

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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REGULATORY UPDATES

1. SEC Proposes New “Regulation Crypto Assets”

- On August 18, 2026, the [SEC](#) proposed [new rules](#) titled “Regulation Crypto Assets” (Release No. 33-11434), creating a framework for investment contracts in which a crypto asset (that is not itself a security) is the sole subject of the contract. The proposal builds on the Commission’s March 2026 interpretive release clarifying how the federal securities laws apply to certain crypto assets (see [Q1 2026 Crypto Quarterly](#)) and includes four principal components:
 - A **startup exemption**: a one-time exemption permitting offerings of up to \$5 million during a four-year period, subject to public filings at the beginning and end of the period and principles-based narrative disclosures.

- A **fundraising exemption**: a two-tier exemption modeled in part on Regulation A, permitting Tier 1 offerings of up to \$20 million and Tier 2 offerings of up to \$75 million in each 12-month period, with financial statement requirements (audited for Tier 2) and ongoing reporting obligations.
- An **investment contract safe harbor**: a conditional safe harbor under which a covered investment contract would be deemed to have ceased to exist, and the underlying crypto asset would no longer be deemed a security. This occurs once the issuer has completed or permanently ceased all essential managerial efforts it represented or promised it would undertake, does not intend to make any new representations or promises to engage in managerial efforts, and has filed a public certification to that effect.
- Preemption of state registration and qualification requirements**: through a new “qualified purchaser” definition that would preempt state securities law registration requirements for offers and sales pursuant to Regulation Crypto Assets, as well as certain secondary market transactions.
- Issuers relying on either exemption would remain subject to the anti-fraud and anti-manipulation provisions of the federal securities laws. The comment period closes October 20, 2026.

2. SEC Issues “Innovation Exemption” to Facilitate Trading Tokenized National Market System Stock

- On September 17, 2026, the SEC [granted](#) temporary, conditional exemptive relief—termed the “Innovation Exemption”—to facilitate on-chain secondary trading of tokenized National Market System (NMS) stock.

- The order grants two five-year exemptions. The first exempts “Tokenized Securities Venues” (TSVs)—platforms that match buyers and sellers of tokenized NMS stock through on-chain automated market maker (AMM) liquidity pools—from the Exchange Act’s definition of “exchange.” The second exempts liquidity providers in AMM liquidity pools from the definition of “dealer.” The exemptions are subject to conditions including limits on the number of symbols and volume traded, a requirement that TSVs verify that tokenized NMS stock provides holders the same rights and privileges as traditional NMS stock of the equivalent class, mandatory smart contract auditability, and public notice requirements regarding TSV operations. The [fact sheet](#) notes that distributed ledger technology can offer benefits including “investor self-custody, around-the-clock trading, fractional ownership of shares, and near-instantaneous settlement.” The order solicits public comment on modifications to the relief and potential next steps.

3. SEC Proposes to Modernize Rules for Registered Transfer Agents

- On September 1, 2026, the SEC [proposed](#) to update the rules and forms governing registered transfer agents (Release No. 34-106402)—the first substantive revision of the federal transfer agent regulatory framework since the late 1970s and early 1980s. The proposal has several key components:
 - **Electronic and blockchain-based recordkeeping:** The proposal would modernize legacy rules to permit transfer agents to use distributed ledger technology as their master securityholder file and would update terminology to capture blockchain-based platforms and other contemporary electronic systems.
 - **Accelerated turnaround and processing:** Transfer agents would be required to adopt written policies and procedures designed to ensure timely processing of routine items in alignment with the current T+1 settlement cycle, replacing existing metrics-based requirements pegged to a three-business-day standard. The performance threshold for avoiding expansion limitations would rise from 75% to 95%.
 - **Enhanced risk management:** Existing Rule 17Ad-12 would be reframed as a comprehensive risk management rule, requiring written policies to protect custody assets and mitigate operational and cybersecurity risks, a separate bank account for issuer and securityholder funds, and a business continuity plan.

4. CFTC Staff Issues No-Action Position Letter to Providers of Passive Software

- On September 17, 2026, the CFTC’s Market Participants Division issued a no-action position [letter](#) (CFTC Letter No. 26-25) for providers of passive software, extending the relief previously granted to a single developer in Staff Letter 26-09 (see [Q1 2026 Crypto Quarterly](#)). Under the letter, the Division will not recommend enforcement action against any passive software provider or its personnel for not registering as an introducing broker or associated person. The relief applies to providing and marketing front-end interface software that enables users to trade CFTC-regulated derivatives—including event contracts, perpetual contracts, and other derivatives—directly with registered futures commission merchants, introducing brokers, and designated contract markets.
- The no-action position is subject to 10 enumerated conditions, including that the provider adopt compliance policies for communications with the public, execute joint and several liability undertakings with its registrants, and provide risk and conflict of interest disclosures to users. However, “at no point would the [passive software provider] hold, control, or take into custody User assets, generate express ‘buy’ or ‘sell’ signals, or exercise discretion with respect to the routing or execution of User orders.” The no-action position remains in effect until a Commission rulemaking or guidance addressing the application of the introducing broker registration requirement to software developers comes into effect.

ENFORCEMENT LANDSCAPE

1. SEC and CFTC Charge Defendants with \$400 Million Crypto Asset Ponzi Scheme

- On August 11, 2026, the [SEC](#) and [CFTC](#) filed complaints in the U.S. District Court for the Middle District of Florida against Goliath Ventures Inc. and its founder and CEO, Christopher Delgado. The agencies allege that the defendants operated a Ponzi scheme by fraudulently soliciting and accepting funds from the public for crypto asset trading, including bitcoin and ether. The alleged scheme involves between 1,300 and 1,600 customers contributing between \$397 million and \$425 million to the defendants. Earlier, in June 2026, Delgado [pled](#) guilty to federal criminal charges of conspiracy to commit wire fraud, and money laundering in connection with the Ponzi scheme.

2. CFTC Charges North Carolina Commodity Pool Operator and His Company with Fraud

- On July 7, 2026, the CFTC [filed](#) a complaint in the U.S. District Court for the Western District of North Carolina against Trevor L. Vernon and his company, Argent Capital Management LLC. The complaint alleges that from at least March 2022 to February 2026, the defendants fraudulently solicited over \$14 million from at least 60 participants to invest in a commodity pool that traded equity index futures, options on equity index futures, and crypto assets. The complaint further alleges that the defendants fabricated performance results and used funds from new participants to make payments to existing contributors in a Ponzi-like scheme to conceal the losses. The CFTC also claims Vernon made false statements in sworn testimony during the agency’s investigation.

3. CFTC Exercises Emergency Authority Twice to Protect Prediction Markets from State Enforcement Actions

- As detailed in the [Q2 2026](#) Ropes & Gray Crypto Quarterly, the CFTC filed lawsuits against multiple states challenging their attempts to regulate CFTC-registered designated contract markets (DCMs) under state gambling laws. In Q3 2026, the jurisdictional conflict escalated significantly, with the CFTC exercising its emergency authority under Section 8a(9) of the Commodity Exchange Act on two separate occasions to protect KalshiEX LLC’s (“Kalshi”) operations.
- On July 14, 2026, the CFTC [stayed](#) an emergency rule change proposed by Kalshi and directed Kalshi to fulfill open trades involving Michigan residents. The action followed a Michigan state court issuing a [TRO](#) on June 29, 2026. Kalshi filed a motion to dissolve or modify the TRO, and the court responded by ordering Kalshi to stop offering sports-related event contracts to Michigan residents and to void, cancel, and refund previously executed trades. This case was first initiated on March 3, 2026, when the Attorney General of Michigan [filed](#) a complaint for a permanent injunction against Kalshi.
- On August 11, 2026, the CFTC [exercised](#) its emergency authority a second time after New York Attorney General Letitia James filed a complaint against Kalshi on July 31 seeking a temporary restraining order prohibiting Kalshi from offering all event contracts nationwide and more than \$36 billion in damages. The CFTC directed Kalshi to continue operating in accordance with the CEA’s Core Principles, finding that New York’s enforcement action constituted a “major market disturbance” and that allowing a single state to shut down a DCM “would run counter to the system Congress created.”

4. Ninth Circuit Deepens Circuit Split on Whether Prediction Market Sports Event Contracts Are “Swaps” Under the Commodity Exchange Act (CEA)

- On August 28, 2026, the Ninth Circuit [affirmed](#) the dissolution of a preliminary injunction that had protected Kalshi from enforcement of Nevada’s gaming regulations. In *KalshiEX, LLC v. Assad*, the court held that Kalshi failed to show a likelihood of success on its claim that its sports event contracts are “swaps” under the CEA, and therefore the CEA likely does not preempt state gaming laws as applied to those contracts. The Ninth Circuit remanded for the district court to consider Kalshi’s election contracts in light of this opinion.
- The court concluded that the event contracts are in substance sports bets and that interpreting the swap definition broadly enough to encompass sports betting would improperly delegate national gambling regulation to the CFTC.
- The court also held that CFTC Regulation 17 C.F.R. § 40.11(a) prohibits Kalshi from listing sports event contracts on DCMs and that Kalshi’s self-certification of its sports event contracts was unlawful under that regulation.
- The decision creates a direct circuit split with the Third Circuit’s [ruling](#) in *KalshiEX, LLC v. Flaherty*, 172 F.4th 220 (3d Cir. 2026), which affirmed a preliminary injunction barring New Jersey from enforcing its gambling laws against Kalshi. The Third Circuit held that Kalshi was likely to succeed in showing that its sports event contracts are “swaps” traded on a CFTC-licensed DCM, and therefore fall within the CFTC’s exclusive jurisdiction. It also held that the CEA preempts New Jersey’s gambling laws as applied to those contracts under both field and conflict preemption.

5. CFTC Orders White House Teleprompter Operator to Pay \$172,000 for Insider Trading of Prediction Market Event Contracts

- On August 28, 2026, the CFTC [issued](#) an order settling charges against Gabriel Perez, a White House teleprompter operator, for misappropriating material, nonpublic information to trade presidential mention market event contracts on Kalshi for his personal benefit. The order finds that between December 2025 and March 2026, Perez used his advance access to President Trump’s speeches to trade “Yes” or “No” event contracts on whether specific words or phrases would be spoken, trading profitably on 39 of 43 contracts and generating over \$107,500 in profits. Under the order, Perez must disgorge his profits and pay a \$65,000 civil monetary penalty and is subject to a three-year trading ban.

6. CFTC Orders George Santos to Pay \$35,000 for Manipulative Trading of State of the Union Event Contract

- On July 31, 2026, the CFTC [settled charges](#) against former Congressman George Santos for engaging in manipulative trading of an event contract on Kalshi titled “Who will attend the State of the Union?”—specifically, a market on whether Santos himself would attend the 2026 State of the Union. The order finds that between February 12 and February 25, 2026, Santos traded both “Yes” and “No” positions on his own attendance while making a series of social media posts containing material misrepresentations and omissions about his plans, causing the contract price to move in directions favorable to his positions. Under the order, Santos must disgorge \$17,569.98 in profits, pay a \$17,500 civil monetary penalty, and is subject to a three-year trading ban.

7. CFTC Resolves Actions Against Former Alameda CEO and Alameda and FTX Co-Founder

- On August 19, 2026, the CFTC [announced](#) that the U.S. District Court for the Southern District of New York entered supplemental consent orders against Caroline Ellison, former Alameda Research CEO, and Zixiao “Gary” Wang, former Alameda and FTX co-founder, resolving the Commission’s enforcement actions against them. The court had entered initial consent orders against both defendants on December 23, 2022, finding Ellison liable on both fraud counts and Wang liable on the single fraud count charged against him. The supplemental orders impose a five-year trading ban and a 10-year registration ban on Ellison, and a five-year trading ban and an eight-year registration ban on Wang, with all bans running from the date of entry of the initial consent orders.

8. Ringleader of \$245 Million Crypto Theft and Laundering Enterprise Pleads Guilty to RICO Conspiracy

- On September 8, 2026, the U.S. Attorney’s Office for the District of Columbia [announced](#) that Malone Lam, 22, a Singaporean citizen and recent Miami resident, pled guilty to one count of participating in a RICO conspiracy for his role as the ringleader of an international cybercrime enterprise that used social engineering to steal and launder more than \$245 million in cryptocurrency.
- According to the DOJ, the enterprise operated from at least October 2023 through May 2025 and grew out of connections made on online gaming platforms. Lam allegedly identified target victims, coordinated co-conspirators based across California, Connecticut, New York, Florida, and abroad, and directed a scheme that combined social engineering with occasional physical home

break-ins to extract information needed to drain victims’ cryptocurrency wallets.

- The conspirators allegedly spent the stolen cryptocurrency on an extravagant scale, including nightclub tabs of up to \$500,000 per evening, luxury watches valued between \$100,000 and more than \$500,000, exotic cars priced up to \$3.8 million, private jet rentals, and more.

9. DOJ Seizes \$560,000 in Cryptocurrency and Dismantles Hamas Online Fundraising and Recruitment Infrastructure

- On September 1, 2026, the DOJ [announced](#) the disruption of an ongoing Hamas fundraising and recruitment operation, resulting in the seizure of over \$560,000 in cryptocurrency and the takedown of domains and servers controlled by Hamas’s military wing.
- The scheme allegedly relied on an encrypted group chat that directed supporters to a fundraising website and provided them with a rotating set of cryptocurrency donation addresses. Between March and October 2025, the FBI used human intelligence sources to trace donations flowing through these addresses and executed three court-authorized seizure warrants to seize approximately \$560,000 in cryptocurrency intended for Hamas’s military use.
- In a parallel effort, the FBI seized the domains and servers controlled by Hamas’s military wing, allowing investigators to intercept additional cryptocurrency donations intended for Hamas.
- This action underscores the DOJ’s expanding use of cryptocurrency tracing and domain seizures as tools to disrupt terrorist financing networks that exploit digital assets to operate outside the traditional financial system.

10. Las Vegas Crypto Mining Operator Convicted on Federal Fraud and Money Laundering Charges After Defrauding 400 Investors of \$24 Million

- On August 24, 2026, the U.S. Attorney’s Office for the District of Nevada [announced](#) that a federal jury convicted Brent C. Kovar, a Las Vegas business owner, on eleven counts of wire fraud, two counts of mail fraud, and two counts of money laundering in connection with a cryptocurrency Ponzi scheme operated through his company, Profit Connect.
- According to the DOJ, from late 2017 to July 2021, Kovar marketed Profit Connect as an artificial intelligence-powered cryptocurrency mining operation that purportedly used a supercomputer to mine and verify cryptocurrency transactions. Kovar promised investors fixed annual returns of 15% to 30%, a 100% money-back guarantee, and falsely claimed the company was backed by hundreds of millions of dollars in cryptocurrency reserves and insured by the FDIC.

In reality, the company was not profitable, held no reserves, and had no legitimate basis for the guaranteed returns or the money-back promise.

- Kovar is scheduled to be sentenced on November 30, 2026, and faces a statutory maximum penalty of 280 years in prison. The case underscores the continued exposure for operators who make fabricated performance claims and misrepresent the nature of purported crypto investment platforms.

11. Crypto Fund Founder Convicted of Defrauding Investors with Fictitious Algorithmic Trading Claims

- On August 24, 2026, the U.S. Attorney’s Office for the Northern District of California [announced](#) that a federal jury convicted Japheth Dillman, 48, of wire fraud and conspiracy to commit wire fraud in connection with a scheme to defraud investors in a cryptocurrency trading fund following a 10-day trial.
- According to the DOJ, from June 2017 to August 2018, Dillman and a co-conspirator raised nearly \$1 million from more than 20 investors by marketing a cryptocurrency trading fund called Block Bits Capital, claiming the fund would generate returns through a proprietary automated trading algorithm that was presented as fully developed and operational. In reality, the algorithm did not work, and investor funds could not be deployed as promised.
- Instead, Dillman and his co-conspirator used investor money to pay themselves and to make speculative investments in other cryptocurrency ventures. When those investments resulted in significant losses, Dillman told investors that Block Bits’s trading had generated substantial profits.
- Dillman’s sentencing is scheduled for December 8, 2026, and he faces up to 20 years in prison on each count. The case highlights the continued risk of enforcement for crypto fund operators who misrepresent trading capabilities or performance to investors.

12. Alleged \$165 Million Cryptocurrency Ponzi Scheme Operator Charged with Wire Fraud and Money Laundering Following International Pursuit

- On August 17, 2026, the U.S. Attorney’s Office for the Northern District of Georgia [announced](#) that Edward Zimbardi, 59, appeared in federal court to face wire fraud and money laundering charges in connection with an alleged \$165 million cryptocurrency Ponzi scheme. Zimbardi was deported from Fiji on August 14, 2026, following a coordinated effort between the FBI, the U.S. Department of State, and Fijian authorities.
- According to the DOJ, between June 2022 and August 2023, Zimbardi created and promoted a scheme called “The Crypto Program,” which solicited investments in

purported advertising packages and promised guaranteed 25% monthly returns. Investors were directed to transfer cryptocurrency into wallets secretly controlled by Zimbardi, and thousands of investors collectively sent more than \$165 million to those wallets.

- Rather than purchasing advertising packages, Zimbardi allegedly gambled more than \$34 million on risky foreign currency trades—losing substantial sums—and used funds from later investors to pay earlier investors. He also allegedly spent at least \$10 million on personal expenses, including a house, luxury vehicles, and alimony payments.

13. NFT Startup Founder Indicted for Misappropriating Over \$10 Million in Investor Funds

- On August 5, 2026, the U.S. Attorney’s Office for the Southern District of New York [announced](#) the [indictment](#) of Taj Tarsha, founder and sole equity owner of Few and Far Limited (“Few and Far”), on securities fraud and wire fraud charges. Tarsha allegedly defrauded investors in the crypto startup by misrepresenting how their funds would be used and then misappropriating those funds for personal benefit.
- Tarsha allegedly pitched Few and Far as a decentralized NFT marketplace and, beginning in February 2022, raised over \$10 million from at least 67 investors through Simple Agreements for Future Tokens (SAFTs)—instruments that promised rights to receive proprietary “FAR” tokens once the platform was built. But according to the indictment, Tarsha began siphoning investor funds almost immediately, spending them on online gambling, speculative cryptocurrency purchases, and other personal expenses. When the FAR token launched in May 2024, it was effectively worthless and soon ceased trading.
- Tarsha faces up to 20 years in prison on each count. The case reflects the DOJ’s continued scrutiny of digital asset fundraising structures, including token presale arrangements, and its willingness to bring securities fraud charges where founders misuse investor capital raised through crypto instruments.

14. DOJ and Secret Service Seize Over \$25 Million in Cryptocurrency Linked to International Fraud Networks

- On July 21, 2026, the U.S. Attorney’s Office for the District of Columbia [announced](#) the filing of five civil forfeiture complaints seeking the recovery of more than \$25 million in cryptocurrency tied to international fraud schemes that targeted residents of the United States and Canada. The seizures were the product of investigations by the U.S. Secret Service’s Cyber Fraud Task Force and form part of the broader [Scam Center Strike Force](#), launched in November 2025, which has recovered more than \$800 million to date.

- Across the five investigations, Secret Service agents identified multiple laundering networks and confirmed thousands of victims worldwide who were misled into making what they believed were legitimate cryptocurrency investments. The schemes ranged from fraudulent investment platforms and online romance scams to recovery fraud, in which scammers contacted existing fraud victims, claimed to have recovered previously stolen funds, and induced them to pay fees to retrieve the money. Launderers were predominantly located in Southeast Asia, with IP addresses traced to China, Malaysia, and Cambodia.
- These cases illustrate the DOJ's increasing use of civil forfeiture as a tool to disrupt crypto-enabled fraud pipelines and recover assets for victims.

PRIVATE LITIGATION

1. New Jersey Federal Court Rejects Coinbase's Renewed Motion to Dismiss in Securities Litigation

- On August 18, 2026, the U.S. District Court for the District of New Jersey [denied](#) Coinbase's successive motion to dismiss the Third Amended Complaint in this consolidated federal securities class action brought on behalf of persons who purchased Coinbase common stock from April 14, 2021, through June 5, 2023, or whose shares were traceable to Coinbase's Registration Statement and Prospectus. Plaintiffs allege Coinbase, four executive defendants, and six director defendants concealed risks associated with a potential bankruptcy and downplayed the likelihood of an SEC enforcement action, enabling insiders to cash out over \$1.4 billion in shares at inflated values following Coinbase's 2021 public listing.
 - The court rejected Defendants' group-pleading challenge, holding that the Private Securities Litigation Reform Act's (PSLRA) heightened pleading standard was satisfied because the Third Amended Complaint attributed the corporate statements to the CEO and CFO as certifying officers on the relevant SEC filings.
 - The court also denied Defendants' requests to reconsider prior rulings sustaining the complaint's allegations of misleading statements, scienter, traceability, and ineligibility for the PSLRA's safe harbor protection, finding no extraordinary circumstances warranting reconsideration — including the Third Circuit's 2025 decision in *Handal v. Innovative Industrial Properties, Inc.*, which the court distinguished on the ground that the Coinbase defendants had a significant financial motive to engage in the alleged misconduct.
- The case is *In re Coinbase Glob., Inc. Sec. Litig.*, No. 2:22-CV-04915 (BRM) (LDW), 2026 WL 2405870 (D.N.J. Aug. 18, 2026).

2. S.D.N.Y. Issues Split Summary Judgment Ruling on Coinbase's Statutory Seller Status

- On July 30, 2026, the U.S. District Court for the Southern District of New York [issued](#) a split summary judgment ruling on the threshold statutory-seller question in a putative securities class action against Coinbase in *Underwood v. Coinbase Global Inc.*, No. 21-cv-08353 (S.D.N.Y. July 30, 2026). The court analyzed whether Coinbase qualified as a statutory seller under *Pinter v. Dahl*, 486 U.S. 622 (1988), across two categories of transactions on the platform.
 - **Matched transactions (99.97% of volume)—Coinbase wins.** The court granted summary judgment for Coinbase, finding that the platform “did not pass any ownership interest in tokens to buyers,” and that its publication of token prices and information did not constitute solicitation causing the named plaintiffs' purchases. The court noted that Coinbase's user agreements showed that title remained with users, and its role was that of a “collateral” participant.
 - **Inventory transactions (0.03% of volume, at least \$178 million)—Coinbase loses.** The court granted summary judgment for plaintiffs on the statutory-seller element, finding that Coinbase held title to tokens in its corporate inventory and passed that title to buyers on the Simple platform. The court further held that Coinbase qualified as a statutory dealer and failed to show that it was not an underwriter, precluding it from claiming the ordinary trading exemption under Section 4(a)(1) of the Securities Act of 1933.
- The case will proceed on all federal and state claims related to inventory transactions, including whether the tokens at issue qualify as securities.

3. Second Circuit Denies Crypto Platforms' Class Certification Appeal

- On July 2, 2026, the Second Circuit [denied](#) a petition by Tether and Bitfinex for immediate interlocutory review of a class certification order in this market manipulation action. A majority of a three-judge panel held that an immediate appeal was not warranted but granted the defendants leave to file a reply to the certification order.
- The underlying action, pending in the S.D.N.Y. before Judge Katherine Polk Failla, alleges that Bitfinex and Tether engaged in a scheme involving fraud, market manipulation, and money laundering that cost cryptocurrency investors

hundreds of billions of dollars. Judge Failla granted class certification to investors who acquired bitcoin or ethereum, though she narrowed the originally proposed class definitions after finding no injury for some investors. The appellate case is *In re Tether and Bitfinex Crypto Asset Litig.*, No. 26-557 (2d Cir. July 2, 2026). The underlying case is *In re Tether & Bitfinex Crypto Asset Litig.*, No. 19-cv-9236 (S.D.N.Y.).

LEGISLATION

1. CLARITY Act [Fails to Advance After Key Vote](#)

- The Digital Asset Market Clarity Act, which would have established the first comprehensive federal regulatory framework for digital assets, failed to clear a 60-vote procedural threshold in the Senate on September 15. As discussed in [prior editions of Crypto Quarterly](#), the CLARITY Act would have classified major digital assets as commodities, while treating assets ancillary to those tokens as securities, in addition to other regulatory accommodations.
- The bill had been under negotiation for over a year, but bipartisan disagreements proved insurmountable. Democrats, led by Senators Mark Warner and Elizabeth Warren, opposed the measure over what they characterized as insufficient ethics provisions to prevent the president from profiting on crypto ventures while in office. Banking groups also feared that interest-bearing stablecoins could trigger deposit flight from regional banks.
- The CLARITY Act failed to advance despite last-minute proposals that would have allowed the Treasury to restrict stablecoin rewards in the event of deposit flight. The proposals would have also permitted state attorneys general to limit public officials' cryptocurrency dealings.
- The bill has likely missed its window to pass before the midterm elections, significantly reducing the likelihood that it will become law. If Democrats gain control of the House of Representatives this November, they are unlikely to pass the bill or similar legislation without significant concessions.

2. House Ways and Means Committee Holds Hearing on [Suite of Crypto Tax Bills](#)

- The **Less Tax Paperwork for Digital Asset Owners Act** (H.R. 9178), introduced by Representative Rudy Yakym (R-IN), would provide that no gain or loss is recognized on the disposition of a digital asset in payment of a de minimis network fee (under \$10). The exception is designed to relieve ordinary holders of tracking gain on routine, low-value transaction fees. The bill pairs that relief

with a basis-integrity rule requiring the network fee to be reduced by any gain not recognized on the disposition used to pay it. Beyond the fee exception, the bill would create an elective simplified accounting regime for widely traded digital assets that computes a single annual gain or loss figure treated as short-term capital gain or loss.

- The **Tax Clarity for Mining and Staking Act** (H.R. 9175), introduced by Representative Mike Carey (R-OH), would require a taxpayer to include the fair market value of a newly minted digital asset in gross income as ordinary income at the time of acquisition. However, a taxpayer may elect to exclude qualified newly minted digital assets from gross income and instead capitalize specified acquisition costs, recognizing gain on disposition as gain from property that is not a capital asset.
- The **Charitable Deductions for Digital Asset Donations Act** (H.R. 9173), introduced by Representative Mike Kelly (R-PA), would add widely traded digital assets to the types of readily valued property that are exempted from appraisal requirements for donations of property. Under present law, a taxpayer claiming a deduction of more than \$5,000 for a contribution of property generally must obtain a qualified appraisal, and must attach the appraisal itself where the claimed value exceeds \$500,000. A statutory exception for “readily valued property” reaches cash, certain intellectual property, publicly traded securities, and certain vehicles, but not digital assets. The bill would add widely traded digital assets to that readily valued property list, subject to Treasury authority to prevent abuse.
- The **Providing Analogous Rules for Digital Assets Act** (H.R. 9176), introduced by Representative David Kustoff (R-TN), would expand 26 U.S.C. § 1058 to include digital assets, allow digital asset traders to apply mark-to-market accounting rules, and apply trading safe harbor rules to digital assets. This would treat digital assets similarly to securities and commodities.
- The **Digital Assets Voluntary Disclosure Program Act** (H.R. 9174), introduced by Representative Aaron Bean (R-FL), would allow individuals who misreported digital asset tax consequences to remedy their noncompliance through voluntary disclosure. The bill directs the IRS to establish a voluntary disclosure program allowing individuals who underreported or misreported the tax consequences of digital assets to resolve their noncompliance on terms less onerous than would otherwise apply.
- The **Applying Existing Tax Anti-Abuse Rules to Digital Assets Act** (HR 9172), introduced by Representative Jodey Arrington (R-TX), would extend

the wash sales rule and the constructive sales rules to digital assets and related derivatives. Under the bill, the wash sales rule would apply to stocks, securities, digital assets other than qualified U.S. dollar stablecoins, and contracts or options to acquire stocks, securities, and digital assets.

- The Committee held a hearing on the bills on June 9, 2026. Passing the bills [would likely require bipartisan support](#), which may hamper the bills' odds of success prior to the midterms.

3. Stop Crypto ATM Scams Act Introduced in the House

- On June 11, 2026, Representatives Sean Casten (D-IL) and María Elvira Salazar (R-FL) introduced the [Stop Crypto ATM Scams Act](#).
- [The bill](#) would require crypto ATM operators to implement written anti-money laundering (AML) programs, conduct customer due diligence, report fraudulent activity to regulators, and maintain updated lists of all kiosk locations. It would also impose daily transaction limits to reduce the amount victims can lose in a single fraud scheme. In addition, operators would be required to display scam warnings before transactions, provide detailed pre-transaction disclosures, issue transaction receipts useful for law enforcement investigations, and offer live customer service with a dedicated law enforcement phone line.

4. Updates from State Legislatures

- **Delaware Enacts [Banking Modernization Package](#).** Delaware Governor Matt Meyer signed three banking modernization bills into law on July 6, 2026. These included the Delaware Money Transmission and Virtual Currency Modernization Act, which creates a licensing and regulatory framework for virtual currency businesses. The package also included the Delaware Payment Stablecoins Act, which creates a state regulatory framework in alignment with the federal GENIUS Act. The Delaware Payment Stablecoins Act authorizes the state to charter payment stablecoin issuers and requires one-to-one reserve backing and anti-money laundering compliance.
- **New Hampshire Governor [signs Blockchain Basic Laws](#).** [The law, effective September 8, 2026](#), limits licensure requirements and regulation for digital asset businesses, and prohibits state and local governments from restricting the use of digital assets as a payment method—including any tax, withholding, or charge imposed solely

because a digital asset was used—and protects individuals' right to self-custody their digital assets via self-hosted or third-party wallets. The law also shields staking from automatic classification as a securities offering, and establishes a specialized "Blockchain Dispute Docket" within the superior court.

• California Crypto Developments:

- The California legislature passed [SB 1208](#), which expands California's money laundering statutes to cover transactions involving digital assets. [AB 2285](#), passed by the Assembly on June 18, 2026, would regulate banks and credit unions under the examination authority of the Department of Financial Protection and Innovation with respect to digital asset custody services, staking services, and digital asset transaction services. The bill would also exclude staking rewards from the definition of a security.

• Further Crypto ATM Legislation:

- In [North Carolina](#), the governor signed legislation regulating cryptocurrency kiosks. The new law limits transaction fees and places cryptocurrency ATMs under the oversight of the North Carolina Commissioner of Banks. [Florida](#) enacted similar legislation, which also requires crypto ATMs to display anti-fraud warnings.
- The [New Jersey](#) Senate passed aggressive cryptocurrency ATM legislation, which has now been referred to the Assembly. The New Jersey bill would outright ban cryptocurrency ATMs.

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:

In the wake of the failed CLARITY Act vote, we will continue to monitor how regulatory agencies and states push crypto rules forward.

BOSTON · CHICAGO · DUBLIN · HONG KONG · LONDON · LOS ANGELES · MILAN · NEW YORK · PARIS
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