Senators [stressed](#) that the bipartisan legislation would allow the growing crypto trading market to thrive while protecting retail crypto traders.
- The discussion draft would give the CFTC exclusive jurisdiction over spot transactions in digital commodities, while the SEC would retain jurisdiction over investment contracts and securities involving digital assets. The draft would also direct the CFTC to make rules outlining registration requirements for digital commodity exchanges, brokers, and dealers, and would introduce new consumer protection disclosure requirements for crypto exchanges.
- The disclosure requirements for crypto exchanges would include the underlying technology, functionality, and governance structure of digital commodities listed on the exchange; information about each digital commodity's trading volume, volatility, and risks; and any incentives or conflicts of interest that the exchange may have in connection with listing applicable digital commodities.

2. OCC Interpretive Letter on Gas Fees and Crypto Principal

- On November 18, 2025, the OCC [issued](#) an interpretive letter discussing the crypto assets that national banks may keep as principal on their balance sheets.
- The [interpretive letter](#) confirms that national banks may pay network fees (also called “gas fees”) on blockchain networks, and may hold crypto assets on their balance sheets as necessary to pay reasonably foreseeable network fees.
- The letter also allows national banks to hold crypto assets as principal to test crypto-related platforms that a bank wishes to acquire or design. This means that banks could hold crypto assets to confirm the bank's ability to transfer assets, execute trades, keep records, and maintain compliance controls.

3. Fed Vice Testifies about New Bank Rules for Stablecoins

- On December 2, 2025, the Federal Reserve's Vice Chair for Supervision, Michelle Bowman, [testified](#) before the House Committee on Financial Services about the Federal Reserve's plans to work with other bank regulators to develop new capital, liquidity, and diversification regulations for stablecoin issuers under the [GENIUS Act](#). Bowman signaled that the Federal Reserve will encourage regulated banks to embrace new technologies like digital assets to compete with non-bank digital asset companies and expand access to credit.

4. California Brings Crypto Assets within Unclaimed Property Law

- On October 11, 2025, California Governor Gavin Newsom signed [S.B. 822](#) into law.
- The new statute subjects digital assets to the state's unclaimed property law and treats crypto assets similarly to stocks, so the State Controller's office will hold unclaimed digital assets for 18-24 months before liquidating the assets and retaining their cash value for the rightful owner. The law also permits the state to convert escheated digital assets into fiat currency.
- The unclaimed property law already applied to bank accounts, stocks, and insurance policies, but not virtual currency. This led to “confusion and underreporting” according to a [statement](#) by State Senator Josh Becker's office.

PRIVATE LITIGATION

1. Fetch Compute Inc., et al. v. Pon et al.

- On November 4, 2025, token holders filed a class action [complaint](#) in the Southern District of New York against Ocean Protocol Foundation, Inc. (“Ocean”), its founders, and associated entities.
- The complaint explains that Ocean entered a token merger with Fetch.ai and SingularityNet, through which Ocean Protocol's tokens would convert into a large amount of Fetch.ai's \$FET token. Despite this merger, defendants allegedly set aside certain \$OCEAN Community Tokens for those who participate in community incentive programs, and the defendants explained to the public that those tokens would remain as such.
- The complaint, however, alleges that the defendants converted the \$OCEAN Community Tokens into \$FET tokens, dumped them into the market for financial gain, and then announced persons could freely trade non-converted \$OCEAN tokens—thereby driving up the price of those tokens.

2. Balva, et al. v. Binance Holdings Limited, et al.

- On November 24, 2025, the families of U.S. citizens hurt or killed in the October 7, 2023 attack by Hamas in Israel [sued](#) Binance in the District of North Dakota.
- The plaintiffs claim the cryptocurrency exchange aided Hamas and other terrorist groups by transferring more than \$1 billion in Binance-controlled accounts.
- In detailed allegations, the plaintiffs accuse Binance of knowingly hosting significant transactions on their platform in the years before and after October 7, 2023, while Hamas publicly directed its donors to send funds to Binance crypto wallets.

3. *In re BlockFi, Inc. Securities Litigation*

- On December 5, 2025, a judge for the U.S. District Court for the District of New Jersey approved a [settlement](#) between investors and cryptocurrency lender BlockFi, Inc.
- In 2024, the New Jersey court consolidated several class action lawsuits that alleged that BlockFi offered interest-bearing accounts without properly registering with the SEC and that BlockFi made material misstatements with respect to those accounts.
- The settlement awarded lead counsel \$2.7-million and \$10,000 to each person who invested in a BlockFi interest-bearing account between January 1, 2019 and November 28, 2022.

4. *Ostrow v. Karony, et al.*

- On December 12, 2025, the trustee of the Safemoon US LLC bankruptcy estate filed a [complaint](#) against former SafeMoon executives and alleged recipients of assets in the U.S. Bankruptcy Court for the District of Utah for the alleged “misappropriation and embezzlement of many tens of millions of dollars from SafeMoon.”
- The complaint alleges that Founder Kyle Nagy, CEO John Karony, and CTO Thomas Glenn Smith marketed that (1) SafeMoon token holders could use a liquidity pool to swap their SafeMoon tokens for BNB Tokens, which are associated with the Binance Smart Chain, (2) they would periodically destroy SafeMoon Tokens to deflate the supply, (3) SafeMoon Token transfers would be taxed, which would partially be deposited in the liquidity pool, and (4) liquidity pool funds and assets would be inaccessible for four years.
- The complaint alleges that Nagy, Karony, and Smith nevertheless redeemed many millions of dollars of tokens from the liquidity pool for their own purposes.
- Earlier this year, the Department of Justice [conducted](#) a separate criminal prosecution of Karony.

5. *Cardsmiths LLC v. Kaleb Arb, et al.*

- On December 17, 2025, Cardsmiths LLC, a Florida company, [alleged](#) in the District of Colorado that Kaleb Arb, a citizen of Colorado, along with two unnamed defendants, manufactured, sold, and attempted to sell fraudulent copies of its rarest cards, especially its “Currency Series 1” trading card products, which had redemption codes for various cryptocurrencies randomly sealed inside trading card packages.
- Cardsmith LLC estimates that its damages are “likely several million dollars.”

6. *Sliver VR Technologies, Theta Labs, and Michell Liu Fraud Schemes*

- On December 15, 2025, two former employees of Sliver VR Technologies [filed suit](#) in California state court against the company, its blockchain subsidiary Theta Labs Inc., and their CEO, Michell Liu, alleging fraud schemes to inflate the price of the company’s THETA Token.
- The former employees allege that Liu generated false bids, misled investors about company partnerships, and made other false statements to facilitate his self-dealing.
- The former employees allege that they were terminated for reporting Liu’s misconduct.

7. *Coinbase Financial Markets, Inc. Multistate Litigation*

- On December 18, 2025, Coinbase Financial Markets, Inc. filed three complaints against (1) the Attorney General of [Connecticut](#) and Connecticut Department of Consumer Protection officials, (2) the Attorney General of [Michigan](#) and Michigan Gaming Control Board officials, and (3) the Attorney General of [Illinois](#) and Illinois Gaming Control Board officials.
- Coinbase claims that, in January 2026, it plans to offer “event contracts” to U.S. customers. Coinbase defines an “event contract” as “derivative instruments that enable parties to trade on their predictions about whether a future event—which may relate to economics, or elections, or climate, or sports, or anything else of potential commercial consequence—will occur.” Coinbase claims that these are “swaps” under the Commodity Exchange Act that can only be traded on federally regulated exchanges under exclusive CFTC jurisdiction.
- Coinbase is seeking injunctive relief prohibiting the defendants from taking any action against the platform and declaratory relief that federal law preempts relevant state laws.

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:

As described above, the CLARITY Act could potentially end, or significantly curtail, regulatory uncertainty in the digital asset space. It aims to resolve the jurisdictional dispute between the SEC and CFTC, while creating express registration categories for digital asset exchanges, brokers, and dealers. It would also protect investors by applying disclosure requirements to crypto exchanges. The [Senate Banking](#) Committee set January 15 as the bill’s markup date, but postponed the session and announced no new markup date. The status and impact of the CLARITY Act will be discussed in further detail in the next edition of the Crypto Quarterly.

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