

Akin

CryptoLink



February 2025

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Key Regulatory and Policy Updates

February 2025 brought significant developments in cryptocurrency regulation. First, the Securities and Exchange Commission (SEC) and Binance agreed to a temporary stay of the ongoing civil litigation against Binance with the aim of reaching a resolution. The parties jointly agreed to the stay due, in part, to the formation of the SEC's new cryptocurrency task force (Crypto Task Force) led by Commissioner Hester Peirce. Similarly, in late February, Coinbase announced that, following productive discussions between Coinbase and members of the Crypto Task Force, the SEC "agreed in principle" to dismiss its enforcement case against Coinbase, pending Commission approval. If the SEC's Binance and Coinbase lawsuits reach final resolutions, it is feasible that the other large cryptocurrency players engaged in litigation with the SEC will seek to follow suit.

Second, on February 20, the SEC announced that it has set up a Cyber and Emerging Technologies Unit (CETU) consisting of 30 fraud specialists and attorneys across multiple SEC offices “to protect retail investors from cryptocurrency scams and other bad actors in the emerging technologies space.” Designed to replace the current Crypto Assets and Cyber Unit and to complement the new Crypto Task Force, CETU is likely to reflect an evolution in enforcement approach toward combating cyber misconduct. Specifically, in remarks to the Association of SEC Alumni, Acting Chair Mark Uyeda states that CETU’s formation “will ensure that the Division remains nimble and stays on the cutting edge of [technology]” to protect investors from bad actors.

Third, in February 2025, U.S. regulators and prosecutors announced several cryptocurrency actions against companies that were charged with participating in cryptocurrency fraud—underscoring that U.S. regulators and prosecutors continue to focus on digital asset fraud schemes.

Meanwhile, in Congress, Senate Republicans have continued to confirm President Trump’s nominees for key positions, but their broader legislative priorities remain in flux. On reconciliation, President Trump has announced his support for the House’s single-bill strategy, but the Senate is still advancing its own budget resolution, which does not include extensions of the Trump tax cuts. The ultimate approach Republicans take may depend on whether House Republican factions can agree on a single bill addressing immigration, energy and tax priorities. Additionally, government funding from the previous Continuing Resolution (CR) expired on March 14. With appropriations negotiations stalled, it appears increasingly likely that Congress will opt to pass a full-year CR or otherwise allow the government to shut down for some period of time.

Despite Majority Leader Steve Scalise (R-LA) noting crypto legislation as a priority in the Trump administration’s first 100 days, other legislative priorities, along with the confirmation of additional nominations, will continue to take precedence over comprehensive crypto legislation. However, both chambers are laying the groundwork for potential actions on crypto and stablecoin in the near future. House Financial Services Chair French Hill (R-AR) and Subcommittee on Digital Assets Chair Bryan Steil (R-WI) have released a draft bill to create a regulatory structure for stablecoins. This follows the introduction of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act by Sen. Bill Hagerty (R-TN), which would similarly establish a regulatory framework for stablecoins. Sen. Hagerty is a close ally to the President and was under consideration to serve as his Secretary of the Treasury. He has also been a strong ally to the crypto industry in the past. In addition to Hagerty, the bill is sponsored by Senate Banking Committee Chair Tim Scott (R-SC), Sen. Kirsten Gillibrand (D-NY) and Sen. Cynthia Lummis (R-WY).

President Trump addressed crypto in an executive order titled “Strengthening American Leadership in Digital Financial Technology,” stating that “the digital asset industry plays a crucial role in innovation and economic development in the United States, as well as our Nation’s international leadership. It is therefore the policy of my Administration to support the responsible growth and use of digital assets, blockchain technology, and related technologies across all sectors of the economy.” The executive order establishes the President’s Working Group on Digital Asset Markets.

Key Developments

Arizona Senate Committee Approves Strategic Bitcoin Reserve Bill

On January 27, 2025, the Arizona Senate Finance Committee approved the Arizona Strategic Bitcoin Reserve Act (SB1025) in a 5-2 vote. The Bill, which is co-sponsored by State Senator Wendy Rogers and State Representative Jeff Weninger, seeks to allow the state treasurer or a retirement system to invest up to 10% of the public monies under its control in virtual currency holdings. In addition, the Bill provides that if the U.S. Secretary of the Treasury establishes a strategic bitcoin reserve for the storage of government bitcoin holdings, the state treasurer or a retirement system may store the virtual currencies of that entity in a secure, segregated account within the strategic bitcoin reserve.

The text of the Bill can be found [here](#).

KuCoin Pleads Guilty to Unlicensed Money Transmission Charge and Agrees to Pay SDNY Penalties Totaling Nearly \$300 Million

On January 27, 2025, the United States Attorney's Office for the Southern District of New York (SDNY), announced that PEKEN Global Limited, a Seychelles-based entity that, since at least September 2019, has operated KuCoin, one of the largest cryptocurrency exchange platforms in the world, pled guilty to one count of operating an unlicensed money transmitting business. KuCoin flouted U.S. anti-money laundering laws by failing to implement effective anti-money laundering (AML) and know your customer (KYC) programs designed to prevent KuCoin from being used for money laundering and terrorist financing, failing to report suspicious transactions and failing to register with the U.S. Department of Treasury's Financial Crimes Enforcement Network. Between in or about September 2017 and in or about March 2024, the date of the Indictment, KuCoin served approximately 1.5 million registered users who were located in the U.S., and earned at least approximately \$184.5 million in fees from those U.S. registered users.

In connection with the guilty plea, PEKEN agreed to pay monetary penalties totaling more than \$297 million. PEKEN further agreed that KuCoin will exit the U.S. market for at least the next two years, and that two of KuCoin's founders, Chun Gan and Ke Tang, who were indicted along with PEKEN in March 2024, will no longer have any role in KuCoin's management or operations.

The SDNY's press release can be found [here](#).

Acting Chairman Mark T. Uyeda Announces Executive Staff and Other Appointments

On February 4, 2025, the SEC announced Acting Chairman Mark T. Uyeda's executive staff, which will advise the Acting Chairman on matters before the Commission and work closely with SEC staff. In addition, Acting Chairman Uyeda announced Antonia Apps as Acting Deputy Director for the Division of Enforcement, and Sebastian Gomez Abero, as Acting Deputy Director (Legal and Regulatory Policy) for the Division of Corporation Finance.

The SEC's press release can be found [here](#).

CFTC Announces Crypto CEO Forum to Launch Digital Asset Markets Pilot

On February 7, 2025, the CFTC announced it would hold a CEO Forum of industry-leading firms to discuss the launch of the CFTC's digital asset markets pilot program for tokenized non-cash collateral such as stablecoins. According to the announcement, participants will include Circle, Coinbase, Crypto.com, MoonPay and Ripple. Further information on the CEO Forum is forthcoming. "I'm excited to announce this groundbreaking initiative for U.S. digital asset markets," said Acting Chairman Pham. "The CFTC is committed to responsible innovation. I look forward to engaging with market participants to deliver on the Trump Administration's promise of ensuring that America leads the way on economic opportunity."

Further information can be found [here](#).

New York Senator Introduces Bill to Create Crypto Task Force

On February 12, 2025, New York Senator James Sanders Jr. introduced Senate Bill S4728 to establish the New York state cryptocurrency and blockchain study task force “to provide the governor and the legislature with information on the effects of the widespread use of cryptocurrencies and other forms of digital currencies and their ancillary systems, including but not limited to blockchain technology, in the state of New York.”

The text of the Bill can be found [here](#).

CFTC Acting Chairman Pham Announces Brian Young as Director of Enforcement

On February 14, 2025, CFTC Acting Chairman Pham announced Brian Young would serve as the CFTC’s Director of Enforcement. Young had been serving in an acting capacity since January 22, 2025, and previously was the Director of the Whistleblower Office for the CFTC.

Further information can be found [here](#).

Suspension of SEC’s Case Against Binance

On February 13, 2025, a federal judge in Washington, D.C., put the SEC’s civil lawsuit against Binance on hold for 60 days, granting a joint request by the regulator and the world’s largest cryptocurrency exchange to stay the litigation. The parties argued that the work of the new SEC crypto task force, which is focused on helping the SEC develop a regulatory framework for crypto assets may impact and facilitate the potential resolution of the case.

The joint motion for a stay can be found [here](#).

SEC to Dismiss Case Against Coinbase

On February 14, 2025, the SEC filed for a 28-day extension to respond to Coinbase’s interlocutory appeal, in which they emphasized the new Crypto Task Force’s potential ability to resolve the case through policy change instead of litigation. On February 21, 2025, Coinbase announced in a blog post that the SEC had “agreed in principle” to dismiss its enforcement case against the digital asset platform, noting that the final decision has not yet been voted on by the Commission. This comes after the SEC’s 2023 lawsuit against Coinbase, whereby the SEC alleged that Coinbase’s “staking” program, in which it pools assets to verify blockchain activity network activity and takes a commission in exchange for customer “rewards,” should have been registered with the agency. In response, Coinbase vigorously disputed the SEC’s charges and argued that its crypto assets did not meet the definition of an investment contract.

Further information can be found [here](#).

Brian Quintenz Nominated to be CFTC Chairman

On February 13, 2025, President Trump nominated Brian Quintenz, a former CFTC commissioner and cryptocurrency policy lead at venture-capital firm a16z, to be CFTC Chairman. Quintenz served as a CFTC commissioner between 2017 and 2021, and led the agency’s technology advisory committee that hosted public policy discussions and briefings. Republican commissioner Pham has been leading the CFTC as the Acting Chairman since January 20, 2025. Quintenz often spoke favorably of cryptocurrencies while serving at the

CFTC, calling it in 2020 an “incredibly innovative space, with the potential to offer great efficiencies and enhancements to the markets.”

Further information can be found [here](#).

SEC establishes Cyber and Emerging Technologies Unit

On February 20, 2025, the SEC publicly announced that it has established the Cyber and Emerging Technologies Unit (CETU) with the goal of “protect[ing] retail investors from cryptocurrency scams and other bad actors in the emerging technologies space.” Using fintech and cyber-related experience from 30 fraud specialists and attorneys headed by chief Laura D’Allaird, CETU’s focus areas include blockchain technology and cryptocurrency assets, the use of social media and false website to perpetrate fraud, hacking to obtain material nonpublic information and public issuer fraudulent disclosures related to cybersecurity. The SEC states that the unit will “not only protect investors, but will also facilitate capital formation and market efficiency by clearing the way for innovation to grow.”

Further information can be found [here](#).

Key Enforcement Actions

DOJ Charges Canadian Man in \$65M Cryptocurrency Hacking Schemes

On February 3, 2025, the U.S. Department of Justice (DOJ) announced that a five-count criminal indictment was unsealed in federal court in New York charging Andean Medjedovic with exploiting vulnerabilities in two decentralized finance protocols to fraudulently obtain about \$65 million from the protocols’ investors. According to court documents, from 2021 to 2023, Medjedovic allegedly exploited vulnerabilities in the automated smart contracts used by the KyberSwap and Indexed Finance decentralized finance protocols. Medjedovic borrowed hundreds of millions of dollars in digital tokens, which he used to engage in deceptive trading that he knew would cause the protocols’ smart contracts to falsely calculate key variables. Through his deceptive trades, Medjedovic was able to, and ultimately did, withdraw millions of dollars of investor funds from the protocols at artificial prices, rendering the victims’ investments essentially worthless. Medjedovic is charged with one count of wire fraud, one count of unauthorized damage to a protected computer, one count of attempted Hobbs Act extortion, one count of money laundering conspiracy and one count of money laundering. If convicted, he faces a maximum penalty of 10 years in prison on the unauthorized damage to a protected computer count and 20 years in prison on each of the other counts.

The DOJ’s press release can be found [here](#).

CFTC Announces that Federal Court Ordered Florida Man to Pay Over \$7.6 Million for Digital Asset Fraud

On February 10, 2025, the CFTC announced the U.S. District Court for the District of Massachusetts entered a consent order against Randall Crater in relation to Crater and other defendants named in the CFTC’s amended complaint operating a digital asset scheme in which they fraudulently offered the sale of a fully functioning virtual currency, My Big Coin. The order requires Crater to pay over \$7.6 million in restitution to defrauded victims in connection with his digital asset fraud scheme, with dollar-for-dollar credit for restitution

payments to victims in satisfaction of the restitution ordered in a parallel criminal action. The order also imposes a permanent injunction against Crater and bans him from trading in any CFTC-regulated markets, entering into any transactions involving commodity interests or digital asset commodities and registering with the CFTC. According to the CFTC's press release, Crater obtained more than \$7.6 million from at least 28 customers through fraudulent solicitations and subsequently spent the misappropriated money to purchase, among other things: a home, antiques, fine art, jewelry and other luxury goods. The consent order resolves the claims against Crater in the CFTC's enforcement action against him and co-defendants Mark Gillespie, My Big Coin Pay, Inc., My Big Coin, Inc., John Roche and Michael Kruger.

The CFTC's press release can be found [here](#).

CFTC Announces that Federal Court Orders New York Resident to Pay Over \$1.5 Million in Digital Assets Trading Scheme

On February 10, 2025, the CFTC announced that the U.S. District Court for the Eastern District of New York entered an order against Rashawn Russell in a CFTC action charging Russell with fraudulent solicitation and misappropriation of investor assets obtained for the purported purpose of trading digital assets on behalf of customers. The order stems from a CFTC complaint filed in April 2023, which alleged that from November 2020 to August 2022, Russell engaged in a fraudulent digital assets trading scheme in which he solicited more than two dozen retail customers to contribute bitcoin, ether and fiat currency to invest in his purported proprietary digital assets trading fund. The order requires Russell to pay over \$1.5 million in restitution to the defrauded victims. The order also permanently enjoins Russell from engaging in conduct that violated the Commodity Exchange Act and CFTC regulations, permanently bans him from registering with the CFTC and from solicitation for and trading in any CFTC-regulated markets on behalf of third parties and bans him from trading for himself for a period of eight years. The order resolves the CFTC's action against Russell.

Further information can be found [here](#) and the consent order can be found [here](#).

DOJ Announces Two Estonian Nationals Plead Guilty in \$577M Cryptocurrency Fraud Scheme

On February 13, 2025, the DOJ announced that Sergei Potapenko and Ivan Turõgin, two Estonian nationals, pleaded guilty on February 12, 2025, for their operation of a massive, multifaceted cryptocurrency Ponzi scheme that victimized hundreds of thousands of people from across the world, including in the United States. As part of the defendants' guilty pleas, they agreed to forfeit assets valued at over \$400 million obtained during the conspiracy. According to court documents, Potapenko and Turõgin sold contracts to customers, entitling them to a share of the cryptocurrency mined by the defendants' purported cryptocurrency mining service, HashFlare. Between 2015 and 2019, Hashflare's sales totaled more than \$577 million, but HashFlare did not possess the requisite computing capacity to perform the vast majority of the mining the defendants told HashFlare customers it performed. Potapenko and Turõgin each pleaded guilty to one count of conspiracy to commit wire fraud. They are scheduled to be sentenced on May 8, 2025. Each faces a maximum penalty of 20 years in prison.

Further information can be found [here](#).

Owner of Las Vegas Company Indicted in \$24 Million Cryptocurrency Ponzi Scheme

On February 14, 2025, the U.S. Attorney's Office for the District of Nevada announced that Brent C. Kovar had made his initial appearance in court for allegedly misrepresenting that

his company was a profitable, up-and-running artificial intelligence company that mined cryptocurrency, verified cryptocurrency transactions, paid fixed rates of return on investments and provided a 100% money-back guarantee. In total, the defendant obtained approximately \$24 million from at least 400 investors. According to allegations contained in the indictment, from late 2017 to July 2021, Kovar owned Profit Connect, a Las Vegas-based company that falsely represented to investors that Profit Connect paid a fixed rate of return and provided a 100% money-back guarantee when, in reality, Kovar used investor money to operate Profit Connect, buy gifts for employees, buy a house for himself and repay investors as if those repayments came from mining cryptocurrency and verifying cryptocurrency transactions. Kovar was charged with 12 counts of wire fraud, three counts of mail fraud and three counts of money laundering. A jury trial has been scheduled to begin on April 8, 2025, before United States District Judge Jennifer A. Dorsey.

The U.S. Attorney's Office press release can be found [here](#).

Founder of Miami-Based Cryptocurrency Token CluCoin Sentenced for Wire Fraud

On February 14, 2025, the U.S. Attorney's Office for the Southern District of Florida announced that Austin Michael Taylor, the founder of CluCoin, a cryptocurrency token project in Miami, was sentenced to 27 months in prison, followed by three years of supervised release and ordered to pay restitution and forfeit assets in the amount of \$1.14 million. The sentence came after the defendant pled guilty to wire fraud in August of 2024. According to the press release, from May through December 2022, Taylor sent approximately \$1.14 million in investor funds to his personal account at a virtual currency exchange and then used the funds at multiple online casinos, where he lost these investor funds to gambling.

The U.S. Attorney's Office press release can be found [here](#).

Akin Thought Leadership

[Crypto Course Correction at the SEC](#) (February 5, 2025)

[SEC Clears the Way for Crypto Custody](#) (January 24, 2025)

[US Supreme Court Declines to Resolve Pleading Requirements for Securities Fraud Claims](#) (December 30, 2024)

[Akin Win for Celsius Litigation Administrator, NY Bankruptcy Court Allows Legal Notices Sent via NFTs](#) (October 30, 2024)

[Akin Launches AI Law & Regulation Tracker](#) (August 1, 2024)

[U.S. Supreme Court to Clarify Securities Fraud Pleading Requirements for Falsity and Scienter During 2024-2025 Term](#) (June 28, 2024)

[Bipartisan Legislation Introduced in the Senate to Establish a Regulatory Framework for Stablecoins](#) (April 22, 2024)

[Coinbase Court Embraces 'Ecosystem' Approach to Identifying Crypto-Asset Securities](#) (April 3, 2024)

Events

Consensus Toronto

May 14-16, 2025

Toronto

The Consensus flagship event now heads to Toronto setting the stage for the most important conversation in crypto and Web3. Consensus has been the world’s largest, most diverse gathering of the cryptocurrency, blockchain and Web3 communities produced by award-winning crypto media outlet CoinDesk.



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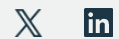


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