

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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LEGISLATION

1. GENIUS Act: Federal Stablecoin Legislation Signed by President

- On July 18, 2025, President Donald J. Trump signed the [Guiding Ethical National Innovation in the United States \(GENIUS\) Act](#), marking the passage of the nation's first comprehensive federal regulatory framework for stablecoins. The GENIUS Act specifically addresses “payment stablecoins”—digital assets that must be redeemable by issuers at a predetermined value, generally pegged to the U.S. dollar.
- The U.S. Senate passed the GENIUS Act on June 17, 2025, followed by the House of Representatives' adoption of the Senate's version approximately one month later.
- The legislation outlines standards for reserve requirements, redemption obligations, and licensing for payment stablecoin issuers, and provides for oversight by both federal and state authorities. For further details, refer to Ropes & Gray's [detailed analysis](#) of the GENIUS Act.

2. CLARITY Act Advances

- On July 17, 2025, the House of Representatives passed [The Digital Asset Market Clarity \(CLARITY\) Act](#) in a 294-134 vote, with 78 House Democrats joining all Republicans in favor; the act still requires Senate approval. The CLARITY Act seeks to resolve the long-standing jurisdictional dispute between the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) over digital assets.
- The CLARITY Act would give the CFTC regulatory primacy over digital commodities, which are defined as digital assets that rely on a blockchain for value and meet specific criteria for maturity or decentralization. The CFTC's authority would include oversight of exchanges, brokers, and dealers that facilitate digital commodities trading. The SEC would have jurisdiction over certain digital asset activities, particularly those involving brokers and dealers operating on alternative trading systems and national securities exchanges. The CLARITY Act would also introduce exemptions from SEC registration for digital commodities on mature blockchains, provided they meet specific sales thresholds and reporting obligations, thereby offering issuers a clearer compliance pathway.

3. Anti-CBDC Surveillance State Act

- [H.R. 1919](#) was passed by the House in July 2025. The bill bars the Federal Reserve from using a central bank digital currency (CBDC) for monetary policy or surveillance purposes, requiring explicit congressional authorization for any CBDC issuance, echoing broader legislative trends focused on individual financial privacy in the digital age.

4. President’s Working Group on Digital Asset Markets

- In July 2025, the [President’s Working Group on Digital Asset Markets](#)—comprising officials from the Treasury, the SEC, the CFTC, the Federal Reserve, and other financial regulators—released a multiagency report outlining a coordinated federal strategy for digital asset oversight.
- The working group stressed the importance of positioning the United States as the leader in digital asset markets, and put forward recommendations on such issues as developing a fit-for-purpose market structure framework, modernizing bank regulation for digital assets, strengthening the role of the U.S. dollar through dollar-backed stablecoins, and ensuring predictability in digital asset taxation.

5. SEC’s Project Crypto and Regulatory Reforms

- On July 31, 2025, SEC Chairman Paul Atkins [announced](#) Project Crypto, an initiative to modernize securities laws for digital assets.
- The project aims to utilize formal rulemaking, interpretive guidance, and exemptions to update the application of traditional securities statutes to crypto and digital asset firms. This is an SEC-wide effort to revise securities rules and regulations to accommodate financial market activities conducted “on-chain.” The initiative may result in changes to the U.S. securities markets. Chairman Atkins stated that he has directed the SEC staff to apply interpretive and exemptive relief as appropriate in the coming months as they develop regulations in various areas, to ensure that existing rules and regulations do not impede innovation and entrepreneurship.

6. OCC Bulletin on “Debanking”/Antidiscrimination

- On September 8, 2025, the Office of the Comptroller of the Currency (OCC) [issued a bulletin](#) clarifying how banks’ past record and policies will be evaluated to prevent politicized or unlawful debanking. As the bulletin outlines, when evaluating licensing applications and Community Reinvestment Act (CRA) performance, the OCC will consider whether banks have engaged in, or have policies that could lead to, debanking customers based on political or religious beliefs or on lawful business activities. This guidance provides banks with greater clarity regarding the OCC’s expectations for access to financial services and reinforces the requirement of objective, risk-based decision-making in account closures or service denials.
- The OCC’s bulletin also describes enhancements to its consumer complaint processes, including updates to its online reporting system to help identify potential instances of unlawful debanking. Additionally, the OCC has requested information from its largest regulated institutions to better understand current practices and is reviewing its supervision under the Bank Secrecy Act/anti-money laundering (BSA/AML) framework to ensure it does not inadvertently contribute to unlawful debanking.
- This bulletin is consistent with the president’s [Executive Order 14331](#), “Guaranteeing Fair Banking for All Americans,” and is part of the OCC’s broader initiative to reduce what it perceives to be politicization within the federal banking system.

REGULATORY UPDATES

1. SEC Announces Policy Shift on ETPs

- On July 29, 2025, the SEC [announced](#) that it will permit in-kind creations and redemptions for crypto exchange-traded products (ETPs), marking a shift from its earlier requirement that spot Bitcoin and Ether ETPs operate only through cash transactions. This change aligns crypto ETPs more closely with commodity-based ETPs, where in-kind transactions are standard, and is argued to reduce costs and increase efficiency for issuers, authorized participants, and investors. Alongside this approval, the SEC also cleared ETPs holding mixed allocations of Bitcoin and Ether, authorized the listing of options and FLEX options on certain Bitcoin ETPs, and raised position limits for listed options on Bitcoin ETPs. The SEC additionally set schedules to seek public comment on proposed large-cap crypto-based ETPs. The SEC framed these actions as part of its broader effort to establish a more rational and fit-for-purpose regulatory framework for crypto markets, aiming to reduce friction, encourage deeper markets, and enhance investor access.

2. CFTC Launches Operation Crypto Sprint, and SEC Launches Project Crypto

- On August 1, 2025, Acting CFTC Chairman Caroline D. Pham [announced](#) the launch of the CFTC’s Crypto Sprint, an initiative aimed at implementing recommendations from the President’s Working Group on Digital Asset Markets. This effort seeks to enhance regulatory clarity and foster innovation in digital asset markets.
- On August 4, 2025, Acting Chairman Pham [announced](#) the launch of an initiative to facilitate the trading of spot crypto asset contracts on CFTC-registered futures exchanges, known as designated contract markets (DCMs). Acting Chairman Pham emphasized the CFTC’s readiness to enable immediate trading of digital assets at the federal level, aligning with the SEC’s Project Crypto. The CFTC sought public input on how to list spot crypto asset contracts on DCMs, inviting stakeholders to submit feedback by August 18.
- On August 13, the SEC announced its [launch](#) of Project Crypto, in a speech led by Chairman Paul Atkins. In that speech, Chairman Atkins discussed the United States’ role in leading the global digital finance sector. He emphasized the importance of maintaining a competitive edge in digital finance by fostering innovation, ensuring robust regulatory frameworks, and supporting the development of digital financial technologies. Atkins highlighted the need for collaboration between the public and private sectors to create an environment conducive to the growth of digital finance, which includes addressing challenges such as cybersecurity, data privacy, and financial inclusion. He advocated for policies that balance regulation

with innovation to ensure that the United States remains at the forefront of the digital finance revolution.

- On September 2, 2025, the CFTC and the SEC [issued](#) a joint statement affirming that exchanges registered with either agency are not prohibited from facilitating the trading of certain spot crypto asset products. Both agencies expressed their commitment to supporting innovation and competition in the rapidly evolving crypto asset markets. The statement is explicitly nonbinding and does not change statutes or regulations, but it invites market participants to engage with agency staff and submit filings or requests, and it promises that the agencies will review those promptly. The agencies underscored that trading proposals should address key elements such as margin, clearing, settlement, market surveillance, public dissemination of trade data, and the integrity of the underlying markets. The joint statement is framed as an early step in interagency coordination to reduce regulatory uncertainty and foster innovation in U.S. crypto markets under existing legal frameworks.
- On September 4, 2025, Acting Chairman Pham [announced](#) the completion of the CFTC’s “enforcement sprint” initiative. This initiative involved six enforcement actions against 10 firms, resulting in a combined total of \$8,325,000 in civil monetary penalties. The initiative focused on resolving alleged compliance-related violations, such as recordkeeping and reporting issues, that did not involve fraud, customer harm, or market abuse. Eligible firms provided remediation plans and settlement offers based on comparable cases and the CFTC’s Advisory on Self-Reporting, Cooperation, and Remediation. Each firm completed or nearly completed remediation and agreed to cease and desist from further violations of the Commodity Exchange Act and CFTC regulations. Acting Chairman Pham emphasized that this initiative allowed the Division of Enforcement to efficiently resolve operational or technical noncompliance issues, enabling staff to refocus on combating fraud and market abuse.
- On September 23, 2025, Acting Chairman Pham [announced](#) the launch of an initiative to explore the use of tokenized collateral, including stablecoins, in derivatives markets. The effort seeks to examine how tokenized assets can improve capital efficiency, liquidity, and risk management in derivatives trading, while maintaining compliance with regulatory standards. Market participants and stakeholders were invited to provide public input by October 20, 2025.

3. The SEC Task Force Holds Further Roundtables

- On August 1, 2025, the SEC [announced](#) that its Crypto Task Force would embark on a nationwide On the Road series of roundtables to engage stakeholders in cities across the United States. The initiative, spearheaded by Commissioner Hester Peirce, aims especially to include voices from smaller crypto

projects (those with 10 or fewer employees and under two years old) and those unable to participate in earlier DC-based events. The Crypto Task Force later published a list of participating projects, with stops to include cities such as Berkeley, Boston, Dallas, Chicago, New York City, Los Angeles, Cleveland, Scottsdale, and Ann Arbor.

- On September 8, 2025, the SEC [announced](#) that its Crypto Task Force would host a public roundtable on financial surveillance and privacy on October 17 at the SEC headquarters in Washington, DC. The event was intended to convene panelists working on privacy-protecting technologies and to foster discussion on policy issues around financial surveillance. Commissioner Peirce emphasized the importance of enabling individuals to control when and with whom they share sensitive data, as part of broader efforts to develop policy in the crypto space. The roundtable was open to the public and live streamed, with registration required for in-person attendance.

- The action follows investigations into whether BuyCash and its owner, Ahmed M. M. Alaqad, used digital assets and money transfer services to obscure and channel funds to groups including Hamas, ISIS, and Al-Qaida affiliates, with some accounts allegedly receiving millions of dollars before and after the October 2023 attacks on Israel.
- The government’s seizure, which involved cooperation with crypto firms Tether and Binance, underscores ongoing efforts to disrupt terrorist financing networks that exploit cryptocurrency platforms, and highlights the increasing scrutiny and enforcement actions targeting illicit use of digital assets in support of international terrorism.

- **Founder of AML Bitcoin Sentenced to Seven Years for Cryptocurrency Fraud and Money Laundering**

- On July 29, 2025, Rowland Marcus Andrade, founder and CEO of AML Bitcoin, was [sentenced](#) to 84 months in federal prison after being [convicted](#) of wire fraud and money laundering related to a multimillion-dollar scheme involving the fraudulent marketing and sale of his cryptocurrency. Andrade was found to have misled investors by making false claims about the development, viability, and business prospects of AML Bitcoin, including fabricating a potential deal with the Panama Canal Authority.
- Evidence showed that Andrade defrauded investors of approximately \$10 million, diverting over \$2 million for personal use, including luxury purchases and real estate.

- **Treasury Sanctions Cryptocurrency Exchanges and Network Facilitating Cybercrime and Sanctions Evasion**

- On August 14, 2025, the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) [re-designated](#) cryptocurrency exchange Garantex Europe OU and sanctioned its successor, Grinex, along with three executives and six associated companies in Russia and Kyrgyzstan, for allegedly enabling ransomware actors and other cybercriminals to process over \$100 million in illicit funds since 2019.
- The action follows international law enforcement disruptions, including the seizure of Garantex’s infrastructure and the arrest of a key executive, after which Garantex transferred customer assets to Grinex in a purported effort to evade sanctions.
- OFAC’s designations also target a network of partner companies and individuals that supported these exchanges in allegedly circumventing anti-money laundering controls and facilitating cross-border transactions for sanctioned Russian entities.

ENFORCEMENT LANDSCAPE

1. SEC Announces No-Action for Certain Crypto Asset Custodians

- On September 30, 2025, the SEC [issued](#) no-action relief clarifying that state-chartered trust companies (which are not federal banks) may serve as qualified custodians for digital assets, provided they meet certain regulatory and operational standards.
- The relief was issued in response to industry requests for greater clarity on custody rules, particularly following concerns raised by investment advisers about compliance with the SEC’s Custody Rule.
- The staff stated it would not recommend enforcement action against registered investment advisers that use properly regulated state trust companies for safeguarding client crypto assets, so long as the custodians adhere to applicable state banking oversight, maintain adequate protections for client funds, and meet the recordkeeping and audit requirements outlined by the SEC.

2. DOJ Pursues Enforcement Actions

- **Justice Department Seizes \$2 Million in Cryptocurrency Linked to Hamas Fundraising**
 - On July 22, 2025, the Department of Justice (DOJ) and the U.S. Attorney’s Office for the District of Columbia [announced](#) the unsealing of a civil forfeiture action targeting approximately \$2 million in digital currency associated with Buy Cash Money and Money Transfer Company (BuyCash), a Gaza-based business accused of facilitating financial support for Hamas and other designated terrorist organizations.

- **Treasury Sanctions Network Funding North Korean Weapons Programs Through Fraudulent IT and Crypto Schemes**
 - On August 27, 2025, OFAC [sanctioned](#) two individuals and two companies for their alleged roles in a North Korean government scheme that used overseas IT workers and cryptocurrency to generate revenue for the regime’s weapons of mass destruction and ballistic missile programs.
 - The designated parties, including a Russian facilitator, a Democratic People’s Republic of Korea (DPRK) trade official, a Chinese front company, and a North Korean trading corporation, allegedly helped funnel millions of dollars to the DPRK by deploying IT workers who used false identities to infiltrate legitimate businesses, steal data, and demand ransom.
 - OFAC’s action blocks all U.S.-linked property of the designated parties and prohibits U.S. persons from engaging in transactions with them, with potential civil or criminal penalties for violations.
- **Former Cred Executives Sentenced for Cryptocurrency Wire Fraud Conspiracy**
 - On August 29, 2025, former Cred LLC (Cred) CEO Daniel Schatt and CFO Joseph Podulka were sentenced to 52 and 36 months in federal prison, respectively, after pleading guilty to wire fraud conspiracy for defrauding customers of the San Francisco-based cryptocurrency financial services firm.
 - The executives admitted to misleading customers by presenting an overly positive view of Cred’s business and concealing significant financial risks and challenges, particularly after the company’s hedging partner withdrew support following a sharp decline in Bitcoin prices in March 2020. Rather than disclose Cred’s deteriorating financial position, Schatt and Podulka continued to assure customers that operations were normal, even as the company faced mounting losses and ultimately filed for bankruptcy in November 2020.
 - The bankruptcy filing resulted in over 6,000 claims totaling more than \$140 million (and over \$1 billion at current cryptocurrency valuations).
- **Cryptocurrency CEO Pleads Guilty to \$200 Million Bitcoin Ponzi Scheme; Restitution Set at \$62.7 Million**
 - On September 17, 2025, the U.S. Attorney’s Office for the Eastern District of Virginia [announced](#) that Ramil Ventura Palafox, CEO of Praetorian Group International (PGI), pleaded guilty to wire fraud and money laundering for running a Ponzi scheme. The scheme solicited more than \$201 million from over 90,000 investors worldwide by falsely claiming profitable Bitcoin trading and promising daily returns of 0.5% to 3%.
 - Court filings state that PGI was not trading at a scale to support those returns; instead, investor funds were recycled, performance was misrepresented via an online portal, and millions were spent on luxury goods and transfers to family.
 - Palafox agreed to pay \$62,692,007 in restitution and faces up to 40 years in prison at sentencing on February 10, 2026. The case, investigated by the FBI and the IRS, highlights the DOJ’s continued focus on high-yield crypto schemes.
- **District of Columbia Sues Major Bitcoin ATM Operator for Alleged Elder Financial Exploitation**
 - On September 8, 2025, Office of the Attorney General for the District of Columbia filed a [lawsuit](#) in DC Superior Court against Athena Bitcoin, Inc. (Athena), one of the nation’s largest Bitcoin ATM (BTM) operators, [alleging](#) that the company facilitated widespread scams targeting residents of Washington, DC, particularly the elderly.
 - The suit claims Athena violated local consumer protection and elder financial exploitation laws by allowing its machines to be used in schemes where fraudsters, often posing as trusted officials, convinced victims (many with a median age of 71) to deposit cash into BTMs, resulting in irreversible losses with a median of \$8,000 per victim. The District of Columbia further alleges that Athena profited from excessive, undisclosed transaction fees and knowingly enabled repeated use of its machines for fraudulent purposes.

PRIVATE LITIGATION

1. The FTX Fallout Continues

- **In re: FTX Cryptocurrency Exchange Collapse Litigation**
 - On August 12, customers of FTX Trading Ltd. (FTX) sought to add new claims against Fenwick & West in the ongoing multidistrict litigation, alleging that the law firm had a direct involvement in the criminal activities of a defunct crypto exchange.
 - Fenwick [opposed](#), claiming allegations that it knew of FTX’s misuse of customer funds were an “irresponsible falsehood” and arguing the motion to bring new claims against FTX “rings of delay, dilatory motive, and bad faith.”
 - As of publication, Fenwick’s motion to dismiss on the existing claims is fully briefed and pending.
- **Greene v. Prince et al.**
 - On August 22, investors [asked a federal court](#) to approve a \$13.2 million settlement with failed lender BlockFi, resolving claims that BlockFi officers made material misrepresentations that contributed to bankruptcy during the so-called crypto winter and downfall of FTX.
 - The original [complaint](#) was filed in February 2023 on behalf of U.S. investors who enrolled in a BlockFi Interest Account between March 4, 2019, and November 10, 2022. It alleged that BlockFi pooled cryptocurrency assets of its customer accounts in order to fund lending operations and proprietary trading.
 - BlockFi [filed for Chapter 11](#) bankruptcy on November 28, 2023.

2. Further Litigation for Coinbase, Inc.

- **Coinbase Sues Over Alleged Cybersquatting and Contract Breach Tied to coinbase.de Domain**
 - On July 24, 2025, Coinbase, Inc., [sued](#) a German national in California federal court under the Anti-Cybersquatting Consumer Protection Act of 1999 and for breach of contract, alleging the defendant is using coinbase.de to pose as Coinbase and redirect users to his business.
 - Coinbase alleges the defendant is threatening to sell the coinbase.de domain to third parties who may use it for cybercrime in order to extract an inflated purchase price from Coinbase.

3. Other Private Litigation

- **Class Action Targets Crypto ATM Operator over Alleged Facilitation of Scams**
 - On July 21, 2025, a 66-year-old retiree filed a [proposed class action](#) in the Southern District of Indiana alleging that Bitcoin Depot’s ATM network facilitates scams targeting elderly consumers by enabling immediate, irreversible transfers to anonymous wallets with minimal verification.
 - The complaint alleges that Bitcoin Depot misrepresents the security of its services, fails to intervene in “red flag” transactions despite acknowledging scam risks, and continues to collect fees on suspicious transactions.
 - The plaintiff claims he was coerced by scammers impersonating Microsoft and law enforcement to deposit \$7,000 via a Bitcoin Depot ATM.
- **Fan v. NBC Properties Inc. et al. (NBA Top Shot)**
 - On July 31, 2025, users of the NBA Top Shot NFT marketplace [moved for preliminary approval](#) of a \$7.05 million class settlement with NBA Properties and Dapper Labs resolving privacy claims.
 - The plaintiffs alleged the defendants collected and shared “highly sensitive and specific information about basketball fans’ video consumption habits without their informed written consent” in order to target users with advertisements.
 - The settlement will provide pro rata relief to approximately 1.2 million class members. The court previously declined to dismiss, holding that the amended complaint adequately pleaded a joint venture or partnership.
- **Gabriel v. Foris Dax Inc.**
 - On September 15, 2025, a Pennsylvania state court [ordered](#) four crypto companies—SafeX Pro Investment Co. Ltd., Peace Bird Dex Ltd., Digital Finance Academy Ltd., and Blockeur Ltd.—to release more than \$4.3 million to a Pittsburgh attorney who alleged the firms froze or withheld his USDT when he attempted withdrawals.
 - After initial orders to release approximately \$1.5 million (later expanded to include additional funds) went unheeded, the court held defendants in contempt and issued this enforcement order.

Looking Ahead

After the close of the quarter, Senate Democrats released a memo outlining a preferred framework for a market structure bill, claiming that their plan “is a substantive road map to guide what we hope will be robust and fruitful bipartisan negotiations and ultimately, a bipartisan product.” That plan, however, threatens to derail the CLARITY Act, which had been headed for a Senate mark-up at the end of September. Check back next quarter for further coverage of the Senate’s efforts to take up the House-passed version of the bill.

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